

**SCHNEIDER ELECTRIC GROUP**  
**2018 – WORLDWIDE EMPLOYEE SHARE OWNERSHIP PLAN**  
**COUNTRY SUPPLEMENT - INDIA**

*You have been invited to invest in shares of Schneider Electric SE under the umbrella of the Schneider Electric Group employee share offering pursuant to a capital increase reserved for employees of the Schneider Electric Group in the 2018 World Employee Share Ownership Plan (“2018 WESOP” or the “Offering”). You will find below a summary of the terms of 2018 WESOP, as well as specific terms applicable to employees in India, including the expected principal tax, and social security consequences relating to the Offering, as well as a description of the employer matching contribution rules applicable to participants in India.*

*For a more complete description of 2018 WESOP, please refer to the employee brochure provided together with this supplement, and to the International Employee Shareholding Plan rules, which is available on [www.infowesop.schneider-electric.com](http://www.infowesop.schneider-electric.com) and on Spice Employee Portal.*

*This offering is made in reliance of the exemption from publishing a prospectus provided for in Article 4(1)(e) of the EU Prospectus Directive 2003/71/EC, as amended.*

**DESCRIPTION OF THE SPECIFIC TERMS OF 2018 WESOP**

**Eligibility**

The Offering is open to employees of any participating company of the Schneider Electric Group in India, who have uninterruptedly worked for at least three months in one or more Schneider Electric Group companies, as measured at the last day of the revocation period, which is June 7, 2018 and are still employed as at such date.

**Type of Offering**

Schneider Electric SE shares, in the form of units of a mutual fund hosting the shares (FCPE, see below *Custody of your shares*), will be offered for subscription to all eligible employees of the Schneider Electric Group in participating countries, pursuant to a capital increase of Schneider Electric SE reserved for such employees.

If the total number of requested shares exceeds the number of shares offered, the allocation of shares to certain employees may be reduced, so as to allow as many employees as possible to participate in 2018 WESOP.

Following the issue of the new shares, Schneider Electric will request their admission to listing on the French Stock Exchange, Euronext Paris (Compartment A). These shares will all be ordinary shares carrying the same rights as the other existing ordinary shares.

**Reservation Period – (April 3, 2018 to April 23, 2018 (17:00 IST))**

The reservation period during which you may enroll to participate in the Offering starts on April 3, 2018 and lasts until April 23, 2018 (17:00 Indian standard time). Please note that your subscription/

reservation will need to be submitted electronically, via the [www.wesop.schneider-electric.com](http://www.wesop.schneider-electric.com) website, for which your personal access code is provided to you<sup>1</sup>.

In the event you choose to submit a paper subscription form (and if you are an employee of Schneider Electric Infrastructure Limited or Schneider Electric President Systems Limited), you will be required to ensure its submission directly with your local Human Resources Department within the reservation period.

Please note that in case of submission of subscription via internet, in addition to a paper subscription form, the reservation filled out on the website will prevail over and supersede the hard copy reservation form included with the brochure.

### **Revocation Period (June 1, 2018 to June 7, 2018 (17:00 IST))**

Revocation period during which you may cancel your reservation starts on June 1, 2018 and lasts until June 7, 2018 (17:00 Indian standard time). During the revocation period, it is possible to cancel your reservation by completing a paper revocation form and returning it to your Human Resources Department no later than June 7, 2018 (17:00 IST). Please note that partial cancellation is not permissible.

In the absence of proper revocation as per requirements, your reservation order will become a final, binding and irrevocable subscription order on the last day of the Revocation Period.

### **Subscription Price**

The subscription price for the Schneider Electric SE shares will be determined after the end of the reservation period. It is expected that the subscription price will be set by the Deputy Chief Executive Officer (upon delegation by the Board of Directors of Schneider Electric SE) on May 31, 2018. You will be informed of the subscription price by your local employer before the opening of the revocation period on June 1, 2018.

The Schneider Electric SE shares are offered at a 15% discount on the reference price. The subscription price will be based on the average of the 20 opening prices of the Schneider Electric SE share recorded on the Paris stock exchange ending on May 30, 2018 (inclusive). This average price is referred to as the "reference price". The subscription price will be equal to the reference price minus a 15% discount. The purchase price (subscription amount) will be communicated to you before the opening of the revocation period.

Payment of purchase price will be in Indian Rupees (INR) at the exchange rate to be determined by Schneider Electric prior to the beginning of the revocation period. Your employer will inform you of the exchange rate in due course. Such exchange rate will be valid for the payment of the purchase price during the subscription period. In all other circumstances than those referred to above, exchange rates that may affect the value of your investment are governed by the market and are not guaranteed.

***Important Note:*** *During the life of your investment, the value of the Schneider Electric SE shares subscribed through the Classic FCPE as described in this supplement and the employee brochure, will be affected by fluctuations in the exchange rates between the euro and INR. As a result, if the value of the euro strengthens relative to INR, the value of the shares expressed in local currency will increase. On the other hand, if the value of the euro weakens relative to INR, the value of the shares expressed in INR will decrease.*

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<sup>1</sup> Note: Last entered details will prevail in online subscription tool.

### **Employer Matching Contribution**

*For Employees (other than Employees of SEIL and SEPSL)* - Your employer has decided to pay a matching contribution if you participate in the 2018 WESOP. For more information, please refer **Appendix A** at the end of the Country Supplement.

*For Employees of SEIL and SEPSL* - Please note that Schneider Electric Infrastructure Limited ("SEIL") and Schneider Electric President Systems Limited ("SEPSL"), being public companies, are subject to certain legal regulations which restrict them from allocating employer matching contribution under 2018 WESOP unless the shareholder's approval to 2018 WESOP and employer matching contribution is obtained. For more information, please refer **Appendix A** at the end of the Country Supplement.

### **Method of Payment**

The following payment methods of your subscription are made available:

- 1 month's salary deduction in July 2018; or
- 3 months' salary deduction starting in July to September 2018; or
- availing finance facility from the Company up to 6 months' base salary for 2017 (provided investment limits of the 2018 WESOP are respected) repayable in 11 installments spread over 11 months, starting in July 2018 and ending May 2019.

### **Financing by Employer**

Your employer will offer financing to you for all or a portion of the purchase price. The financing would be in the form of short-term interest-free loan, subject to a maximum of 6 months' base salary for 2017, which would be repayable/recoverable from you in 11 installments spread over 11 months. Although the said financing will be interest free, for the purposes of the Income-tax Act, 1961, a notional interest rate may be chargeable on the same and will be treated as a perquisite and taxable in your hands.

### **Default of payment case**

In case where (i) you have opted to pay the subscription price via a loan or salary advance, to be reimbursed in installments, and (ii) you fail in your obligations to reimburse/repay such loan or salary advance in a timely manner, your employer shall have the overriding right to sell immediately upon such default or thereafter, the number of shares required to reimburse/repay the loan plus expenses, without prior notice of, or approval from you and without any right of indemnity. Such forced sale may incur tax implications on you.

### **Maximum & Minimum Subscription Amount**

The maximum amount of subscription that you are permitted to make is 25% of your gross annual compensation paid by your employer during the year 2017.

In addition, your personal contribution cannot be less than INR 800.

Matching contributions from your employer, if any, with respect to the 2018 WESOP will not be considered for purposes of determining your maximum contribution entitlement.

### **Possible reductions of your subscription request**

- Subscription requests exceed the number of shares offered: The total number of shares offered in the 2018 WESOP is 3.7 million newly issued Schneider Electric SE shares, which will be split on the price fixing date between the Schneider Electric Group Savings Plan and the Schneider Electric International Employee Shareholding Plan.

Accordingly, if the number of shares requested (whether to be subscribed directly or via an FCPE), exceeds the number of shares offered under the relevant Plan, the number of units that will be allocated to you in relation to the amount indicated in your subscription/reservation form may be reduced on the basis of the rules set forth in the employee brochure provided to you together with this Country Supplement. In such case, the amount that will be invested in your individual account in the International Employee Shareholding Plan will be reduced accordingly.

- Subscription requests result in exceeding the global amount of matching contribution: Furthermore, Schneider Electric has decided to cap the amount of matching contribution offered for the 2018 WESOP. Under the International Employee Shareholding Plan this cap will be of €37,000,000 (the “global amount of matching contribution” or “GMC”).

Accordingly, if the calculated matching contribution to be allocated to all subscribers under the International Employee Shareholding Plan exceeds this cap, a reduction formula will be applied to the matching contribution and to the related subscribers’ investment requests, as described below.

If the total matching contributions up to €800 calculated on all the employees’ investment requests is lower than the GMC, then a matching contribution up to €800 per employee will be paid according to such employees’ investment requests. Should this not be the case, the amount of matching contribution paid without reduction per employee shall be equal to the GMC divided by the number of subscribers, hereafter called “Maximum Unreduced Matching” (or “MUM”).

Employees’ investments will be served as follows:

- ▶ **1<sup>st</sup> tranche:** matching contribution paid without reduction up to €800 per employee or MUM, as the case may be.

Irrespective of the total amount of matching contribution calculated for an employee’s investment request, the first €800, or MUM as the case may be, will be paid without reduction, and the related employee personal contribution will be untouched: no reduction of the investment requests and of the corresponding matching contributions will take place for this 1st tranche.

The total amount of matching contribution paid to all subscribers with respect to this 1st tranche is called the « Minimum Protected Matching » (or « MPM »).

- ▶ **2<sup>nd</sup> tranche,** above €800 or MUM as the case may be: the matching contribution calculated according to the employee’s investment request may be reduced if the total amount of matching contribution calculated on all investment requests is higher than the GMC.

Under such circumstances, the reduction of the matching contribution (above €800 or the MUM) calculated for each relevant employee shall be proportional to a ratio of the matching amount still available according to the GMC (i.e., GMC minus MPM) divided by the matching contribution which remains to be paid according to the calculation based on the employees’ investment requests, i.e.:  $(GMC \text{ minus } MPM) / (\text{Total calculation of matching contributions minus } MPM)$ .

*(a) Calculation of the reduction of the employee’s related investment request:*

The employee’s investment request will then be reduced of the amount corresponding to the matching contribution reduction.

*(b) Modality of reduction of the employee’s investment request:*

The amount of the investment requests reduced shall not be withheld or shall be reimbursed to the employee, depending on the method of payment used.

Hence, should such a reduction impact the matching contribution applicable to your investment request, your investment will also be reduced of the related amount so that you have no invested amount you expected to be matched that is not.

Examples:

- If your investment request is for an amount of INR 50,000, and exceeding the global amount of matching contribution results in a reduction of the matching contribution of INR 10,000, your investment request will be reduced by INR 10,000, i.e. INR 40,000 final investment (plus INR 40,000 matching).
- If your investment request is for an amount of INR 150,000, and exceeding the global amount of matching contribution results in a reduction of the matching contribution of INR 10,000 out of INR 105,000, your investment request will be reduced by INR 20,000, i.e. INR 130,000 final investment (plus INR 95,000 matching).
- If your investment request is for an amount of INR 250,000, and exceeding the global amount of matching contribution results in a reduction of the matching contribution of INR 10,000 out of INR 105,000, your investment request will be reduced by INR 20,000, i.e. INR 230,000 final investment (plus INR 95,000 matching).

### **Custody of your Shares**

Your shares will be subscribed and held on your behalf by a mutual fund, a French collective shareholding vehicle, known as a *Fonds Commun de Placement d'Entreprise* (the "FCPE"), which is commonly used in France to hold and manage shares held by employees under employee share plans. The subscription to the capital increase will be made by the FCPE, acting on your behalf.

If you subscribe to the Offering, on the date of the capital increase, you will be issued units in the "Schneider Relais International 2018" FCPE corresponding to the Schneider Electric SE shares subscribed, and, after the merger between the two FCPEs, units of the FCPE Schneider Actionnariat Mondial compartment of the "Schneider Actionnariat Mondial" FCPE (the "**Classic FCPE**").

The units of FCPE will not be listed on a stock exchange and are not transferable to a third party.

### **Your investment will be subject to a 5-year lock-up period**

In consideration of the benefits granted under this 2018 WESOP, your investment is subject to a 5-year lock-up period (up to and including June 30, 2023) during which you will not be able to redeem your investment in the FCPE. However, in certain circumstances set out below, you may, voluntarily or otherwise mandatorily be required to request the sale of your FCPE units during the abovementioned lock-up period:

1. A voluntary redemption is permitted upon your marriage. Request for redemption must be processed based solely on proof in the form of marriage certificate furnished by you;
2. A voluntary redemption is permitted upon the birth or adoption of your third child provided that your household is already financially responsible for at least two children;
3. A voluntary redemption is permitted upon your divorce or separation, when this event is accompanied by a court decision;
4. A voluntary redemption is permitted where you suffer from a disability resulting in the permanent or temporary (of at least 6 months) impossibility for you to exercise a professional activity;
5. A mandatory redemption is required upon your death. A voluntary redemption is permitted in the event of death of your spouse;
6. A mandatory redemption is required where your employment contract is terminated for any reason including because of resignation, dismissal or retirement;

7. A voluntary redemption is permitted where your spouse or child requires the amounts invested to be used in (i) creation or taking over of an industrial or commercial business, either on his or her own or in the form of a company/firm, provided he or she effectively controls it, or (ii) installations in view of carrying on another non-salaried profession;
8. A voluntary redemption is permitted where you require the amounts invested for the acquisition or enlargement of your principal place of residence entailing the creation of a new living area;
9. A mandatory redemption is required where your employing company leaves the Schneider Electric Group and ceases to be a participating company as such terms are defined in the International Employee Shareholding Plan Rules.

Director of Human Resources of Schneider Electric SE (directly or by delegation) may, upon his or her own initiative or upon request from any participating company in writing, modify the early redemption conditions, including institute new events, modify or delete existing events, or provide interpretations of such events. Any action taken in this regard shall be on a case by case basis, valid only for the specific case or offering presented, unless otherwise specified in the plan administrator's decision.

Upon the occurrence of an event of early redemption giving rise to a voluntary redemption right under events number 1, 2, 3, 7 or 8 above, you must present your request to your employer together with supporting documentation of the event within 6 months following such event. These events, as well as event number 4, are restricted strictly to you alone and do not extend to your family members, dependent or otherwise, unless otherwise specified in event number 7.

In all other cases (except for events number 5, 6 and 9 as indicated below), you may present your request to your employer together with supporting documentation of the event at any time.

In the event of your death (event number 5), your executor must inform your employer of such event and request the redemption of your assets under the International Employee Shareholding Plan and any other Schneider Electric Group employee savings plan within one year after your death. Failure of your executor to make such request within the specified time-period shall not prevent the plan administrator from ordering a mandatory redemption at the end of this period. In the event your spouse dies, you may request the redemption of your assets under the Plan at any time after the occurrence of such event. Your employer will then forward this request, after having validated the occurrence of the event, based on the justifications provided, to the Holder of FCPE unit-holders' or shareholders' accounts.

Upon the occurrence of event number 6 (termination of employment), you shall inform your Group former employer of the occurrence of such event and present your request to redeem your assets under the International Employee Shareholding Plan and any other Schneider Electric Group employee savings plan. Such request for redemption must be made to such employer within one year after your departure from the Group company and no justification is required. Failure to make such request within the specified time-period shall not prevent the Plan Administrator from ordering a mandatory redemption at the end of this period.

Upon the occurrence of event number 9, where your company ceases to be a participating company, you must present your request of redemption of all of your assets under the International Employee Shareholding Plan and any other Schneider Electric Group employee savings plan as soon as such event is confirmed by your employer (and in no case later than the date of occurrence of such event) and no justification is required. Failure to make such request within the specified time-period shall not prevent the plan administrator from ordering a mandatory redemption.

Voluntary redemption shall take place in the form of a single payment that, at your choice, shall relate to all or some of the assets that may be redeemed.

In case of mandatory redemption under events 5 and 6, if you (or your legal heirs) decide not to redeem your investment immediately and chose to use your (or their) right to exit within a one year period, you (or your legal heirs) will need to fill in and sign a Mandatory Exit Form prior to your departure from the Group (or shortly after your death, as the case may be). This Mandatory Exit Form is separate from the Redemption Request Form (please see below under “Processing of your exit request”).

Before relying or attempting to rely on any of these Early Exit Events, you should consult with your employer to make sure that your case meets all the requirements of the International Employee Shareholding Plan and is permitted under local laws. You should not conclude that an early exit event is applicable unless you have described your specific situation to your employer and your employer has confirmed that it applies to your situation, upon providing the requisite supporting documents. For further information on the above early exit events and/or redemption procedure, please contact your Human Resources Department or consult the International Employee Shareholding Plan Rules, which are available on [www.infowesop.schneider-electric.com](http://www.infowesop.schneider-electric.com) and on Spice Employee Portal.

### **After the end of the holding period**

For sake of clarity, please note that where an aforementioned event as a mandatory early exit (events number 5, 6 and 9) occurs after the end of the lock-up period, exit from the plan and from any other Schneider Electric Group employee savings plan is mandatory.

### **Processing your exit request**

To redeem your units, you will need to fill in a “Request for Redemption Form” (available with your Country Coordinator) and send it to your Country Coordinator, who will forward it to the FCPE for processing.

The FCPE will execute your request, after it has been validated by your local employer, and will transfer the value of your investment to your employer's bank account shortly thereafter.

Your employer will transfer the sums owed to you (after deduction of any tax or social charges when required) thereafter.

### **Dividends**

Any dividends paid on the Schneider Electric SE shares held on your behalf by the Classic FCPE during the lock-up period will be automatically reinvested by the Classic FCPE in additional Schneider Electric SE shares. These reinvested dividends will result in an increase in the value of your units.

### **Voting rights**

The Supervisory Board of the Classic FCPE will exercise on your behalf any voting rights attached to the Schneider Electric SE shares held by the Classic FCPE. For more information, please read the Classic FCPE's regulations.

### **Redemption**

Your investment will become available for redemption on the expiration of the approximate 5-year lock-up period (or earlier in the case of an early exit event). You can track the changing value of your investment in the FCPE by tracking the value of a unit. You may do so by logging on to the "Savers & Employees" area of the Natixis Interépargne website ([www.interepargne.natixis.com](http://www.interepargne.natixis.com)) with your access codes.

At the expiration of the lock-up period, you may redeem your investment for a cash payment based on the share price established on the redemption date; alternatively, you may continue to hold your shares in the FCPE (at which time, the units will no longer be subject to a lock-up restriction).

**Custody Arrangement**

For so long as the shares are held in the International Employee Shareholding Plan, Schneider Electric SE reserves the right, to the extent permitted by law, to amend or change the custody arrangements, including by transferring the shares held under the FCPE to a nominative account. Such amendment, change or transfer may affect the way your shareholder rights are exercised and enjoyed (including the manner and timing of dividend payments and voting rights).

**Labour Law Disclaimer**

Please note that this 2018 WESOP is provided to you by the French company, Schneider Electric SE, and not by your local employer. The decision to include a beneficiary in this or any future offering is taken by Schneider Electric SE in its sole discretion. The 2018 WESOP does not form part of your employment agreement and does not amend or supplement such agreement in any manner whatsoever. Participation in 2018 WESOP does not entitle you to future benefits or payments of a similar nature or value and does not entitle you to any other compensation if you lose your rights under 2018 WESOP because of the termination of your employment or otherwise. Benefits or payments that you may receive or be eligible for under 2018 WESOP will not be taken into consideration in determining the amount of any future benefits, payments or other entitlements that may be due to you (including in cases of termination of employment).

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**SCHNEIDER ELECTRIC GROUP**  
**2018 WORLDWIDE EMPLOYEE SHARE OWNERSHIP PLAN**

**Tax Information for Employees Resident in India**

*The purpose of this document is to provide answers to some of the questions you may have regarding income tax and social charges impact of your participation in 2018 WESOP.*

*This summary sets forth general principles that are expected to apply to employees who are and shall remain until the disposal of their investment residents of India for the purposes of the tax laws of India and the Convention between India and the French Republic for the avoidance of double taxation dated September 29, 1992 which came into force from August 01, 1994 (the "Treaty"), and who will continue to remain residents of India until their rights in relation to the units in this 2018 WESOP end. The tax consequences listed below are described in accordance with the Indian and French tax law and practices as well as the Treaty, applicable as at January 1, 2018. These laws and practices, as well as the Treaty, may change over time, and it is recommended that employees seek specific tax advice at the relevant time.*

*Please note that Schneider Electric or your employer are not providing, and will not provide, any personal or tax advice in relation to this Offering. For definitive advice, you should consult own tax advisor regarding the tax consequences of subscribing to the Schneider Electric SE shares. This summary is given for informational purposes only and should not be relied upon as being either complete or conclusive. While every effort has been made to give information as precise as possible, the employing company ("the Employer") does not take responsibility for its accuracy.*

**A. Taxation in France - At Subscription**

Provided your investment will be held through the Classic FCPE and such FCPE reinvests any dividends that may be distributed by Schneider Electric SE, you will not be subject to tax or social charges in France.

**B. Taxation in India - At Subscription**

**In the hands of the Employer:**

There will be no liability on the Employer to pay tax.

**In the hands of Employees:**

Your investment in Schneider Electric SE shares will be contributed and held in a collective employee shareholding vehicle (FCPE) in exchange for units. For shares subscribed through the 2018 WESOP, you will receive units from the Classic FCPE.

Perquisite income will be taxable in your hands at the time of exercise of option by the way of subscription. For financial year 2018-2019, the difference between the subscription price paid by you and the fair market value of those shares on the specified date (i.e. date of exercise of the option by way of subscription or any date within 180 days earlier to the date of such exercise) will be treated as a "perquisite" income. Such perquisite income will be taxable in your hands; and the Employer will withhold tax at the rate applicable and remit the withheld tax to the tax authorities.

The valuation of perquisite is calculated on the difference between:

- (i) the "fair market value" of the shares (as determined by a "category I merchant banker" registered with the Security and Exchange Board of India. The merchant banker will

consider the listed price on the foreign stock exchange on the specified date (i.e., date of exercise of the option by the employee by the way of subscription or any date within 180 days earlier to the date of such exercise) as one of the considerations); and

(ii) the subscription amount paid by you.

In terms of the 2018 WESOP, the Schneider Electric SE shares are offered at a 15% discount on the reference price. Therefore, the proposed discount on the fair market value of the shares would be treated as perquisite under Section 17 of the Income-tax Act, 1961 and, as a result, would form part of your compensation and liable to be taxed in your hands as income under the head salaries. Employer will withhold tax at the rate applicable to you and remit the withheld tax to the tax authorities.

**C. Tax or social security charges that may be applicable on an employer's matching contribution (if applicable in your company)**

The employer matching contribution (matching your own personal contribution, if decided by your employer<sup>2</sup>, subject to a maximum of INR 105,000) by your Employer, at the subscription stage, will be treated as "perquisite" income and taxable in your hands.

The difference between the price paid by you (in this case zero) and the fair market value of the matching shares on the specified date will be treated as "perquisite" income. Rate of taxation would depend on your total income and taxed at progressive rates up to 30%, plus surcharge and cess, as applicable to you (for tax rates, please refer table in Section F below). Your Employer will withhold tax at the applicable tax rate and remit the withheld tax to the tax authorities.

**D. Tax or social security charges that may be applicable in case of financing by your employer**

Under Section 17(2)(vi) of the Income-tax Act, 1961 read with Rule 3 of Income-tax Rules, 1962, perquisite includes the value of any fringe benefit or amenity granted or provided free of cost or at a concessional rate. Per the provisions of Rule 3(7)(i) of the Income-tax Rules, 1962, an interest-free loan or loan provided at a concessional rate qualifies as a perquisite. Therefore, the fringe benefit, concession or amenity given by the Employer to you (if you so opt) would take the form of perquisite and would be taxable in your hands.

**Valuation of Perquisite (in the form of interest free loan)**

Since financing by the Employer would be free of interest, the Indian Tax law requires a charge of notional rate of interest on the loan amount, which would be treated as a perquisite in your hands and subject to tax. Perquisite value would be calculated based on the maximum outstanding monthly balance method. However, no perquisite value would be charged if the loan amount is less than INR 20,000 in the aggregate.

According to Rule 3(7)(i) of the Income-tax Rules, 1962, the value of benefit to the employee resulting from the interest free or concessional loan for any purpose by the employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India as on the first day of the relevant previous year in respect of loans for the same purpose advanced by it, on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him with respect to the amount in excess of INR 20,000.

The present rate charged by the State Bank of India for such type of loan is 15.80% per annum (which is subject to change from time to time). As the value of perquisite in the hands of the

<sup>2</sup> Please refer Appendix A hereto for the matching contribution rules allocated by your employer, if any.

employee would be the difference between the interest rate charged by the State Bank of India and the rate offered by the employer (in the present case since the Employer will not charge interest on the amount of funding), the value of perquisite will be 15.80% (or such other applicable rate prescribed by the State Bank of India) on the maximum outstanding monthly balance a reduced by the interest, if any, actually paid.

Since the perquisite value on account of interest free/concessional loan would be taxable in your hands, the Employer would be required to withhold tax thereon at the appropriate rate.

There would be no social security tax consequences for you in case of financing by the Employer.

**E. Taxation in France - On Dividend Income**

Any dividend paid to the Classic FCPE will be automatically reinvested in additional Schneider Electric SE's shares. These reinvested dividends will result in an increase in the value of your units. There is presently no French withholding tax that is applicable to dividend reinvestment. Moreover, no French social charges are applicable.

**F. Taxation in India - On Dividend Income**

Under the Offering, dividends are capitalized in the FCPE, thus increasing the value of your units (or fractional units). Any dividend declared or distributed (including reinvestment) by a foreign company, would be taxable in your hands under the head 'Income from other sources'. Such income will then be added to your other income and the total income including the dividend would be taxed accordingly. There is no monetary threshold of dividends on which no tax is payable.

***Nature of the tax (e.g. income, capital gains, etc.)***

You will be liable to pay income tax, under the head 'Income from Other Sources'

***Method by which the taxable amount is to be calculated***

Since the incidence of tax is on distribution of dividend, any dividend declared or distributed by Schneider Electric SE to the FCPE, under the Offering, would be taxable in your hands under the head 'Income from Other Sources'. This income will then be added to your other income and the total income including the dividend would be taxed accordingly. The dividend income would remain taxable even if the dividend amount were reinvested in additional shares of Schneider Electric SE, as under law you would be deemed to have received the dividend upon distribution.

***Rate of taxation or social security charges***

There are no social security taxes or other charges payable other than the Income Tax. The rate of taxation would depend on your total income including the dividend income and would be taxed slab-wise as under:

Total Income	Total tax liability	Tax Rates
Up to INR 2,50,000	Nil	Nil
Between INR 2,50,001 – INR 5,00,000	5% of the amount by which the total income exceeds INR. 250,000	5%
Between Rs 5,00,001 – INR 10,00,000	INR 12,500 plus 20% of the amount by which the total income exceeds INR 500,000	20%
INR 10,00,001 and above	INR 112,500 plus 30% of the amount by which the total income exceeds INR 10,00,000	30%

- Notes:**
1. The basic exemption limit is INR 250,000 in case of every individual below the age of 60 years, INR 300,000 in case of resident individuals of age 60 years or more and INR 500,000 for 'very senior citizen' in case of resident individuals of age 80 years and above.
  2. Surcharge @10% of such income-tax in case of person having a total income of Rs. 5 million to INR 10 million
  3. Surcharge @15% of such income-tax in case of person having a total income exceeding INR 10 million.
  4. Health and Education Cess: at 4% on the amount of income tax and surcharge
  5. Maximum marginal tax rate (MMR) for individuals having income up to INR 10 million will be 34.32%; MMR will be 35.88% for individuals having income above INR 10 million.
  6. A resident individual (whose net income does not exceed Rs. 500,000) can avail rebate under Section 87A of the Income Tax, Act 1961). The same is deductible from income-tax before calculating education cess. The amount of rebate is 100% of income-tax or Rs.2000, whichever is less.

Please note that above tax rates may change as tax rates are fixed by the Finance Act of the assessment year in which the disposal/redemption takes place.

#### ***Time and method of payment of tax***

You will be liable to pay the income tax at the time of filing your income tax returns pertaining to each financial year by the due dates mentioned in the Income-tax Act, 1961.

### **G. Taxation at Redemption of Units of the FCPE**

#### **Will redemption of investment in the FCPE result in any tax or social security charges?**

##### **Taxation in France**

Any gain derived from the redemption of units should not be subject to income tax or social security charges payable in France.

##### **Taxation in India**

Yes, capital gains would arise on *profit* or *gain* made at the time of redemption of units for cash or sale of shares, as the case may be, and taxed accordingly. There are no social security charges payable.

#### ***Nature of the tax (e.g. income, capital gain or another form of tax)***

Under the Income-tax Act, 1961, any profit or gain arising from the transfer of a capital asset is chargeable to income tax under the head "Capital Gains". Capital Gain is the positive difference between the sale consideration at the time of redemption/transfer and the fair market value of shares at the time the option is exercised by way of subscription. The nature of capital gain, i.e., short term or long term, depends on the period of holding of units. If units are held for a period exceeding twenty-four (24) months, the capital gain would be treated as long term; otherwise (i.e., held for 24 months or less) capital gain would be treated as short term and taxed accordingly. In case of long-term capital gain, the benefit of sections 54EC to S. 54F of the Income-tax Act would be available to you.

Capital gains tax would arise at the time of redemption/transfer of units for cash resulting in any profit or gain on account of the sale/transfer of the capital asset, i.e., units. There would be no tax consequences if the units were to be held by you in the FCPE upon expiration of the 5-year lock-up period.

#### ***Method by which the taxable amount is to be calculated***

If units are redeemed after a period of twenty-four (24) months, the income arising thereon would be treated as long term capital gain. If the units are redeemed before a period of twenty-four (24) months, it would be treated as a short-term capital gain.

The income chargeable as capital gains shall be computed by deducting from the value of the sale consideration received from the redemption of the FCPE units, the "**indexed cost of**

**acquisition<sup>3</sup>** of the **units<sup>4</sup>**, cost of improvement and any expenditure incurred wholly and exclusively in connection with the transfer of the asset. In case of short-term capital gain, the cost of acquisition would not be indexed. If your employer finances the shares, the amount of interest, if any, paid by you will be included in the cost of acquisition.

**Example:** The capital gain will be calculated in the following manner:

	Amount
Redemption price of units	X
Cost of acquisition / indexed cost of acquisition (in case of long term capital gain)	Y
<b>Capital Gain</b>	<b>X-Y</b>

- **Rate of taxation and whether any social charges or other charges are applicable**

**Long term capital gain:** The present applicable tax rate for long term capital gains is 20% (after indexation of cost of acquisition), or 10% (without indexation of cost of acquisition), as is considered most beneficial, plus applicable surcharge and cess. If the shares are financed by a participating Schneider Electric entity in India, the amount of interest, *if any*, paid by an employee to the local employer will be added to the cost of acquisition.

**Short term capital gain:** Short-term capital gains are included in the income of the employee and are taxed as per the slab wise income tax rates specified below:-

Total Income	Total tax liability	Tax Rates
Up to INR 2,50,000	Nil	Nil
Between INR 2,50,001 – INR 5,00,000	5% of the amount by which the total income exceeds INR. 250,000	5%
Between Rs 5,00,001 – INR 10,00,000	INR 12,500 <i>plus</i> 20% of the amount by which the total income exceeds INR 500,000	20%
INR 10,00,001 and above	INR 112,500 <i>plus</i> 30% of the amount by which the total income exceeds INR 10,00,000	30%

<sup>3</sup> Definition of "Indexed cost of acquisition" under the Income tax Act, 1961: -

*"Indexed cost of acquisition means an amount, which bears to the cost of acquisition the same proportion as Cost Inflation Index ('CII') for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the person."*

Explanation for clarity: The cost of acquisition shall be increased proportionately to the increase in the general cost inflation index. The method of indexation provides the person with a protection against inflation and erosion of real worth of his investment. It is computed as under:

Cost of Acquisition \* (CII for the year in which asset is transferred / CII for the first year in which the asset was held by the person)

Note: The Cost Inflation Index is defined by the Income Tax Act, 1961.

**Illustration (Only a hypothetical scenario):** Mr. X purchased 1000 shares of Company ABC Pvt. Ltd for Rs.120,000 in March 2000 and sold them for Rs.185,000 in September 2003. Since the shares are held for a period more than 24 months, the capital gain arising on transfer of shares would be long-term capital gain and hence the cost of acquisition would be indexed.

The indexed cost of acquisition would be computed as under: -  
 Cost of acquisition = Rs.120,000  
 CII of the year in which asset is transferred i.e. 2003 = 463  
 CII of the year in which asset is acquired by Mr. X i.e. 2000 = 389  
 Indexed cost of acquisition = Rs.120,000 \* 463/389 = Rs. 142,827.8  
 Long term capital gain = Sales Consideration = Rs.185,000  
 Less: Indexed Cost of acquisition = Rs.142,827.8

**i.e. Rs. 42,172.2**

<sup>4</sup> Capital Gains arise as a result of any profits or gains made on account of sale/transfer of a capital asset, i.e., units in this case. Dividends are taxed in the hands of the employees as and when dividend is distributed and received by him/her. Hence, the incidence of taxation in both cases is on account of the difference in the nature of income arising or accruing in the hands of the employees on account of dividend or capital gains, as the case may be. The employees will be deemed to have received the dividend received by the FCPE, even though the FCPE will not redistribute it to the employees. In fact, FCPE will use the dividend to purchase new Schneider Electric SE shares (in a way, these shares will represent the Schneider dividend). The amount so reinvested will become the cost of acquisition for the reinvested units and the same shall be deductible (with or without indexation, as the case may be) from the sale consideration as and when the units are sold in future. In other words, out of the sale proceeds of the reinvested units the amount of dividend originally invested shall be treated, as cost of acquisition and the differential will be taxed as capital gains. Hence there will not be any double taxation.

Notes:

1. *The basic exemption limit is INR 250,000 in case of every individual below the age of 60 years, INR 300,000 in case of resident individuals of age 60 years or more and INR 500,000 for 'very senior citizen' in case of resident individuals of age 80 years and above.*
2. *Surcharge @10% of such income-tax in case of person having a total income of Rs. 5 million to INR 10 million*
3. *Surcharge @15% of such income tax in case of person having a total income exceeding INR 10 million.*
4. *Health and Education Cess: at 4% on the amount of income tax and surcharge*
5. *Maximum marginal tax rate (MMR) for individuals having income up to INR 10 million will be 34.32%; MMR will be 35.88% for individuals having income above INR 10 million.*
6. *A resident individual (whose net income does not exceed Rs. 500,000) can avail rebate under Section 87A of the Income Tax, Act 1961). The same is deductible from income tax before calculating education cess. The amount of rebate is 100% of income tax or Rs.2000, whichever is less.*

Please note that above tax rates may change as tax rates are fixed by the Finance Act of the assessment year in which the disposal/redemption takes place.

- ***Time and method of payment of tax (e.g. withholding tax from employee's salary or is it self-declared by employee).***

You will pay the income tax at the time of filing your income tax returns pertaining to each financial year by the due dates mentioned in the Income-tax Act, 1961.

**H. Wealth Tax**

No, as the definition of Assets chargeable to wealth tax given under the Wealth Tax Act, 1957 does not include units.

**I. General Matters**

***What are my reporting obligations with respect to the holding of shares, receipt of dividend and investment redemption?***

You have no reporting obligations under FEMA for the holding, redemption, receipt of bonus shares and investment redemption except for disclosing any income arising from it in the income tax return filed by you.

Subject to the terms and conditions of 2018 WESOP, you may transfer by way of sale the units/shares acquired thereunder provided that the proceeds thereof are repatriated immediately on receipt thereof, and in any case not later than 90 days from the date of sale thereof.

\* \* \*

## Appendix A

### Employer Matching Contribution Rules

Your employer has decided to pay on your behalf, in case you subscribe to the offering and provided that the global amount of matching contribution is not exceeded (please refer to section called “Possible reductions of your subscription request” above), a contribution matching your own personal contribution, thereby increasing your investment capacity, as follows:

- For an investment of up to INR 60,000 your employer will pay an amount equal to your personal contribution;
- For an investment from INR 60,001 to INR 150,000, your employer will pay an additional amount equal to one-half of your incremental personal contribution.

The employer matching contribution is limited to a maximum of INR 105,000.

Although this contribution is made on your behalf, you will not be able to dispose of the units/shares purchased until the end of the 5-year Lock-up Period, or upon occurrence of an early exit event, in accordance with the terms of the Plan.

Below you will find a table providing examples of the employer matching contribution that you would be entitled to, with respect to your personal contribution, and examples of subscription based on a hypothetical discounted subscription price of €50 converted at a rate of €1 = INR 70 (€50 = INR 3,500).

Personal Contribution by Employee	Employer Matching Contribution <sup>5</sup>	Total Contribution <sup>6</sup>	Hypothetical Subscription Price Converted into INR	Number of Shares Subscribed via the FCPE
INR 2,800	INR 2,800	INR 5,600	INR 3,500	1.60
INR 15,000	INR 15,000	INR 30,000	INR 3,500	8.57
INR 60,000	INR 60,000	INR 120,000	INR 3,500	34.28
INR 90,000	INR 60,000 + INR 15,000 = INR 75,000	INR 165,000	INR 3,500	46.85
INR 125,000	INR 60,000 + INR 32,500 = INR 92,500	INR 217,500	INR 3,500	62.14
INR 190,000	INR 105,000	INR 295,000	INR 3,500	84.28

**IMPORTANT NOTE for Employees of Schneider Electric Infrastructure Limited (“SEIL”) and Schneider Electric President Systems Limited (“SEPSL”):**

*SEIL and SEPSL, being public companies, are subject to legal regulations which restricts them from allocating employer matching contribution without the shareholder’s approval to the 2018 WESOP and the employer matching contribution. Approval of shareholders will be sought at the respective general meetings after the end of the 2018 WESOP revocation period. Accordingly, the employees of SEIL and SEPSL will not be eligible for employer matching contribution at the time of subscription. However, subject to shareholders’ approval, appropriate portion of the contribution paid by employees will be deemed as employer matching contribution in line with the 2018 WESOP. The amount of employer matching contribution, up to the limits described above, will then be adjusted or reimbursed, as the case may be, to employees within a reasonable time thereafter.*

<sup>5</sup> Payable by SEIL and SEPSL employees at subscription which amount will be adjusted or reimbursed, as the case may be, subject to approval by shareholders to the 2018 WESOP and employer matching contribution

<sup>6</sup> For SEIL and SEPSL employees: To be borne entirely by employees at subscription; Amount of employer matching contribution would be reimbursed subject to shareholders’ approval