

The Board of Directors of the Capgemini Group has set the 2016 compensation of Mr. Paul Hermelin, Chairman and Chief Executive Officer, and the elements relating to 2017 compensation

Strict application of the AFEP-MEDEF Code and “Say on Pay” principles

On February 15, 2017, the Board of Directors set the 2016 compensation of Group Chairman and Chief Executive Officer Mr. Paul Hermelin, in strict application of the recommendations of the revised AFEP/MEDEF Code and “Say on Pay” principles. In application of the AFEP/MEDEF Code recommendations, this compensation will be submitted to a mandatory vote at the next Combined Shareholders’ Meeting on May 10, 2017.

The compensation structure is comprised of fixed and variable components, the granting of equity instruments, and supplementary pension benefits (whose corresponding plan was closed in October 2015 and whose rights were frozen on that date). In line with past Group practices, the Chairman and Chief Executive Officer is not entitled to termination benefits, is not covered by a non-compete clause, and receives no benefits in kind. Mr. Paul Hermelin has also waived entitlement to attendance fees since 2009.

The Compensation Committee and Board of Directors have set this compensation in accordance with common practices in the consulting and technology services sector, both nationally and internationally. They also took into account common practices in French companies of a comparable size in terms of headcount, revenue and profitability, internationalization of activities and shareholdership structure. Given that practices concerning the publication and the structure of compensation varies significantly according to the country and the nature of competitors (whether they are listed companies, controlled companies, or partnerships), CAC 40 companies represent the most relevant benchmark.

2016 compensation components

Based on these elements, the Board has set the 2016 compensation of Mr. Paul Hermelin (Chief Executive Officer of Capgemini for more than 14 years) at €2,527,855, i.e. 104.5% of the total theoretical compensation, comprising fixed compensation of €1,452,000 and variable compensation of €1,075,855.

The amount of Mr. Paul Hermelin’s fixed compensation is unchanged since 2013. This fixed compensation is paid in 12 monthly installments and represents, as does that of all key managers of the Group, 60% of the total theoretical compensation if objectives are achieved.

Therefore, variable compensation represents 40% of this total theoretical amount. This theoretical variable component is in turn split into two parts: a first part, called V1, tied to Group consolidated results, and a second part, called V2, based on individual objectives set by the Board of Directors which are either quantified or based on tangible results.

V1 – Economic and financial objectives

The economic and financial objectives underlying the V1 component for 2016 were measured against the objectives set by the Board at the beginning of the year, as follows:

- revenue 30% weighting and achievement rate of 98.39%
- operating margin ratio 30% weighting and achievement rate of 94.98%
- pre-tax net profit 20% weighting and achievement rate of 95.07%
- free-cash flow for the period 20% weighting and achievement rate of 120.22%

The overall weighted result for V1 stands at 101.1% and, after applying the acceleration formula which amplifies upward or downward an increase or a decline in economic performance, the multiple applied to the V1 theoretical V1 has been set at 104.3%.

V2 – Individual objectives

Individual objectives fall into four separate categories:

- Successful integration of IGATE, acquired mid-2015
- New strategic levers to drive the development of the Group
- A reinforced account centricity and industrialization
- An HR strategy that meets strategic requirements (talent, mobility, diversity...)

Each category has been subject to a detailed analysis (it being specified that 50% of the V2 objectives were quantifiable and 50% qualitative), followed by a global assessment of all of these objectives.

With regard to the **successful integration of IGATE**, the Board highlighted the superior growth of IGATE's top 20 accounts compared to Group growth, the retention of IGATE key managers, the positive impact of the reinforcement of the account-centric culture within the Group, and the alignment of operations, especially in India and the USA.

With regard to **the Group's new levers for development**, the Board took note of quality targeted acquisitions and the identification of other promising nuggets, as well as the strong focus on Digital and Cloud, even though no significant acquisition took place.

With regard to **account centricity and industrialization**, the Board took into consideration the impact on Group revenue growth of strategic accounts, which post growth higher than that of other accounts, the strong growth of Digital and Cloud offerings supported by a strengthened organization in these areas, and the quality of the transformation plan deployed in Continental Europe.

With regard to **talent development**, the Board took into account the significant renewal of the Vice-President population, an increase in internal mobility, and the implementation of processes to favor mobility and diversity within the Group.

The V2 weighted outcome based on this evaluation reaches 118.3%, rounded down to 118%, 68% of which are linked to the quantitative calculation and 50% to the qualitative one.

Overall, for these two components of Mr. Paul Hermelin's variable compensation, the Board of Directors approved the recommendation of the Compensation Committee of an attainment rate of the variable compensation of 111.1%, with 104.3% for V1 and 118% for V2.

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Mr. Paul Hermelin's 2016 total compensation can therefore be broken down as follows:

Compensation component	Reminder 2015 actual	Theoretical amount	Attainment %	Actual 2016 amount
Fixed	€1,452,000	€1,452,000	N/A	€1,452,000
<i>Variable V1</i>	€548,039	484,000 €	104.28%	€ 504,735
<i>Variable V2</i>	€561,440	484,000 €	118.00%	€571,120
Variable total	€1,109,479	€968,000	111.14%	€1,075,855
Total	€2,561,479	€2,420,000	104.46%	€2,527,855

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In addition, it should be reminded that the Board of Directors' meeting of July 26, 2016 granted 42,000 performance shares to Mr. Paul Hermelin, representing 2.5% of the total amount granted in 2016. These share grants are subject to the internal and external performance conditions adopted by the Combined Shareholders' Meeting of May 18, 2016. Mr. Paul Hermelin will also be required to hold one third of vested shares until he is no longer a corporate officer.

The 2016 Registration Document, the Management Report and the Report presenting the resolution on the compensation of the executive corporate officer, to be submitted to a mandatory vote at the Combined Shareholders' Meeting of May 10, 2017, will contain a detailed presentation relating to the determination of Mr. Paul Hermelin's 2016 compensation.

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2017 compensation components for Mr. Paul Hermelin

The February 15, 2017 Board of Directors set the compensation policy for the Chairman and Chief Executive Officer based on the proposal submitted by the Compensation Committee, and has validated 2017 compensation related to his executive corporate officer mandate.

In accordance with Article L 237-2 of the “Code de Commerce », this compensation policy (comprising the structure and different components of the compensation of the executive corporate officer) will be submitted to a vote at the May 10, 2017 Combined Shareholder’s Meeting. The key elements of this policy are indicated thereafter and will be presented by the Board of Directors to the Combined Shareholder’s Meeting in a detailed report, which is also included in the 2016 Registration Document.

Fixed part

Given the increase in Mr. Paul Hermelin’s compensation decided in 2013, the Compensation Committee – in accordance with the recommendations of the AFEP-MEDEF Code – considered it was not appropriate to increase his 2017 theoretical compensation. The Board of Directors, in its February 15, 2017 meeting, followed the recommendation of the Compensation Committee.

The fixed amount which therefore remains unchanged since 2013 is set at €1,452,000.

Variable part

Concerning the variable component of Mr. Paul Hermelin’s 2017 compensation, the Board of Directors approved the conditions underlying the V1 calculation and the strategic indicators applicable, as well as the personal objectives set for 2017 and integrated into the calculation of the V2 component.

Consequently, the key performance indicators adopted for 2017 V1 compensation remain unchanged, and are as follows:

- revenue growth: 30% weighting;
- operating margin rate : 30% weighting;
- pre-tax net profit: 20% weighting;
- free cash flow: 20% weighting.

The level of attainment of these objectives will be determined based on a comparison of Group audited and consolidated results at year-end, and will be subject to the accelerated formula (amplifying upward or downward an increase or a decline in economic performance) and this variable part may range from zero to 200% of its theoretical value (€ 968,000), capped at 133.33% of the fixed amount.

The personal objectives adopted for 2017 have been defined in accordance with Group strategy and the operational transformation of the Group, and are split as follows:

- i) the deployment of the Digital and Cloud strategic roadmap: 40% weighting (15% of which are quantifiable)
- ii) the delivery and HR strategy around talent management, mobility and diversity: 30% weighting (15% of which are quantifiable)
- iii) the growth of North America: 30% weighting (20% of which are quantifiable)

The Compensation Committee has formalized these objectives in such a way that they can be clearly assessed on tangible grounds at the end of 2017, with a weight of 50% based on quantified objectives – an imperative shared by the Board. Therefore 75% of the variable part will be subject to a quantitative evaluation in 2017.

Other elements

In addition to the fixed part and the variable part, the compensation structure includes the granting of performance shares and the continuation of a supplementary pension whose corresponding plan was closed in October 2015 and whose rights were frozen on that date). In line with past Group practices, the Chairman and Chief Executive Officer is not entitled to termination benefits, is not covered by a non-compete clause, and receives no benefits in kind. Mr. Paul Hermelin has also waived entitlement to attendance fees since 2009.