

INTERNAL RULES AND REGULATIONS OF THE BOARD OF DIRECTORS

(as amended by the Board of Directors on 5 July 2016)

Introduction:

The Company uses the French AFEP-MEDEF Corporate Governance Code for Publicly-traded Companies as its reference. These Internal Rules and Regulations define the method of organisation and operation of the Board of Directors, and apply in addition to all applicable laws and regulations. The Director's Charter, which defines the rights and obligations of the Directors, is attached to, and is an integral part of these Internal Rules and Regulations.

Article 1: Composition of the Board of Directors

At least half of the Directors on the Board must be independent.

The Board of Directors shall be responsible for determining whether a Director is independent, and shall do so on the basis of recommendations made by the Nominations and Remuneration Committee.

The criteria applied and each Director's particular situation will be examined at least once a year, and the resulting decisions shall be made public in the Annual Report.

Article 2: Responsibilities and powers of the Board of Directors

Voting on proposals by the Chief Executive Officer, the Board of Directors shall define and review on a regular basis the Group's strategy, appoint the corporate officers (*mandataires sociaux*) responsible for managing the Company in line with the Group's strategy, supervise management and verify the quality of information supplied to shareholders and the markets.

The Board of Directors shall examine and approve each year the annual budget and the medium-term strategic plan.

Any operation that is not part of the Group's announced strategy or that could significantly affect or materially modify the financial structure or results of the Group shall be referred to the Board of Directors before implementation.

The Board of Directors shall thus examine and approve before implementation any acquisition or divestiture insofar as the amount exceeds 80 million euros, any decision to set up partnership or joint company where the contribution of the Group exceeds 80 million euros, as well as any financing operation which exceeds 400 million euros for **new medium or long term borrowing or 1 billion euros for short term commercial papers**. The Board also approves organic growth investments in an amount higher than 80 million euros and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy.

The Board of Directors is informed of any acquisition, divestiture or partnership in excess of 40 million euros.

For acquisitions and divestitures, “amount” means the enterprise value whatever are the terms of payment (immediate or differed, in cash or in shares...). For a partnership or a newly created company, “the contribution of the Group” means the financial undertaking of the Group (contribution to the share capital or shareholder’s loan, exposure to external financings...).

The Board of Directors shall be kept regularly informed of developments in the Group’s business activities and results, the Group’s significant risks, its financial position, indebtedness, cash position and, more generally, any off-balance contingent liabilities, and may request information about any of such items at any time.

It shall approve the composition of the Group’s Executive Committee.

The Board shall review its membership on a regular basis. It shall examine annually its functioning and shall conduct a formal assessment at least once every three years.

The Board of Directors determines the whole of the elements comprising the compensation of the executive Directors. The Board of Directors shall meet once a year in the absence of those Directors who exercise executive or salaried functions within the Group, in order to assess the performance of the Chairman and Chief Executive Officer if both functions are joint, or of the Chairman of the Board and the Chief Executive Officer if the functions are dissociated.

The Board of Directors shall examine and approve the information published in the Annual Report by the Company on its practices and structures of corporate governance, including the presentation of the policy that is followed with respect to the remuneration and allocation of stock options or performance-based shares to corporate officers.

Article 3: Information to be supplied to the Board of Directors

Each Director shall receive all information needed to perform his or her duties, and may request any documents he or she considers appropriate.

Directors shall send any requests for further information to the Chairman of the Board of Directors, who shall assess whether the documents requested are pertinent.

Before each Board meeting, the Directors shall receive, with proper notice, a file on the matters on the agenda which require prior examination and consideration, subject to any restrictions relating to confidentiality.

Other than in connection with Board meetings, Directors shall receive regularly key information concerning the Company and shall be informed of any event or development that may have a material impact on operations or on any information previously communicated to the Board.

More specifically, they shall receive copies of any press releases issued by the Company, as well as the main articles appearing in the press and reports by financial analysts.

Any Director shall be entitled to meet with the Group's senior executives without the presence of the corporate officers (*mandataires sociaux*) of the Company, after having informed the Chairman of the Board of Directors.

Any Director who considers it necessary may request further briefing or training on the Group's particular issues, business lines and business sectors as well as on accounting and financial aspects in order to improve its knowledge.

Article 4: Meetings of the Board of Directors

The Board of Directors shall meet at least four times per year.

Specific meetings focused on strategy, human resources, risks management, or any other subject, are organised according to priorities and the needs.

The Group's senior executives or functional managers, as well as persons outside the Group attend meetings upon request of the Chairman based on the items of the Agenda.

English shall be used as the working language.

The minutes of each meeting shall be drawn up in English and in French by the Secretary to the Board of Directors or his deputy. They shall be reproduced in the minutes book, which shall be kept in French.

Directors taking part in the Board meeting by means of a "*visio-conference*" or telecommunication which transmit at least the voice of the participants and present technical characteristics allowing the continuous and simultaneous retransmission of the deliberations, are deemed to be present for the calculation of the quorum and the majority.

In compliance with the law, such video-conference or telecommunication facilities may not be used when the Board is called to deliberate on the preparation of the annual corporate and consolidated financial statements or the management reports for the Company and the Group.

In the event of a failure of the video-conferencing or telecommunication facilities, duly recorded by the Chairman of the Board of Directors, the Board of Directors may validly deliberate and/or the meeting may proceed with the members who are physically present in the meeting room only, provided the quorum requirements are still satisfied. The occurrence of any technical problem that disturbs the smooth running of the meeting shall be noted in the minutes, as shall the suspension and resumption of the participation by video-conference or other mean of telecommunication.

Article 5: Board committees

The Board of Directors shall create one or more specialist committees and shall define their composition, powers and responsibilities. The role of any such committees shall be to examine and prepare matters to be put to the Board, and to present their opinions, proposals and recommendations to the Board.

The Board of Directors must create a Nominations and Remuneration Committee and an Audit Committee, at the very least.

In the performance of their duties, and after informing the Chairman of the Board of Directors, the committees may conduct or commission at the Company's expense any studies that may be useful for Board decisions, and may also interview Group executives and the auditors. They shall report on the opinions obtained.

Each committee shall draw up internal rules defining its responsibilities and powers and the method of operation, which shall be approved by the Board of Directors.

Each committee's rules shall define the number of independent Directors who should sit on the committee. The chairman of each committee shall report to the Board of Directors on its work, opinions, proposals and recommendations. A description of the committees' activities shall be included in the annual report each year.

The Board of Directors shall determine the remuneration to be received by members of the committees, on the basis of their attendance at committee meetings.

Article 6: Lead Director

Whenever the functions of Chief Executive Officer and Chairman of the Board of Directors are combined and entrusted to the same individual, the Board of Directors shall appoint a Lead Director from among the independent Directors. This Lead Director is appointed for a two-year term, which cannot exceed his or her term of office as Director. He or she is eligible for reappointment. The Board of Directors can terminate the Lead Director's functions at any time.

The main duty of the Lead Director is to ensure the proper functioning of the corporate governance bodies of the Company.

In this context, he or she exercises his or her duties and has the following privileges:

6.1. Functioning of the Board of Directors and of the Board of Directors' Committees

- (i) The Chairman of the Board of Directors consults with the Lead Director regarding the matters on the agenda of Board of Directors' meetings and can recommend including additional matters to the agenda;
- (ii) The Lead Director can approach the Chairman of the Board of Directors and request that a meeting of the Board of Directors be convened to discuss a predetermined agenda;
- (iii) The Lead Director ensures that the Internal Rules are applied when the meetings of the Board of Directors are prepared and held, and also ensures that the Directors comply with such Internal Rules;
- (iv) The Lead Director makes sure that the Directors are able to exercise their duties under the best possible conditions and, in particular, that they can rely on a high level of information prior to the meetings of the Board of Directors;
- (v) The Lead Director can, at his or her own initiative, call for and preside over meetings of Directors who do not exercise executive or salaried functions within the Group (non-executive directors);

- (vi) The Lead Director can be the Chairman of the Nominations and Remuneration Committee. As such, he or she is responsible, in particular, for managing the succession plan for executive Directors, selecting new Directors, and for securing the balance with respect to the composition of the Board of Directors and the committees;
- (vii) The Lead Director can attend any of the meetings of any committee of which he or she is not a member and has access to the work completed by such committees and to the information made available to them;

6.2. Relations with Directors

- (viii) The Lead Director maintains a regular dialogue with Directors and is, if need be, their spokesperson to the Chairman of the Board of Directors;

6.3. Conflicts of interest

- (ix) The Lead Director plays a preventive role to raise the awareness of all Directors with respect to conflicts of interest;
- (x) Together with the Chairman of the Board of Directors, he or she reviews situations that could potentially trigger conflicts of interest;

6.4. Relations with shareholders

- (xi) The Lead Director is kept abreast of any comments and suggestions submitted by shareholders in relation to governance and the remuneration of corporate officers. He or she ensures that their questions are answered, makes himself or herself available to communicate with such shareholders at the request of the Chairman of the Board of Directors, and keeps the Board of Directors abreast of these communications.

The Lead Director reports annually to the Board of Directors and to the Shareholders' meeting regarding his or her work.

The Secretariat of the Board of Directors makes itself available to the Lead Director to assist in the completion of his or her assignments.

Article 7: Remuneration

Directors (with the exception of the executive Directors) shall receive fees (*jetons de présence*), the amount and allocation of which shall be fixed once a year by the Board of Directors on the basis of the criteria listed below, and within the maximum limits fixed by the general meeting of the shareholders:

- the Directors' fees shall comprise a fixed portion and a variable portion which shall reflect each Director's participation at meetings of the Board and committee meetings,
- the Vice-Chairman of the Board of Directors (if any), the Lead Director, and the chairmen of any committees shall receive an additional fixed fee,
- the fixed portion of the fee shall be paid for the first half following the end of the first semester of the fiscal year and for the second half after the end of the fiscal year. If necessary, the fixed portion is paid

prorata to the effective duration of the mandate of the beneficiary during the fiscal year. The variable part shall be calculated and paid after the end of each semester of the fiscal year.

Members of the Board of Directors and of committees shall be reimbursed for any expenses incurred in connection with their duties on the basis of receipts.

Article 8: Transparency

Any ALSTOM shares acquired by Directors must be held in registered form.

Directors must declare to the French financial markets regulatory authority, French initials "AMF" and to the Company, the transactions on the Company's financial instruments pursuant to and in compliance with the terms and conditions of article L. 621-18-2 of the French Financial and Monetary Code, the General rules of the French financial markets regulatory authority, and the Company's Code of conduct relating to preventing misuse of inside information and operations on transferable securities.

APPENDIX

DIRECTOR'S CHARTER

This Charter defines the rights and obligations of Directors.

Each Director and, if applicable, each permanent representative of any legal entities that are Directors, shall abide by this Charter.

a) Representing shareholders

The Board of Directors collectively represents all the shareholders and must act in the interests of the Company in all circumstances. Each Director represents all the shareholders, irrespective of how he or she was appointed, and must act in all circumstances in the best interests of the Company.

b) Awareness of rights and obligations

Before accepting his appointment, each Director must familiarise himself or herself with the laws and regulations relating to his or her office, as well as with the rules specific to the Company as derived from its Articles of Association (*statuts*), this Charter, its Code of Conduct on the prevention of the use of privileged information and on securities transactions, its Code of Ethics, as well as the Internal Rules and Regulations of the Board of Directors.

Each Director may consult the Secretary to the Board of Directors at any time concerning the scope of such provisions and the rights and obligations inherent in his or her position.

c) Holding of Company shares

Each Director must hold at least the minimum number of shares stipulated in the Company's Memorandum and Articles of Association.

In accordance with the terms of the AFEP-MEDEF Code and independently of any statutory obligation to hold shares, each Director must personally be a shareholder and hold a relatively significant amount of shares. If Directors do not hold these shares when they take office, they must use their directors' fees to acquire such securities. It is preferable that Directors hold at least 2,000 shares each, either directly, or indirectly via a Group *fonds commun de placement d'entreprise* (collective employee shareholding scheme), provided they are authorized to take advantage of this latter custody method. In order to increase his or her shareholding to such minimum threshold, each Director is granted a period of two years as from either January 1st, 2015 or the date upon which he or she took office, provided such latter date occurs later than the former. The shares must be held in registered form as set forth in Article 8 of the Board's internal rules.

d) Conflict of interest

Each Director must inform the Board of Directors as soon as he or she becomes aware of any conflict of interests or potential conflict of interest with his or her obligations to the Company and the companies in its Group. He or she must refrain from taking part in discussions and voting on any related actions by the Board.

Each Director shall consult with the Chairman of the Board (or, if the Director is the Chairman, with the Chairman of the Nominations and Remuneration Committee) before engaging in any activity or accepting any duty or position that he or she believes may create such an actual or potential conflict of interest. After consulting with the Lead Director, the Chairman may refer such matters to the Nominations and Remuneration Committee or the Board. A Director must resign in the event of a conflict that cannot be resolved to the satisfaction of the Board.

The Chairman of the Board of Directors and the Lead Director can, at any time, require Directors to submit a written statement declaring that they do not have any undisclosed conflicts of interest.

e) Information

Each Director must ensure he or she receives all the information needed to perform his or her duties in a timely manner. He or she must request and demand from the Chairman of the Board of Directors at the appropriate times any information he or she considers useful for the performance of his or her duties and in order to form an opinion on matters on the agenda of any meeting of the Board of Directors.

With regard to any information he or she obtains in connection with his or her office that has not been made public, each Director is bound by professional secrecy and must personally protect the confidentiality of such information.

f) Diligence – Multiple Offices

Each Director must devote the necessary time, care and attention to his or her duties, and must consider when he or she accepts any new position or office whether he or she will still be able to fulfill this obligation. Unless he or she is genuinely unable to do so, he or she must attend all meetings of the Board of Directors and of any committees of which he or she is a member, and all general meetings of the shareholders.

In addition, he or she complies with the provisions of the AFEP-MEDEF Code and the legal provisions in force concerning the rules applicable to holding multiple offices.

Each Director informs the Company regarding the offices he or she holds in other companies, including his or her participation in the committees of the boards of such French or foreign companies. He or she informs the Company as soon as possible regarding any new office or professional responsibilities. Whenever he or she exercises executive functions within the Company, he or she must also seek the opinion of the Board of Directors prior to accepting a new position as corporate officer of a company that is not tied to the Group.

g) Insider knowledge

Each Director undertakes to abide by the internal rules of the Company concerning the use and disclosure of privileged information contained in the Code of conduct relating to ALSTOM's Code of Conduct concerning the misuse of inside information and operations on transferable securities, and to comply with all applicable laws and regulations.

Each Director must refrain from carrying out any transactions involving shares of companies concerning which, due to his or her position, he or she possesses information that has not yet been made public, and during the periods defined in the Code of conduct.

Each Director undertakes to refrain from carrying out financially speculative transactions involving the shares of the Company or of any publicly-traded company of the Group, such as acquisitions or short sales, or transactions involving financial derivatives.

In addition, each Director abstains from carrying out financial risk hedging transactions on the shares of the Company or, of any publicly-traded company of the Group.

He or she shall inform the Company Secretary (*Secrétaire du Conseil*) of any problems he or she may encounter in complying with the above.

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