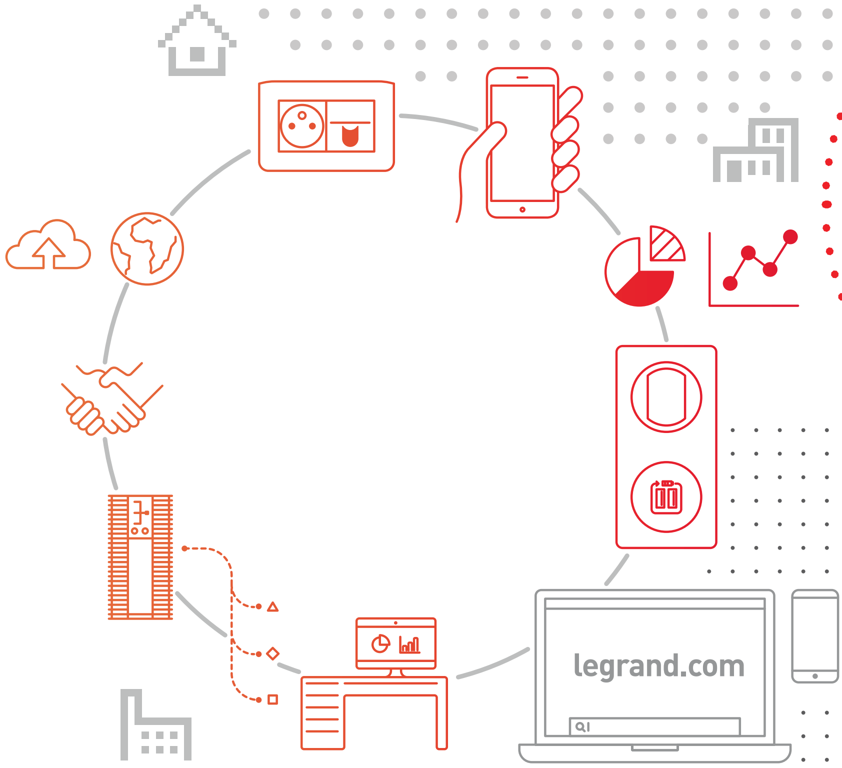
LEGRAND ESSENTIALS

REGISTRATION DOCUMENT

2018



legrand

contents

1 INTEGRATED REPORT 5

2 GROUP OVERVIEW 29

2.1 – Legrand and its business 30
2.2 – A profitable growth strategy based on developing leading positions 37
2.3 – An organization serving both the Group's strategy and its customers 44
2.4 – Other information 49

3 INTERNAL CONTROL AND RISK MANAGEMENT 53

3.1 – Environment and organization of internal control and risk management 54
3.2 – Internal control system 56
3.3 – Risk management system 57
3.4 – Internal audit system 58
3.5 – Procedures for preparing and processing accounting and financial information 58
3.6 – Risk factors and control mechanisms in place 60
3.7 – Insurance policies and risk coverage 74

4 CORPORATE SOCIAL RESPONSIBILITY AND DECLARATION OF EXTRA-FINANCIAL PERFORMANCE 75

4.1 – The Group's CSR strategy 76
4.2 – Offering users sustainable solutions 87
4.3 – Acting ethically towards society 99
4.4 – Being committed to our employees 112
4.5 – Limiting our environmental impact 125
4.6 – Duty of care 136
4.7 – Overview of indicators and additional information 142
4.8 – Statutory auditors' report 153

5 MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018 157

5.1 – Preliminary disclaimer 158
5.2 – 2018 Highlights 158
5.3 – Operating income 160
5.4 – Year-on-year comparison: 2018 and 2017 164
5.5 – Cash flows and borrowing 170
5.6 – Capital expenditure 171
5.7 – Off balance sheet commitments 172
5.8 – Contractual obligations 172
5.9 – Variations in exchange rates 172
5.10 – Quantitative and qualitative disclosures relating to financial risks 173
5.11 – Summary of critical accounting policies 174
5.12 – New IFRS pronouncements 174
5.13 – Trends and prospects 175
5.14 – Table of consolidated financial results over the last five years 175
5.15 – Selected financial information 176

6 CORPORATE GOVERNANCE 179

6.1 – Administration and management of the Company 180
6.2 – Compensation and benefits of company officers 208

7 SHARE OWNERSHIP 243

7.1 – Share capital ownership structure 244
7.2 – Stock option plans 246
7.3 – Performance shares 248
7.4 – Regulated agreements and commitments 249

8 CONSOLIDATED FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, LIABILITIES, FINANCIAL POSITION AND RESULTS 251

8.1 – Consolidated financial statements in accordance with IFRS for the years ended December 31, 2018 and December 31, 2017 252
8.2 – Statutory Auditors' report on the consolidated financial statements in accordance with IFRS for the year ended December 31, 2018 302
8.3 – Statutory Auditors' fees 306
8.4 – Dividend distribution policy 307
8.5 – Legal and arbitration proceedings 308
8.6 – Material changes in the Company's financial or trading position 308
8.7 – Material agreements 308
8.8 – Capital expenditure 309

9 ADDITIONAL INFORMATION 311

9.1 – Information about the company 312
9.2 – Share capital 315
9.3 – Memorandum and articles of association 320
9.4 – Identity of persons responsible for the registration document and auditing the financial statements 323

T CROSS-REFERENCE TABLES 327

Cross-reference table – Annual Financial Report (article 222-3 of the AMF's General Regulation) 328
Cross-reference table – European Commission regulation (EC) 809/2004 of April 29, 2004 328
Cross-reference table – management report (including corporate governance report) 333
Cross-reference table – filing of annual financial statements (article L. 232-23 of the French Commercial Code) 336

A APPENDIX 337

Appendix 1 338
Appendix 2 357
Appendix 3 379
Appendix 4 383

2018

REGISTRATION DOCUMENT

INCLUDING THE INTEGRATED REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This is a non binding free translation into English of the Registration Document filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority) on April 10, 2019, pursuant to article 212-13 of its General Regulations. The French version of the Registration Document can be used in support of a financial transaction if it is supplemented by an information memorandum duly approved by the French Financial Markets Authority. This Document was prepared by the issuer. The signatories assume responsability for this document.

NOTE

The terms "**Group**" and "**Legrand**" refer to the Company (as defined in section 9.1 of this Registration Document), its consolidated subsidiaries and its minority shareholdings.

References to "**Legrand France**" relate specifically to the Company's subsidiary Legrand France, which was previously named Legrand SA but was renamed by the General Meeting of Shareholders dated February 14, 2006, and not to its other subsidiaries.

The Company's consolidated financial statements presented in this Registration Document for the financial year ending December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The Company prepares and presents its consolidated financial statements in accordance with IFRS as required by French law. IFRS may differ in certain significant respects from French GAAP. The separate financial statements are presented in accordance with French GAAP.

This Registration Document contains information about Legrand's markets and its competitive position therein, including market size and market share. As far as Legrand is aware, no exhaustive report exists with regard to the industry or the market for electrical and digital building infrastructures. Consequently, Legrand obtains data on its markets from its subsidiaries which compile information on their relevant markets on an annual basis. This information is derived from formal and informal contacts with professionals of the electricity sector (notably professional associations) and from building statistics and macroeconomic data. Legrand assesses its position in its markets based on the market data referred to above and on its actual sales in the relevant market.

Legrand believes that the information about market share contained in this Registration Document provides fair and adequate estimates of the size of its markets and fairly reflects its competitive position within these markets. However, internal surveys, estimates, market research and publicly available information, while believed by Legrand to be reliable, have not been independently verified and Legrand cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain the same results. Furthermore, Legrand's competitors may define its markets differently. Because data relating to market shares and market sizes are Company estimates, they are not data extracted from the consolidated financial statements, and Legrand cautions readers not to place undue reliance on such information.

This Registration Document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. They are mentioned in various sections of this Registration Document and contain data relating to Legrand's intentions, estimates and targets, concerning in particular its market, strategy, growth, results, financial position and cash position.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of the Group's future performance. Legrand's actual financial position, results and cash flows as well as the development of the industrial sector in which it operates may differ significantly from the forward-looking information mentioned in this Registration Document, and even where these elements are consistent with the forward-looking information mentioned in this Registration Document, they may not be representative of the results or developments in later periods. Factors that could cause such differences include, among other things, the risk factors described in chapter 3 of this Registration Document. Accordingly, all forward-looking statements should be understood bearing in mind their inherent uncertainty.

The forward-looking statements referred to in this Registration Document are only made as of the date of this Registration Document. The Group will update this information as necessary in its financial communications. Legrand operates in a competitive environment subject to rapid change. Legrand may therefore not be able to anticipate all of the risks, uncertainties and other factors that could affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could lead to significantly different results from those set out in any forward-looking statements, noting that such forward-looking statements do not constitute a guarantee of actual results.

1

INTEGRATED REPORT

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	6
LEGRAND: THE GLOBAL SPECIALIST IN ELECTRICAL AND DIGITAL BUILDING INFRASTRUCTURE	8
BUSINESS MODEL: PROFITABLE, SUSTAINABLE, VALUE-CREATING GROWTH	12
STRATEGY AND GROWTH DRIVERS	14
CSR STRATEGY FOR LONG-TERM GROWTH	16
RISK MANAGEMENT: FOR PERFORMANCE	20
GOVERNANCE: CENTRAL TO ALL ISSUES	22
INTEGRATED PERFORMANCE	24

MESSAGE
FROM THE CHIEF EXECUTIVE OFFICER

Benoît Coquart,
CEO

Sales
€5,997 million

More than
38,000 employees
worldwide

Operations in almost
90 countries
and products distributed in almost
180 countries

Market capitalization of around
€15.5 billion
at February 28, 2019
Member of the CAC 40 index and
of various benchmark ESG indices

2018: STRONG GROWTH IN MAIN INDICATORS AND TARGETS FULLY MET

Excluding the exchange-rate effect, Group sales were up +13% in 2018, the highest rise since 2006. This healthy performance was on the one hand driven by organic growth in sales of +4.9%, coming from successful new product launches and commercial initiatives, and on the other hand from the effect of the increased scope of consolidation at +7.8%, reflecting a very active external growth strategy.

Adjusted operating profit increased by +9.7% to more than €1.2 billion and adjusted operating margin before acquisitions reached 20.2% of sales.

2018 also marked the final year for the 2014-2018 CSR roadmap, whose achievement rate reached 122%. The Group more than exceeded its ambitions in some areas, for example as regards reducing energy intensity and improving health and safety at work.

As a result, Legrand fully met its targets in 2018. We achieved a very strong overall performance, reflecting our ability to create value for all our stakeholders over the long term through a clear strategy, a robust business model and our highly committed teams.

> “In 2018, Legrand undertook many initiatives aimed at fueling its development in keeping with the solid fundamentals that have made it successful.”

A VALUE-CREATING BUSINESS MODEL

Legrand will continue to develop, driven in particular by the technological and social changes that are having a lasting and profound impact on buildings, such as digitalization, longer life expectancy, urbanization, efforts to control energy consumption, fiber optics and voice control.

Building on this, Legrand will maintain its value-creating strategy, driven by:

- organic and external **growth,** and **innovation** to accelerate its development,
- **optimized performance,** particularly through industrial initiatives,
- **digital transformation** of its offering, in order to increase the value in use of its products, and of its organization,
- a **new CSR roadmap** to define and monitor its extra-financial performance targets in connection with the UN's Sustainable Development Goals, around three focal areas: Business Ecosystem, People and Environment.

This clear strategy is underpinned by the Group's robust market positions and the fundamentals that have made its success: demanding governance, acknowledged financial discipline, the accountability and commitment of its teams, simplicity in dealings with others, rapid decision-making and strong values. More than ever, the strategy also consists of having customer-centric thoughts, processes and decisions!

INTEGRATED STRATEGY AND PERFORMANCE

I believe that we must consider the Group's overall performance in terms of the expectations of all stakeholders: its customers and workforce obviously, but also its suppliers, shareholders, public authorities and the communities in which the Group operates, while also making sure to respect natural resources and the environment.

This is why, for more than 10 years now, we have adopted sustainability targets through multi-year roadmaps.

This is also why we made a materiality survey, which allows us to understand what matters to each of our stakeholders. Likewise, performance can only be sustainable if major risks are correctly identified and mitigated, which we strive to do every day through our risk management approach.

Finally, this integrated report charts the Group's ability to make the most of opportunities for value creation in a sustainable, responsible and profitable manner. It is based on the framework defined by the International Integrated Reporting Council (IIRC), and it complements our other publications.

Benoît Coquart,
CEO

LEGRAND:

THE GLOBAL SPECIALIST IN ELECTRICAL AND DIGITAL BUILDING INFRASTRUCTURE

A market driven by megatrends

Legrand is a global player in electrical and digital infrastructure for residential, tertiary and industrial buildings.

Its accessible market is worth more than €100 billion.

Social and technological megatrends, and those relating to customer habits, offer the Group long-term growth prospects. Indeed, buildings lie at the heart of these developments.

SOCIAL MEGATRENDS

- Growing and ageing populations
- Rise of the middle class in new economies
- Climate change and energy-saving
- Health and wellbeing
- Growing urbanization

CUSTOMER-RELATED MEGATRENDS

- Mobility
- Connected living
- E-commerce
- Internet of Me
- Collaborative and remote working
- Personal data protection

TECHNOLOGICAL MEGATRENDS

- Wireless
- Voice control
- Sensors
- Fiber optics
- Big Data and blockchain
- Artificial intelligence

legrand

New applications and innovating services

Connected home

High-performance infrastructure

Intelligent buildings

Smart cities

Industry 4.0

1/8 of the world's population has no access to energy*

The number of people aged over 80 is **expected to triple** between now and 2050**

Buildings are responsible for **35%** of energy consumption*

* *Source: International Energy Agency (IEA).*

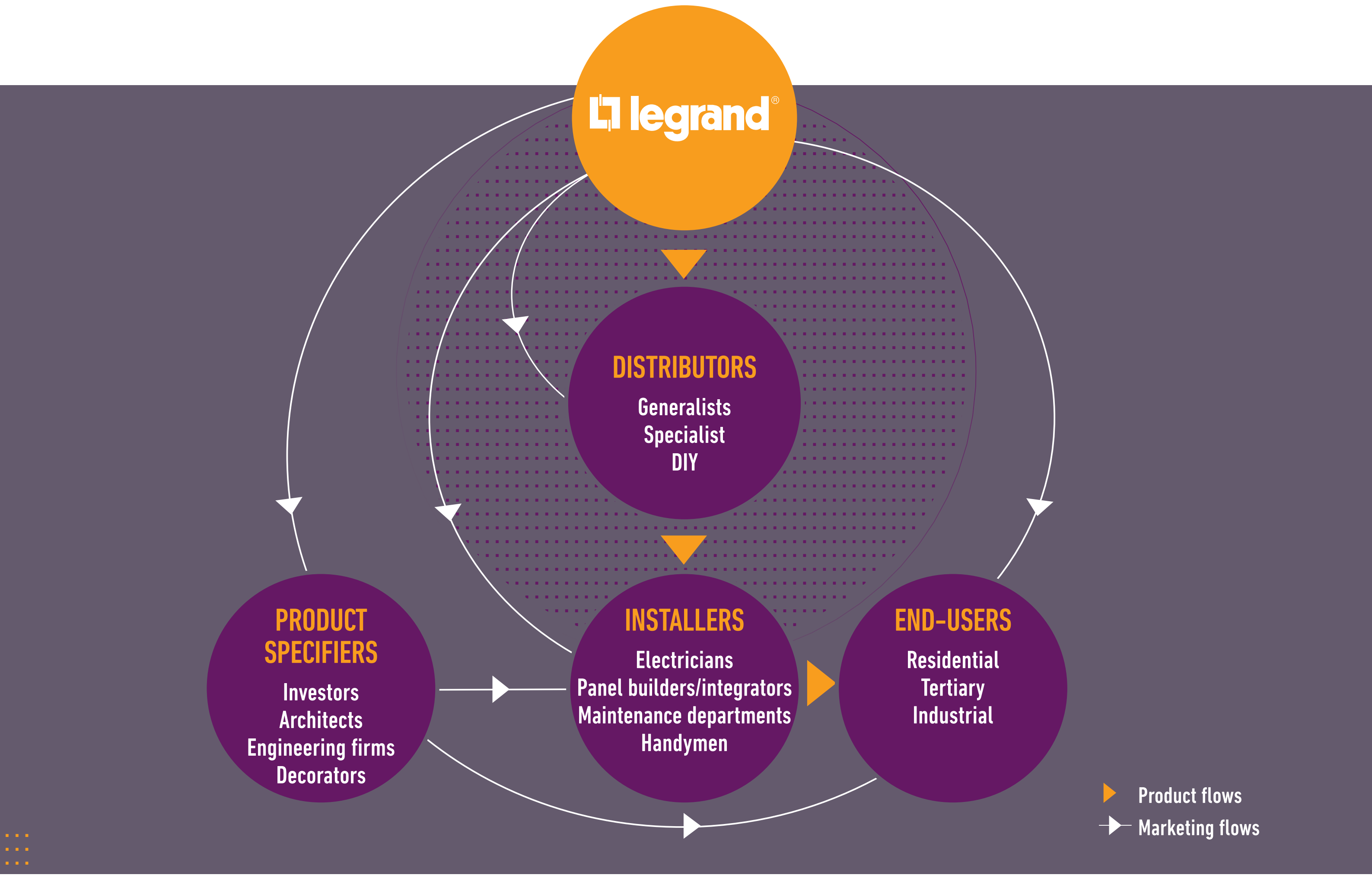
** *Source: United Nations Organization.*

AN ACCESSIBLE MARKET WORTH OVER €100 BILLION, DRIVEN BY MEGATRENDS

Present across all parts of the economic chain

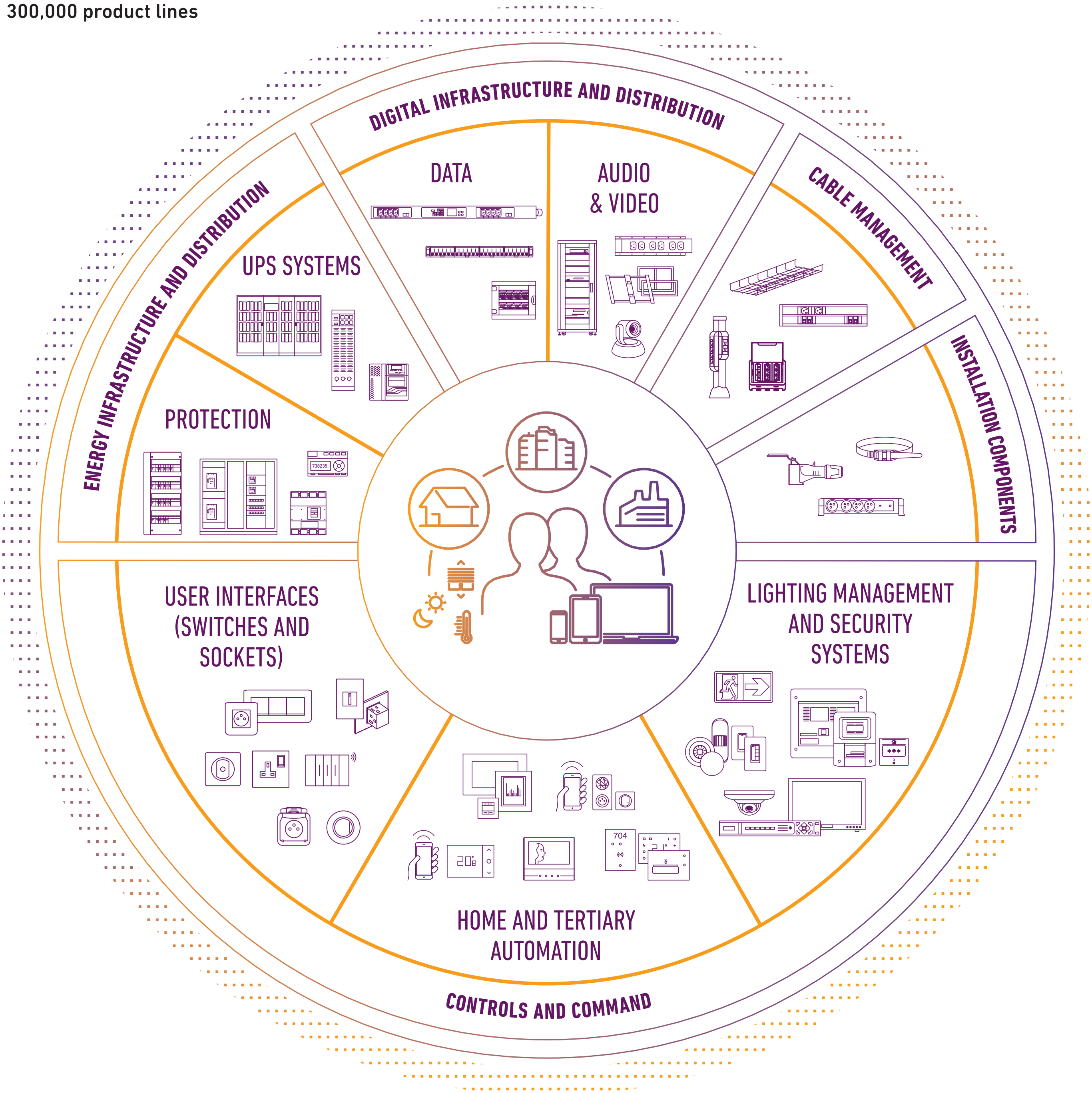
The depth of Legrand's offering, geared towards low-voltage applications in tertiary, residential and industrial buildings, makes the Group a global benchmark for all the players in its economic chain:

- **distributors,** to which Legrand sells its products,
- **electrical contractors,** who install Legrand's solutions in buildings,
- **product specifiers** (architects and engineering firms), which recommend the Group's solutions,
- **end-users** (individuals, companies and building managers).



A broad product range

Legrand offers more than
300,000 product lines



An organization that supports the Group's strategy and customers

THE GROUP'S ORGANIZATIONAL STRUCTURE IS BASED ON **TWO DISTINCT ROLES:**

THE FRONT OFFICE
is organized by country and consists of sales (in a broad sense) and operational marketing, aimed at meeting the specific needs of each market.

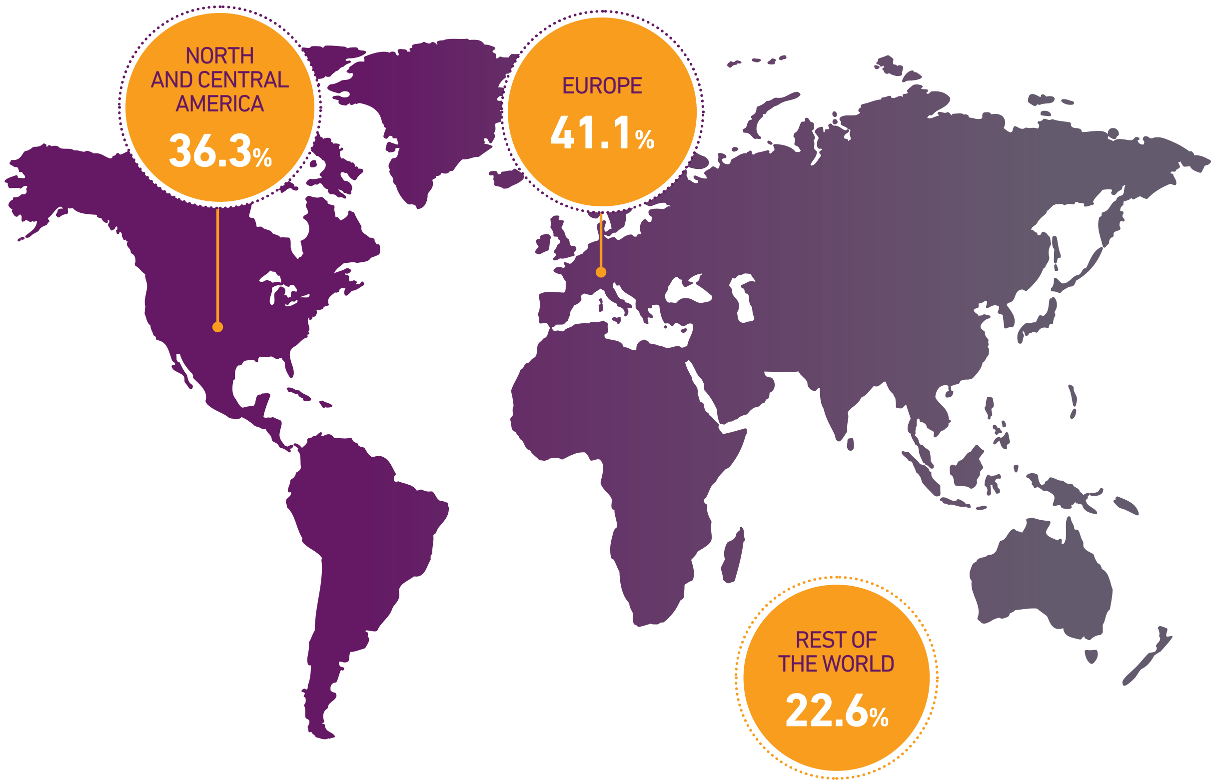
THE BACK OFFICE
brings together industrial activities (innovation, R&D, production, purchasing and supply chain) with strategy-related activities and general administration, centralized at the Group level.

Global presence

Legrand's products are sold under more than **70 brands** and across close to 180 countries.
The Group has sales and manufacturing operations in nearly **90 countries**.
Almost 85% of its sales come from outside France.

2018 SALES

BY GEOGRAPHICAL REGION



2018 SALES

BY END-MARKET

55% TERTIARY

40% RESIDENTIAL

5% INDUSTRIAL

BUSINESS MODEL

PROFITABLE, SUSTAINABLE, VALUE-CREATING GROWTH

2018 Data

HUMAN CAPITAL

- More than **38,000** people
- Almost **2,400** people working in R&D in more than 20 countries
- Loyal and committed teams

INDUSTRIAL CAPITAL

- More than **130** manufacturing and logistics sites in 31 countries
- **90**% of sites ISO 9001-certified
- **90**% of sites ISO 14001-certified

FINANCIAL CAPITAL

- Solid balance sheet structure
- Net debt equal to **1.7**x EBITDA
- Investment-grade credit rating

INTELLECTUAL CAPITAL

- About **3,700** patents
- More than **70** trademarks
- More than **300,000** product references

SOCIAL CAPITAL

- **60**% of purchases from suppliers that embrace Global Compact principles
- Corporate sponsorship (Electriciens Sans Frontières, Fondation Agir Contre l'Exclusion), technological alliances, commercial partnerships

NATURAL CAPITAL

- Land
- Raw materials
- Other natural resources

A global presence in electrical and digital building infrastructure, a market driven by megatrends

EXTERNAL GROWTH

48 acquisitions
from 2008 to 2018

€3.9 billion invested

ORGANIC GROWTH

Innovation

- 4.8% of sales invested on R&D in 2018
- More than 40 families of connected products (Eliot)
- Sales of connected products growing in total at an average annual rate of 28%(1)

Commercial excellence

- 96% of sales covered by CRM
- 121 million web pages viewed
- Digital initiatives: e-marketing, data analytics
- More than 100 showrooms and concept stores

(1) Between 2014 and 2018.

LEADERSHIP POSITIONS

69% of revenue
from leading products[1]

At least one leadership position in **more than 45 countries**

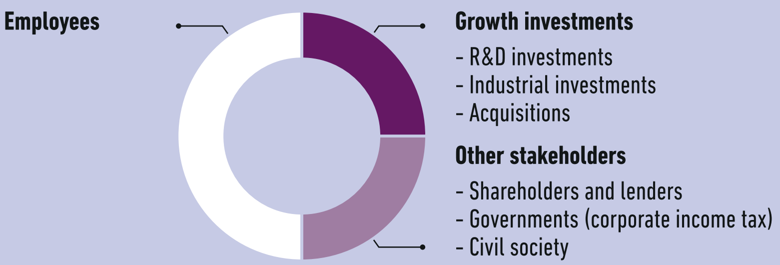
LONG-TERM VALUE CREATION

€6.0 billion of sales,
including €635 million from connected products

20.2% adjusted operating margin (in % of sales)

€893.5 million of normalized free cash flow

BREAKDOWN OF VALUE ADDED BY STAKEHOLDER (2007-2018)



BUSINESS ECOSYSTEM (2014-2018)

- 45 partnerships
- Training provided to 794,000 customers
- Support given to 100% of at-risk suppliers
- Business ethics training provided to more than 3,300 staff members

PEOPLE (2014-2018)

- 1.2 million people benefiting from electricity supply projects carried out with Electriciens sans Frontières
- 4.22: accident frequency rate with work stoppage halved
- 32% increase in the number of women in key positions

ENVIRONMENT (2014-2018)

- 91% of waste recovered
- -26.4% reduction in energy intensity
- 4.5 million metric tons of CO_2 emissions avoided through our energy efficiency products

Legrand, the sixth CAC 40 company to be recognized by the Sciences Based Target Initiative for its commitment to reducing greenhouse gas emissions

(1) Percentage of sales coming from products that rank first or second in their respective markets.

STRATEGY
AND GROWTH DRIVERS

2 GROWTH DRIVERS: ORGANIC GROWTH AND ACQUISITIONS

Organic growth

Organic growth is driven by innovation, through regular **new product** launches and ongoing sales and marketing initiatives.

Legrand also establishes technological **partnerships** – for example with CEA Tech, universities and other industrial players – and commercial partnerships, such as the collaboration with Lumileds to speed up adoption of dimmable LED lighting in the United States.

EXAMPLES OF NEW PRODUCTS IN 2018:

- User interfaces: dooxie in France, Living Now in Italy, Yiyuan in China, and connected products (Céliane with Netatmo in France, Valena with Netatmo in Greece and Smart lighting control in the United States)
- Automation for tertiary buildings: digital control interface for hotel rooms
- Protection: DX3 and DMX circuit-breakers, Practibox S cabinets and XL3 power enclosures
- Security systems: Galaxy connected security lighting
- Lighting management: Human Centric Lighting solutions
- Audio/video: app-controlled and Alexa™-interoperable Nuvo player audio systems, Milestone display mounts
- Intelligent UPS Systems
- Data: Infinium fiber enclosures for datacenters
- Logix universal modular floor boxes

FOCUS ON CONNECTED OBJECTS

The development of the Internet of Things is a major development for Legrand.

The Group has decided to step up its investments in this area.

- Innovation: in 2015, Legrand launched the Eliot program, which aimed at doubling the number of connected product families and achieving double-digit average annual total sales growth for connected products by 2020. Those targets were met as early as 2018.
- Partnerships: the Works with Legrand program enables third parties to connect to the Group's solutions in order to offer new services and functions.

eliot™ SMARTLY ON

WORKS WITH legrand®

> Combined with our IoT expertise, the acquisition of Netatmo, a leading French smart home company, will enable us speed up development of high value in use connected products

Benoît Coquart

External growth: A bolt-on acquisitions strategy

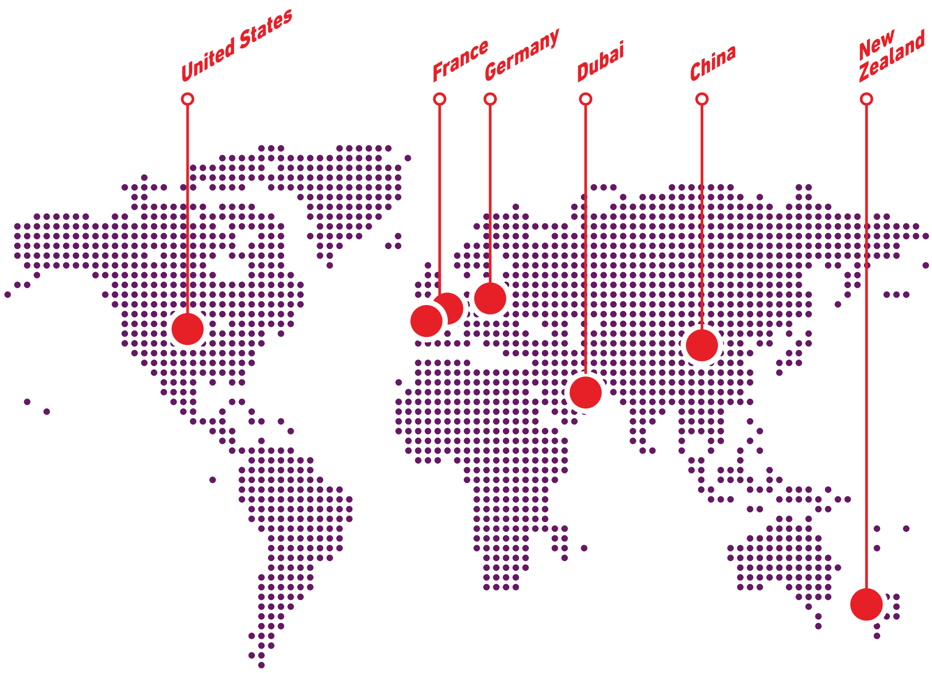
Legrand's targeted acquisitions strategy focuses on small- and medium sized companies, referred to as bolt-on acquisitions, that complement the Group's existing activities, strengthen its positions and expand its accessible market year after year.

The Group has made 170 acquisitions since 1954 and invested an average of €382 million per year over the last 10 years.

In 2018, Legrand acquired more specifically seven companies:

- **Netatmo,** a leading French producer of connected objects for the home
- **Debflex,** a French frontrunner in electrical equipment for DIY (Do-It-Yourself) activities
- **Kenall,** the American leader in lighting solutions dedicated to specialized applications and to critical non-residential environments
- **Shenzhen Clever Electronic,** Chinese leader in intelligent Power Distribution Units for datacenters
- **Modulan,** the German specialist in custom cabinets for datacenters
- **Gemnet,** a Uninterruptible Power Supply systems specialist based in Dubai
- **Trical,** a local front-runner in electrical and digital enclosures and switchboards for residential and commercial buildings in New Zealand

7 acquisitions in 2018



FOCUS

Acquisitions help Legrand to expand its accessible market and strengthen its leading positions.

Between 2006 and 2018:

- the value of Legrand's accessible market more than doubled to over €100 billion;
- the proportion of sales coming from products, which rank first or second on their market rose from around 53% to over 69%

In the last 10 years, the Group's acquisitions strategy has enabled it to achieve:

- A number 1 position in audio/video infrastructure and power in the United States with the acquisitions of Milestone and Middle Atlantic Products, which have now been combined within a single division,
- A leading position in smart power distribution units in the United States with the acquisitions of Raritan and Server Technology, and in China with the acquisition of Shenzhen Clever Electronic,
- A leading position in specification-grade lighting solutions for commercial buildings in the United States with the acquisitions of Pinnacle, Finelite, Kenall and OCL, and
- A number-two position in Europe in the assisted living market with the acquisitions of Intervox in France, Neat in Spain, Sweden and Germany, and Tynetec and Jontek in the United Kingdom.

CSR STRATEGY
FOR LONG-TERM GROWTH

MAKE OUR COMMITMENT A **LEVER OF PROGRESS** FOR SOCIETY, PEOPLE AND ENVIRONMENT

A strategy integrated in the business model and aligned with global issues

For many years, the Group's CSR approach has been an integral part of the Legrand business model and has supported its sustainable, profitable growth. The CSR roadmap, first published in 2007,

is a place where the Group's business activities, strategy and global challenges meet. It represents a commitment by the whole organization: all subsidiaries and entities are stakeholders in the CSR strategy and they implement it globally.

Developed jointly with stakeholders

The CSR strategy, which is formalized in the CSR roadmap, addresses the Group's main Environmental, Social and Governance (ESG) issues risks and issues, identified partly through a materiality survey carried out among stakeholders (3,700 respondents) and partly through the Group's risk mapping efforts.

Performance management and oversight

CSR performance is managed and overseen by the CSR Department, which relies on a network of 300 correspondents working in the Group's subsidiaries.

CSR priorities are applied by the Group's various entities.

A specific governance structure is in place and the social responsibility committee is in charge of ensuring consistency between the CSR priorities and Group strategy.

There is a quantitative target for each roadmap priority, measured using consolidated indicators on which an independent third-party organization provides a reasoned opinion.

The Group reports on its extra-financial performance every year, and it is one of the criteria determining the compensation of Group executives and decision-makers (CEO, members of the Executive Committee, country managers, Strategic Business Unit managers etc.).

A strategy aligned with international standards

To learn more :
2018 Registration document
Chapter 4

Legrand applies international CSR standards:

- the Universal Declaration of Human Rights
- the Declaration of the International Labour Organization (ILO)
- the GRI (Global Reporting Initiative) and ISO 26000 standards
- the 10 Principles of the United Nations Global Compact
- the United Nations Sustainable Development Goals (SDGs) for 2030
- Legrand is also part of the Science Based Targets initiative (backed by the WWF, the United Nations Global Compact, the World Resources Institute and the Carbon Disclosure Project)

A strategy defined by clear objectives

Multi-year CSR roadmaps set out the priorities and targets for the Group and each subsidiary.

They are supplemented by medium-term targets related to the United Nations Sustainable Development Goals.

2007-2010	2011-2013	2014-2018	2019-2021
4 YEARS	3 YEARS	5 YEARS	3 YEARS
3 focal areas 8 key challenges	3 focal areas 8 key challenges 28 priorities	4 focal areas 10 key challenges 21 priorities	3 focal areas 10 key challenges 18 priorities

2019-2021 roadmap: issues and priorities

The 2019-2021 CSR roadmap was published in February 2019 and is Legrand's fourth.

It reasserts the Group's commitment to sustainability in its business activities while being more ambitious than previous roadmaps.

It is based around 10 key challenges and 18 priorities, consistent with the UN's Sustainable Development Goals (SDGs).

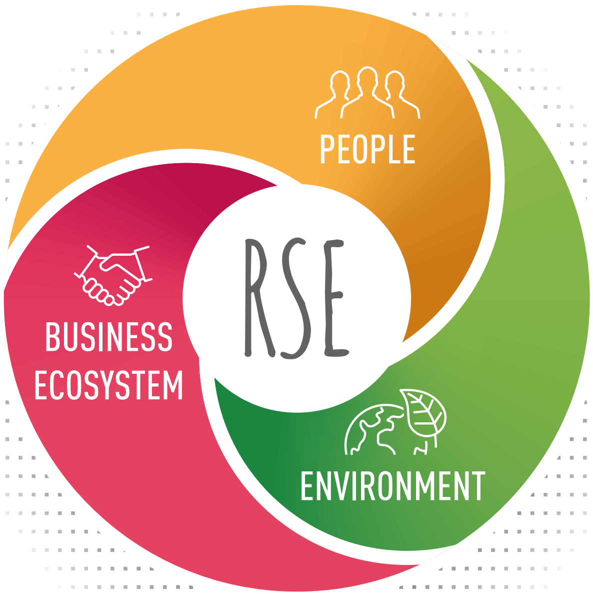
To make the Group more agile and responsive in this area, the 2019-2021 roadmap covers a three-year period instead of four years for the previous roadmap.

Quantitative targets are calculated with respect to end-2018 levels and are to be achieved by the end of 2021.

3 FOCAL AREAS OF THE COMMITMENT TO SUSTAINABILITY

Legrand's CSR is based on three focal areas[(1)] that guide and structure its commitments.

The focal areas break down into 10 key challenges that take priority for both the Group's stakeholders and the development of its activities:



BUSINESS ECOSYSTEM

Legrand interacts with its whole business ecosystem in an ethical way.

PEOPLE

Legrand commits for respect of all its staff members and stakeholders.

ENVIRONMENT

Legrand intends to limit the Group's impact on the environment.

3 TARGETS FOR 2030

BUSINESS ECOSYSTEM

INCREASE THE SHARE OF SUSTAINABLE INCOME

Derive 80% of the Group's sales from sustainable products

PEOPLE

STRENGHTHEN THE POSITION OF WOMEN AT LEGRAND

Ensure that at least one third of the Group's key roles are occupied by women

Reach gender parity in the workforce

ENVIRONMENT

CONTINUE REDUCING THE GROUP'S ENERGY FOOTPRINT

Achieve a 30% reduction in CO_2 emissions directly related to the Group's activities (target validated by Science Based Targets)

Challenges and priorities for 2021

BUSINESS ECOSYSTEM

All along the value chain, Legrand aims to address the expectations of business stakeholders, suppliers, users and partners, in order to ensure progress for all in strict compliance with ethical rules.

PROVIDE SUSTAINABLE SOLUTIONS

- Protect the health and safety of users
- Stimulate innovation through partnerships

ENSURE SUSTAINABLE PURCHASING

- Raise awareness and provide training about responsible purchasing
- Measure the progress of suppliers identified as at-risk in CSR terms

ACT ETHICALLY

- Continue to train employees and raise their awareness about business ethics
- Monitor the application of the compliance program

PEOPLE

All over the world, Legrand is committed to ensuring the greatest respect for human rights, diversity, safety, wellbeing, health and talent among its employees and communities.

RESPECT HUMAN RIGHTS AND COMMUNITIES

- Comply with the Group's commitment to human rights
- Contribute to communities

PROMOTE HEALTH, SAFETY AND WELL-BEING AT WORK

- Deploy best practice on health and safety at work
- Strengthen the commitment of Group employees

DEVELOP SKILLS

- Develop the skills and talents of all employees

PROMOTE EQUAL OPPORTUNITIES AND DIVERSITY

- Encourage diversity at work

ENVIRONMENT

It is Legrand's responsibility to limit the environmental impact of its activities, particularly by reducing CO_2 emissions.

LIMIT GREENHOUSE GAZ EMISSIONS

- Reduce the Group's carbon footprint
- Avoid CO_2 emissions through the Group's energy efficiency offers

INNOVATE FOR CIRCULAR ECONOMY

- Integrate circular economy principles into the development of new products
- Provide environmental information on the Group's products
- Ensure waste recovery

COMBAT POLLUTION

- Reduce Volatile Organic Compound (VOC) emissions

RISK MANAGEMENT

FOR PERFORMANCE

Risk mapping

As the Group and its operating environment changes, risk mapping aims to identify risks and opportunities that are likely to significantly impact the Group's strategy, operations, financial position or reputation, and to mitigate them.

Risk factors may be external (regulatory changes, cybercrime, technological developments, market trends, climate change, natural catastrophes etc.) or internal (equipment or human failure, fraud, non-compliance with regulations, etc.).

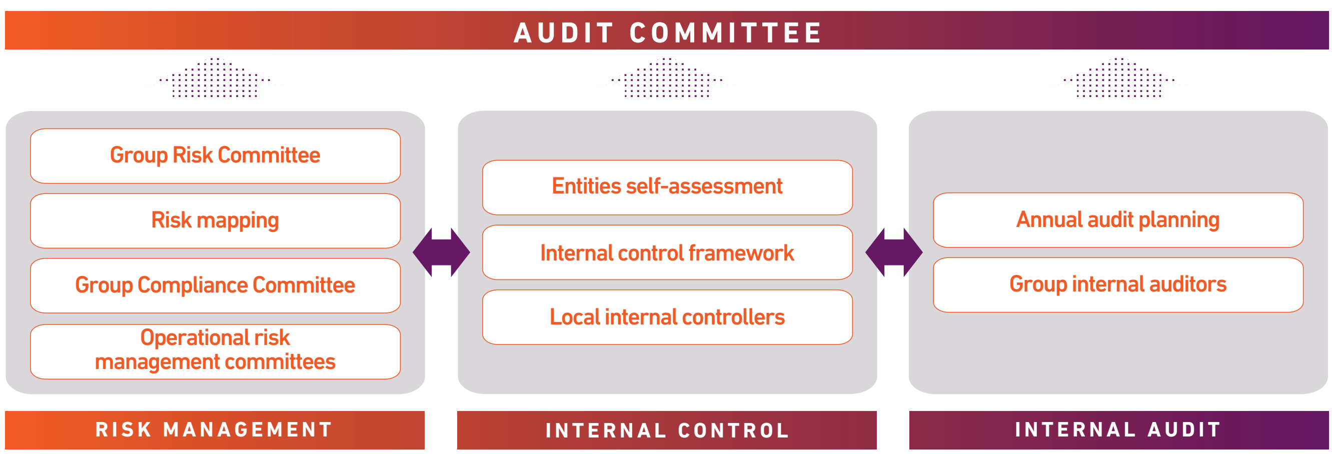
Risk management is an ongoing exercise for which all Group managers are responsible.

A dedicated governance framework is in place, involving:

- a risk manager in charge of overseeing the process,
- a risk committee chaired by the Chief Executive Officer,
- operational risk committees in some departments,
- the Audit Committee, charged with assessing the organization and effectiveness of the mechanism.

The approach is based on identifying and ranking risks on the basis of their impact, probability and estimated level of control.

Dedicated governance framework



RISK MANAGEMENT IS A KEY FEATURE OF THE GROUP'S OPERATIONS AND SAFEGUARDING ITS INTEGRATED PERFORMANCE

Major risks and opportunities

The risk mapping and materiality analysis work carried out with our stakeholders enables us to identify the risks and opportunities relating to our business model.

ASPECTS OF THE BUSINESS MODEL	ASSOCIATED RISKS AND OPPORTUNITIES
Organic growth and innovation - Particularly related to the Internet of Things	• Technological disruption and digital transformation • Personal data protection • Failure in launching a major project
Acquisitions	• Detecting acquisition targets, acquiring them and integrating them within Legrand
Leadership positions	• Changes in product standards and regulations • Ability to adjust prices • Product quality and safety • Brand and reputational damage
Human capital	• Attracting and retaining talent • Adapting skills to requirements • Engaging staff
Intellectual capital	• Intellectual property, patent protection, infringement of third-party rights, counterfeiting
Industrial capital	• Raw materials and component shortages • Failure of a strategic supplier • Unavailability of a production, storage or logistics site
Social capital	• Poor practice among suppliers • Environmental impact • Employment practices • Business ethics • Tax risks
Financial capital	• Financing and liquidity risk • Counterparty risk • Value of brands and goodwill
Natural capital	• Risks related to climate change
Creation of financial value added	• Failure to achieve the expected financial performance • Reliability of accounts and internal control • Foreign currency risk • Customer credit risk
Global presence	• Country risk

To learn more :
2018 Registration document
Chapter 3

GOVERNANCE

CENTRAL TO ALL ISSUES

▶ Board of Directors: independence, diversity and variety of skills

Legrand is listed on Euronext Paris and is a member of the CAC 40[1].

Its shareholder base is international, and is mainly located in the United States, France, the United Kingdom and various other European countries. Its free float is 96%. Legrand pays a particular attention attention to its governance, ensuring that it meets the highest standards, not only to comply with legal requirements but to act in the interests of all stakeholders.

The Company abides by the principles of corporate governance for listed companies set out in the Afep-Medef Code of Corporate Governance, which can be consulted on Medef's website at **www.medef.com**

The Board of Directors exercises the powers vested in it by law to act in the company's interest in all circumstances. The Board's decisions are made within the context of the Group's sustainable development approach. The Board of Directors therefore contains people with varied and complementary profiles, with strategic, financial and specific skills such as financial communication, CSR, talent management and marketing.

THE MEMBERS OF THE BOARD OF DIRECTORS ARE AS FOLLOWS:

To learn more :
2018 Registration document
Chapter 6, paragraph 6.1.1

Gilles SCHNEPP,
Chairman of the Board of Directors,
French

Olivier BAZIL,
Director,
French

Isabelle BOCCON-GIBOD,
Independent Director,
French

Christel BORIES,
Independent Director,
French

Angeles GARCIA-POVEDA,
Lead independent Director,
Spanish

Edward A. GILHULY,
Independent Director,
American

Philippe JEULIN,
Director representing employees,
French

Patrick KOLLER,
Independent Director,
German-French

Annalisa LOUSTAU-ELIA,
Independent Director,
Italian

Eliane ROUYER-CHEVALIER,
Independent Director,
French

PROPORTION OF INDEPENDENT DIRECTORS*	GENDER BALANCE ON THE BOARD OF DIRECTORS*	NATIONALITIES REPRESENTED ON THE BOARD OF DIRECTORS
78%	56% 44%	5

** These figures do not include the director representing employees.*

(1) On the date this registration document was registered.

"Legrand's governance is consistent with market best practice, particularly through the composition and functioning of its Board and committees and the quality of its interaction with management."

Gilles SCHNEPP *(Chairman of the Board of Directors and Member of the Strategy and Social Responsibility Committee)*

8 MEETINGS OF THE BOARD IN 2018	**85%** DIRECTOR ATTENDANCE RATE IN BOARD MEETINGS	**1** MEETING HELD BY DIRECTORS WITHOUT INTERNAL AND EXECUTIVE DIRECTORS	EXTERNAL ASSESSMENT OF THE FUNCTIONING OF THE BOARD AND ITS COMMITTEES

In 2017 and 2018, Legrand ranked in the top quartile of CAC 40 companies in terms of governance practices according to the "CAC 40 governance" index launched by Euronext in partnership with Vigeo Eiris.

8 MEETINGS OF THE AUDIT COMMITTEE	**3** MEETINGS OF THE COMPENSATION COMMITTEE	**4** MEETINGS OF THE STRATEGY AND SOCIAL RESPONSIBILITY COMMITTEE	**2** MEETINGS OF THE NOMINATING AND GOVERNANCE COMMITTEE	**95%** DIRECTOR ATTENDANCE RATE IN SPECIALIST COMMITTEE MEETINGS

The Executive Committee: a multi-disciplinary and experienced team

To learn more :
2018 Registration document
Chapter 6, paragraph 6.1.4.4

The Executive Committee is made up of a close-knit eight-member team that has a varied and complementary range of expertise. All members of the committee understand the core business of the Group and its development issues.

This Committee brings together representatives of country management teams and of operational support departments in those countries. On the date the 2018 registration document was filed, the Executive Committee, which included two women, was made up as follows:

Name	Duties	Date of joining the Group
Mr. Benoît COQUART	Chief Executive Officer	1997
Mrs. Karine ALQUIER-CARO	Executive VP Purchasing	2001
Mrs. Bénédicte BAHIER	Executive VP Human Resources	2007
Mr. Antoine BUREL	Deputy Chief Executive Officer, Executive VP Group Operations	1993
Mr. Jean-Luc CARTET	Executive VP Asia-Pacific, Middle East & Africa and South America	1992
Mr. Franck LEMERY	Chief Financial Officer	1994
Mr. John SELLDORFF	President and Chief Executive Officer of Legrand North & Central America	2002
Mr. Frédéric XERRI	Executive VP Europe	1993

INTEGRATED PERFORMANCE

Financial performance

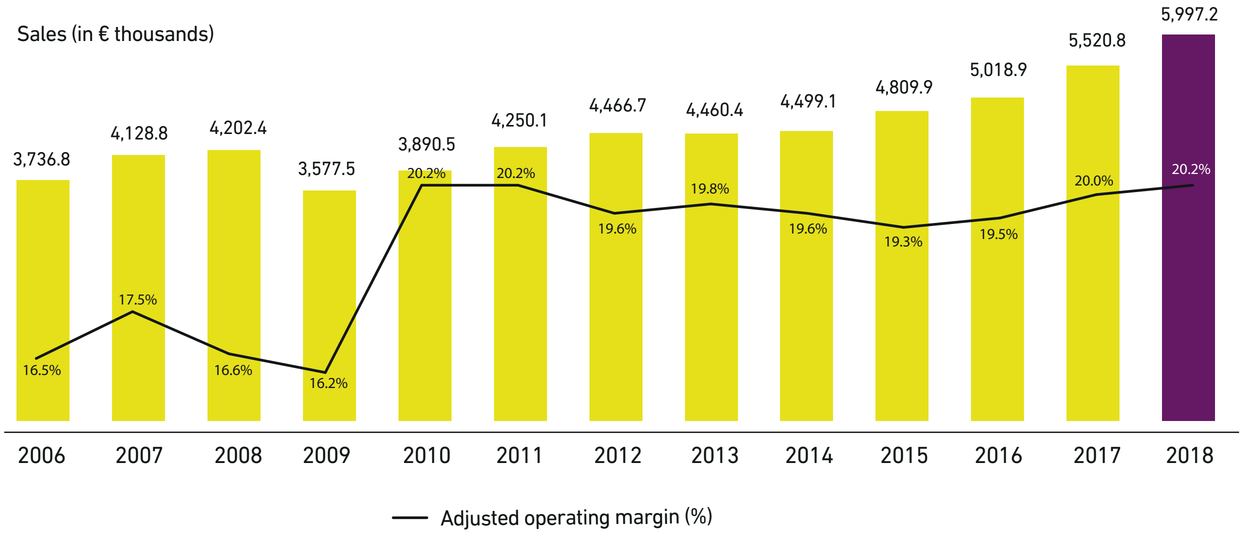
FINANCIAL PERFORMANCE IN **2018**

With +4.9% of organic growth in sales in 2018, Legrand outperformed the target that it set itself for the year and continued to expand its positions. The effect of the increased scope of consolidation was also substantial at +7.8%. Excluding the exchange-rate effect, sales were up +13% in 2018 – the highest rise since 2006.

Adjusted operating profit increased +9.7%, to over €1.2bn, and adjusted operating margin before acquisitions reached 20.2% of sales, in line with the 2018 target.

Net profit attributable to the Group was up a strong +23.3%[(1)] and normalized free cash flow rose +21.5%, to represent 14.9% of sales.

2006-2018 PERFORMANCE



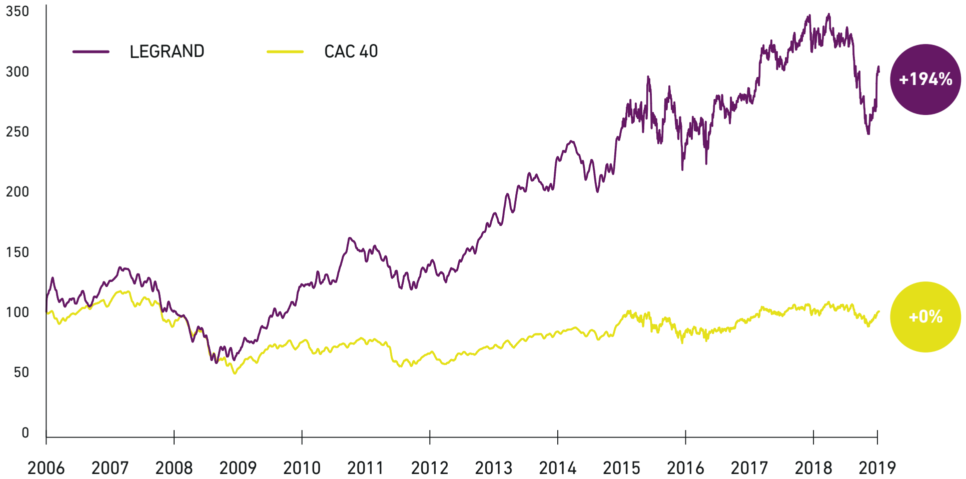
(1) 2018 net profit attributable to the Group compared with 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

"I am convinced that maximizing value creation is driven by results from a combination of financial and extra-financial performance."

Benoît Coquart

SHARE PRICE PERFORMANCE

(between April 6, 2006 and February 28, 2019)



2019 TARGETS

In 2019, the Group will pursue its value-creating strategy of profitable and sustainable growth. Based on macroeconomic forecasts for 2019 that are favorable overall but that have become more uncertain, Legrand has set a target for organic growth in sales of between 0% and +4% in 2019. Additionally, the Group has retained a target for adjusted operating margin before acquisitions (at 2018 scope of consolidation) of between 19.9%(1) and 20.7%(1) of sales in 2019. Legrand will also pursue its acquisition strategy and its CSR approach by launching a new roadmap for 2019-2021.

LEGRAND'S MEDIUM-TERM VALUE-CREATING MODEL

Confident in the soundness of its model and its ability to fuel lasting profitable growth, Legrand confirms its medium-term model:

- assuming a buoyant economic backdrop and excluding exchange-rate effects, the Group intends to achieve annual growth in sales and adjusted operating profit of around +10%;
- assuming a lackluster or unfavorable economic backdrop, Legrand will focus on protecting its model, profitability and generation of free cash flow.

Over a full economic cycle, and excluding any major economic slowdown, this model would result in average annual total growth in sales above that of the Group's reference markets, adjusted operating margin averaging around 20% of sales(2), normalized free cash flow ranging on average between 13% and 14% of sales(2), and an attractive dividend.

Legrand also intends to continue rolling out an ambitious approach to CSR, driven by demanding roadmaps.

(1) After taking into account an estimated positive impact of around +0.1 points from the application of IFRS 16 from January 1, 2019.

(2) Without major acquisition and taking into account the implementation of IFRS 16 standard.

Extra-financial performance

2014-2018 CSR roadmap achievement rate of **122%**

2014–2018 ROADMAP RESULTS

2014-2018 HIGHLIGHTS

2014: creation of the Legrand Foundation

The Legrand Foundation aims to help people live independently, combat exclusion linked with a loss of independence and electricity poverty, and promote education and access to employment in the electrical sector.

2015: Legrand obtains ISO 50001 certification

This certification of Legrand's Energy Management System covers 24 European sites and shows the Group's desire to address energy transition issues. Legrand is the first French industrial group to obtain ISO 50001 certification for multiple sites across a broad European platform.

2016: Legrand receives the CSR Trophy in the "Grand Prix de l'AG" shareholder meeting awards

This award recognizes the way in which the Group has made CSR an integral part of its strategy in its Shareholders' General Meetings, particularly through the publication of its first integrated report.

2017: Legrand signs up to a new partnership with Electriciens sans Frontières and the French foreign affairs ministry

Legrand, which has been a partner of Electriciens sans Frontières since 2007, signed a partnership agreement with the French foreign affairs ministry, Electriciens sans Frontières and nine other companies to help deal with humanitarian emergencies. All of these partners worked together for the first time after the Indonesian earthquake in 2018.

2017: Legrand launches a global employee welfare program

This program, called Serenity On, has three parts: parenthood, health and death and disability cover. The program is set to be rolled out across all Group subsidiaries by 2021.

2018: Legrand ranked ninth in the CAC 40 positivity survey

Legrand was ranked ninth in the first CAC 40 positivity survey, the results of which were published in 2018 by Positive Economy Advocacy. The survey analyzed companies' ability to put altruism and the interests of future generations at the heart of their priorities.

2018: Legrand becomes the sixth CAC 40 company recognized by the Science Based Targets initiative (SBTi) for its climate commitment

Continuing its efforts to limit its environmental impact, Legrand undertook in 2018 to achieve a 30% reduction in its greenhouse gas emissions by 2030. Its targets were validated by the SBTi.

MAIN ACHIEVEMENTS BY STRAND DURING 2014-2018

OVERALL ACHIEVEMENT RATE OF 122%

USERS

Users of the Legrand Group's products and their needs are the Group's main focus and concern. It relies on innovation to offer users sustainable solutions and to drive progress in the electrical sector.

- 4.5 million metric tons of CO_2 emissions avoided through our installed products
- PEPs (Product Environmental Profiles) available for products making up 70% of Group sales
- 45 partnerships initiated over the 5-year period
- training provided to 794,609 customers
- 96% of Group sales covered by a CRM (Customer Relationship Management) tool

"PEPs (Product Environmental Profiles) now cover products making up 70% of Legrand's sales. This illustrates our eco-design approach, which is based on lifecycle analysis. It gives the Group a crucial advantage in meeting Sustainable Building requirements."

Jean Michel Rossignol *Environmental Manager*

COMPANY

Interaction with business partners takes place with the utmost respect for ethical principles, particularly in terms of business practices and purchasing policy.

- Business ethics training provided to 3,370 people.
- Compliance program rolled out across more than 50 countries.
- Support given to 100% of higher-risk suppliers and more than 200 action plans initiated in around 20 countries.
- Working with Electriciens Sans Frontières, improved access to energy provided to 1.2 million people.
- 42 projects supported by the Foundation since 2014.

"The roadmap led to the creation, across more than 25 countries, of a community of trained purchasers, supported by environmental and health and safety specialists applying a common methodology to assess and help suppliers exposed to CSR risks to achieve progress in the field."

Karine Alquier-Caro *Executive VP Purchasing:*

EMPLOYEES

The Group seeks to ensure respect for human rights all over the world. It is also committed to health and safety for all.

- Respect for human rights assessed for 100% of exposed employees.
- More than 98% of employees covered by occupational risk management plans.
- 94% of employees receiving training each year on average.
- 90% of managers receiving an individual appraisal.

"The adoption of best practice regarding Health and Safety at Work halved the accident frequency rate during the roadmap period."

Philippe Bastard *Group VP Operating Performance:*

ENVIRONMENT

Environmental protection applies not only to the Group's sites but also the design of its products. The challenge is to innovate in order to limit the environmental impact of Legrand's operations. This includes promoting the development of a circular economy.

- 90% of main industrial and logistics sites ISO-14001 certified.
- 26.4% reduction in energy intensity.
- 91% of waste sent for recycling.
- 98% of the Group's sales compliant with the requirements of the RoHS directive.

Targets for reducing greenhouse gas emissions, aimed at limiting global warming to 2°C, were also approved by the Science Based Targets initiative. Legrand was one of the very first CAC 40 companies to obtain such approval.

2

GROUP OVERVIEW

2.1 –	LEGRAND AND ITS BUSINESS	30
2.1.1 –	Overview	30
2.1.2 –	History	36
2.2 –	A PROFITABLE GROWTH STRATEGY BASED ON DEVELOPING LEADING POSITIONS	37
2.2.1 –	Legrand, a market leader with a unique position	37
2.2.2 –	A development driven by two growth drivers	39
2.2.3 –	A business model creating long-term value	41
2.3 –	AN ORGANIZATION SERVING BOTH THE GROUP'S STRATEGY AND ITS CUSTOMERS	44
2.3.1 –	Front Office	44
2.3.2 –	Back Office	47
2.4 –	OTHER INFORMATION	49
2.4.1 –	Suppliers and raw materials	49
2.4.2 –	Property, plant and equipment	50
2.4.3 –	Information by geographic region	52
2.4.4 –	Competitors	52

2.1 – LEGRAND AND ITS BUSINESS

2.1.1 – Overview

2.1.1.1 A BUSINESS MODEL CREATING VALUE OVER THE LONG TERM

Legrand is the global specialist in electrical and digital building infrastructure.

More specifically, the Group offers more than 300,000 product references that incorporate numerous connected solutions, across five main categories:

- Controls and command: user interfaces (commands for lighting, rolling shutters, heating and sockets, voice-data-image communication, USB-type charging points, etc.), building automation (home systems, assisted living, etc.), lighting solutions (highly energy-efficient lighting management, specification-grade lighting for commercial buildings, etc.), security systems (emergency lighting, alarms, access control, etc.) and measurement and comfort solutions (atmospheric data, thermostatic heating management, air quality, etc.);
- Energy infrastructure and distribution: circuit breakers, surge protection, busbars, transformers, UPS systems (Uninterruptible Power Supply), electrical cabinets and switchboards, etc.;
- Digital infrastructure and distribution: pre-wired copper or fiber-optic solutions for IT networks, telephone and video networks, RJ45 sockets, patching racks, PDUs (Power Distribution Units), busways (Electric power distribution systems based on metal busbars), etc.;
- Cable management: trunking, ducting, cable support or routing systems, wire-mesh cable management systems, floor boxes, etc.;
- Installation components: connectors, tubes and ducts, plugs, multi-outlet units, cable ties, flush-mounting boxes, etc.

This comprehensive offering tailored to the low voltage market in the commercial, industrial and residential segments makes Legrand a global standard among all players in its economic chain: the distributors to which Legrand sells its products, the electrical contractors that install Legrand's solutions in buildings, product specifiers (architects, engineering firms) and end-users (individuals, companies, building managers).

Legrand's business model relies on two growth drivers to strengthen its leadership positions worldwide year after year.

The first driver, organic growth, is fueled by innovation with regular launches of new offerings – including connected products (as part of the Eliot program) that offer greater value-in-use for installers, building managers and end-users, supported by steady geographical expansion and numerous marketing and sales initiatives, particularly using the digitization of customer relations, commercial data, communication and the gradual deployment of a data analytics program.

External growth is the Group's second growth driver, with the acquisition of businesses that are highly complementary with its own and have leading positions in their markets.

The other feature of Legrand's business model is that it is based on generating large amounts of free cash flow, enabling the Group to finance most of its growth and maintain a solid financial position.

Finally, Legrand's development model forms part of a long-standing commitment to CSR that is constantly renewed (see Chapter 4 for more information on Legrand's CSR approach).

Thanks to the soundness and continuous improvement of its business model, Legrand intends to continue strengthening its sustainable, profitable and highly cash-generative growth profile in order to finance its growth over the long term and thus create value for all its stakeholders, while continuing to offer products that help protect the environment.

The Group is listed on Euronext Paris and was notably a component of the CAC 40 index as of the date on which this registration document was filed.

The Group markets its products under internationally recognized generalist brands such as Legrand and Bticino, as well as under well-known local and specialist brands. Close to its markets and focused on its entire economic chain, Legrand has more than 38,000 employees, and commercial and industrial operations in nearly 90 countries.

The Group's organizational structure is based on two distinct roles:

- on the one hand, sales activities and operational marketing (Front Office), organized by country in order to respond to the specific requirements of each market in terms of relations with distributors, electrical installers, product specifiers and end-users; and
- on the other hand, activities linked to strategy, industrial operations (innovation, R&D, manufacturing, purchasing and supply chain), and general administration (Back Office), organized globally.

The Group benefits from solid, long term growth drivers. Geographically, close to 85% of its sales were generated abroad in 2018. Around 33% were recorded in the United States, the Group's first country in terms of sales. As well as deploying its geographical positions and rapidly growing sales of connected products through its Eliot program, macrotrends are offering long-term growth opportunities for the Group and more specifically reflect:

- social changes related to growing and ageing populations, urbanization, the increasing desire to reduce energy consumption and the development of new economies;
- changes related to end-customer habits, with increasingly mobile lifestyles, rapid growth in e-commerce and rising needs for products that are easy-to-use, connected and ensure the confidentiality of personal data; and
- technological changes, particularly related to digital technology with the Internet of Things, driven by growth in wireless data traffic, fiber-optic networks, big data, mobile and tablet apps and artificial intelligence.

These evolutions are underpinning the deployment of increasingly rich electrical and digital infrastructure in buildings, and putting Legrand – as a specialist in this area – at the heart of these macrotrends, particularly those relating to the development of the Internet of Things.

More generally, Legrand is convinced that new technologies, particularly digital ones, significantly increase the value-in-use of its products and systems. The Group has therefore decided to step up its investments in this field: innovation, especially with the ongoing development and launch of numerous product offerings, including connected products; acquisitions, in particular with the acquisition of Netatmo – marking the acceleration of the Eliot program launched in July 2015 – as well as Shenzhen Clever Electronic and Modulan in 2018; and the signing of a number of technology partnerships with major groups such as Amazon™, Apple, Google and Microsoft, research centers such as CEA Tech, and startups (in artificial intelligence with Assist Digital and lighting controls with Lumenetix, specializing in color management in lighting), as well as commercial partnerships (for example, with BNP Paribas Real Estate and Vinci Immobilier, whose pilot residences, launched in France in 2017, are equipped with "Céliane with Netatmo" connected user interfaces). Against this backdrop, Legrand has set itself ambitious targets, such as achieving double-digit average total annual growth in sales of connected products between 2014 and 2020, and doubling the number of its connected product families, from 20 to 40 over the same period. With €635 million of sales from connected products in 2018 – representing average annual total growth of 28% between 2014 and 2018 – and more than 40 families of connected products[1], Legrand has achieved the 2020 targets of the Eliot program as early as in 2018.

2.1.1.2 NUMEROUS GROWTH OPPORTUNITIES

Driven by social megatrends (growing and ageing populations, urbanization and the desire to reduce energy consumption), megatrends related to end-customer habits (increasingly mobile lifestyles, e-commerce, demand for products that are simple, connected and guarantee the security of personal data) and technological ones (emergence of the Internet of Things, Big Data, wireless and fiber-optic technology), the market for electrical and digital building infrastructure is changing, offering enhanced features and the scope for long-term growth. The Group's growth, both geographic and in terms of products and distribution channels, is at the heart of the global challenges raised by these megatrends.

2.1.1.2.1 International development[2]

Strengthening the Group's presence in the United States

Due to its ongoing innovation efforts along with 15 acquisitions in the last 10 years, the United States – which accounted for around 33% of Legrand's 2018 sales – has been the Group's number one country in terms of sales since 2015. In particular, Legrand has built solid leading positions in the last few years in audio-video (AV) infrastructure and power with the acquisitions of Milestone in 2017 and Middle Atlantic Products in 2011, in intelligent PDUs with the acquisitions of Server Technology in 2017 and Raritan in 2015, in busways (electric power distribution systems based on metal busbars) for datacenters with the acquisition of Universal Electric in 2019 and in specification-grade lighting for commercial buildings with the acquisitions of Kenall in 2018, Finelite and OCL in 2017 and Pinnacle in 2016. These positions supplement the Group's historical leading positions in the United States in user interfaces, cable management and high-energy-efficiency lighting control.

(1) Includes Netatmo, not consolidated in 2018 sales.
(2) For more information relating to data on Legrand's market and competitive positioning, readers can refer to the note on page 4 of this Registration document.

Presence in new economies

New economies (Latin America, Central America, Eastern Europe, Turkey, Asia excluding South Korea, Pacific excluding Australia, Africa and the Middle East) offer long term growth potential. An eighth of the world's population does not yet have access to electricity, and a middle-class boom is expected in many countries – for instance, according to the OECD, Asia will have around 3 billion middle-class citizens by 2030, five times more than in Europe – driving demand especially for high value-added products. As a result, Legrand believes that in the long term, its market offers attractive growth potential as electricity generation and distribution infrastructures gradually develop.

The Group sells its products in nearly 130 new economies and has a commercial and/or industrial presence in over half of them. This expansion is evenly spread, with new economies representing almost 29% of the Group's sales at the end of 2018, the most significant country being India representing more than 5% of total Group sales.

2.1.1.2.2 New technologies

Legrand is convinced that new technologies, in particular digital ones, significantly increase the value-in-use of electrical and digital building infrastructure products for both individual users and professionals.

The Group has therefore decided to step up its investments in new technologies, deploying a range of initiatives that include:

- the Eliot program, launched in July 2015, aimed at speeding up deployment of the Internet of Things in the Group's offering. Eliot-related activities generated sales of €635 million in 2018, more than 10% of the Group total sales. Between 2014 and 2018, sales of connected products grew in total at an average annual rate of 28%. Over the same period, the program was rolled out across numerous countries and the number of connected product families doubled to over 40(1) at the end of 2018. As a result, Legrand achieved the Eliot program's 2020 targets(2) as early as in 2018.

  Eliot moreover accelerated in 2018 with the acquisition of Netatmo, France's leading player in connected objects for smart homes, with which Legrand had already successfully co-developed several smart-home management solutions, such as Céliane with Netatmo and Living Now with Netatmo, which were very well received in the market. With sales of around €51 million in 2018, up close to 37% compared with 2017, Netatmo is enhancing Legrand's offering with new product categories and increasing the Group's development capabilities with the know-how of 130 engineers specializing in artificial intelligence, user experience and software product integration;
- R&D investments that are increasingly focused on new technologies, for example with the number of R&D staff assigned to software multiplied by more than four between 2010 and 2018;
- the signing of collaborative agreements, strategic partnerships and many technological alliances, particularly as part of the "Works with Legrand" program. Legrand has thus formed numerous partnerships, including with Apple, Google, Microsoft and Alexa™, with which the Group has developed the first connected switch with built-in voice assistant. The program also includes startups like CareOS, to integrate Legrand solutions into an innovative smart mirror, and Lumenetix in the United States;
- the development of offerings addressing new usages, such as improving workspace management with the development of smart detectors in partnership with Microsoft Office 365, integrating artificial intelligence into connected face-recognition door entry systems in China, and developing connected emergency lighting allowing remote surveillance and optimized maintenance; and
- involvement in various technology alliances, such as Open Connectivity Foundation, ZigBee Alliance, BACnet International, LoRa Alliance, Thread Group and the Wifi Alliance, to ensure the interoperability of its range with those of other players and to take part in defining the standards of tomorrow.

Legrand is also supplementing its offering in areas that fit very well with its long-standing activities, that have business models very similar to its own and that show promising prospects, particularly in digital infrastructure. In the last four years, for example, along with Netatmo in connected products, Legrand has:

- acquired Milestone, a leading player of the Audio-Video (AV) infrastructure and power in the United States, and Luxul Wireless, a specialist in Audio-Video infrastructures for residential buildings and small and mid-sized commercial buildings, in the Audio-Video field;
- acquired Server Technology Inc. and Shenzhen Clever Electronic (that are respectively the frontrunner in North-America and the Chinese leader in smart PDUs(3)), Raritan (which also has solid positions in North America in the smart PDU(3) segment but also specializes in KVM(4) switches), as well as Fluxpower, Primetech and Gemnet (specializing in UPS(5) systems) and AFCO Systems Group (US specialist in Voice-Data-Image cabinets), and entered into a joint venture with Modulan (German specialist in custom cabinets) in the datacenter field;

(1) Includes Netatmo, not consolidated in 2018 sales.

(2) As a reminder, in 2015 Legrand set itself targets that included doubling the number of connected product families – from 20 in 2014 to 40 in 2020 – and achieving double-digit average annual total growth in sales for connected products between 2014 and 2020.

(3) PDU: Power Distribution Unit.

(4) KVM: Keyboard, Video and Mouse.

(5) Uninterruptible Power Supply.

- acquired Jontek (a frontrunner in the assisted living sector in the United Kingdom);
- acquired IME, a leading Italian player and European specialist in measuring electrical installation parameters, in the highly promising energy efficiency segment; and
- entered into a joint-venture with Borri, an Italian company specializing in three-phase UPS[1] systems.

In February 2019, Legrand announced the acquisition of Universal Electric Corporation, undisputed US leader in the production of busways for datacenters.

2.1.1.2.3 New business segments

Boosted by technological progress and the emergence of new needs, particularly linked to the development of new technologies (see section 2.1.1.2.2 of this registration document for more details), digital infrastructure, home systems, energy efficiency and assisted living are continuing to grow. Over the past 10 years, the proportion of Group sales coming from new business segments has doubled to 38.6%.

Digital infrastructure and home systems

Breakthroughs in digital technology have led to sweeping changes in the day-to-day use of electrical equipment. Smartphones, telephones, tablets, televisions, computers, lighting, sound systems, household appliances, cars and more are becoming increasingly interactive, intuitive, mobile and connected. As a result of these technological developments, data flows in buildings are increasing significantly, which requires consequently buildings to have a stronger and enhanced electrical and digital infrastructure.

As a consequence, in residential buildings, the electrical installation must not only power and protect those appliances individually – increasing the needs in terms of the building's electrical infrastructure – but also allow interactive management of all internal functions within the home, such as monitoring energy consumption, comfort, security, and audio and video distribution.

Likewise, in commercial buildings, IT and telephone networks as well as building management systems (lighting, heating and security management) use protocols that are often different yet must still communicate with each other and even converge towards a common protocol for easier management and maintenance.

Legrand offers its customers solutions that are simple to use and install, allowing smart management of the building through its digital infrastructure. In recent years, the Group has made its mark with numerous innovations, including for example, the Celiane with Netatmo connected user interface range, the Classe 300X connected door entry system that makes it possible to manage access to the home remotely, the LCS3 high-performance structured cabling system for digital infrastructures that takes up less space and provides datacenters with easy implementation and maintenance solutions, and the Digital Lighting Management offering that provides optimized lighting management via a digital network.

Energy efficiency

Buildings currently account for around 35% of total worldwide energy consumption[2].

As a result of the introduction of new regulations in France and "energy codes" in the United States, such as Title 24 in California, increasing demand for environmentally friendly products reducing greenhouse gas emissions and the increasing scarcity of natural resources, Legrand is seeing growing demand in all its markets for products and systems that reduce energy consumption and improve the quality of electricity.

Legrand is responding to this demand by offering a series of products and solutions that can be integrated into systems for the measurement of energy consumption and energy quality, lighting management, shutter control, home automation, standby mode control, water-heater and heating management, the improvement and control of electricity quality (source inversion, reactive energy compensation, highly energy-efficient transformation, surge protection, and uninterrupted power supply systems), as well as electric-vehicle charging.

Please refer to section 4.2.1.4 of this registration document for further information on the energy efficiency business.

Assisted living

Population ageing poses a major challenge, in terms of economic as well as social dependency – according to the UN, the number of people in the world who are over 80 is expected to more than triple by 2050, from its 2018 level. Faced with this challenge, and in view of growing demand from senior citizens wishing to remain in their own homes while living independently, Legrand has accelerated its expansion into the assisted living market through the acquisition of four companies, most of them frontrunners in this field, particularly in their own countries:

- Intervox Systems, France's leader in remote assistance systems, which joined the Group in February 2011;
- Tynetec, a frontrunner in assisted living in the United Kingdom, acquired in November 2013 and whose products include wireless nurse call systems;
- Neat, the Spanish market leader and a major player in assisted living in Europe, with which the Group signed a joint venture agreement in February 2014 and whose portfolio includes for example smart terminals for remote assistance; and
- Jontek, specializing in management solutions for assisted living platforms in the United Kingdom, which joined the Group in May 2016.

(1) Uninterruptible Power Supply

(2) Source: International Energy Agency

Legrand thus ranks second in Europe for assisted living and first or second in the major European markets, particularly France, the United Kingdom, Spain and Germany.

See section 4.2.1.1 of this registration document for further details on the assisted living business.

2.1.1.2.4 Development of new distribution channels by the electrical sector

Due to changes in technology and the way it is used, new opportunities are emerging in activities such as Audio-Video (AV), Voice-Data-Image (VDI), IT and datacenters. Legrand is building strong positions in these new business areas. In 2017, in particular, the Group acquired Milestone AV Technologies, a leading AV power and infrastructure player in the United States and Server Technology Inc., North American front-runner in smart PDUs for datacenters. In 2018, it acquired Shenzhen Clever Electronic, the Chinese leader of smart PDUs for datacenters and in 2019 Universal Electric Corporation, the undisputed leader in busways for datacenters in the United States.

The development of Legrand's sales in these specialized channels represents significant growth opportunities for the Group and the electrical sector as a whole, providing access to new markets such as network integrators, panel builders, specialists in Audio-Video applications, maintenance, and more.

E-commerce provides an excellent showcase for the Group's know-how, for example enabling end-users and project owners (architects and engineering offices) to get a complete picture of the variety of Legrand's offerings, in terms of both functionality and finishes. Legrand believes that the bulk of its product sales made through e-commerce will be recorded by generalist distributors, which remain the Group's main distribution channel.

2.1.1.3 PRODUCTS [1]

Legrand believes that its activities are local and that access to its market requires new entrants to make a high initial investment, primarily due to:

- the importance of the relationship between Legrand and generalist distributors, which remain the Group's main distribution channel, and in general the need to establish relationships with numerous players in the economic decision-making chain in each country, regardless of whether they are local distributors, electrical installers, product specifiers or end-users;
- differences in installation practices and design preferences in each country;
- the existence of an installed base comprising several billion products; and
- the need to offer customers an extensive range of innovative, multifunctional products and systems.

Legrand offers a catalogue of more than 300,000 product references to its clients and regularly updates its product range by adding innovative features, for example based on new technologies such as the Internet of Things.

These changes benefit installers, who gain from faster product installation and set-up times; the end-customer and specifiers, who are offered intuitive new features and designs; and lastly facility managers, with simplified, reliable maintenance that allow productivity gains.

Legrand's product ranges are designed for both the residential and commercial sectors, including offices, hotels, retail outlets and public buildings.

Its products are subject to quality and safety controls and regulations. They are mostly regulated by national standards, and even international standards for some of them.

Legrand's offering is divided up into five main product categories:

- Controls and command;
- Energy infrastructure and distribution;
- Digital infrastructure and distribution;
- Cable management; and
- Installation components.

These categories of products are sold in most of Legrand's major geographic markets and each country has its own technical standards or specifications. In addition, the technical features and design of Legrand's products may vary, depending on whether they are intended for commercial, residential or industrial buildings.

2.1.1.3.1 Controls and command

Legrand's controls and command offerings ensure building functions management. They include user interfaces[2], that cover all the solutions designed to create a day-to-day link between the user and the electrical installation of a building.

User interfaces comprises control functions (lighting, rolling shutters, heating, etc.) and connection functions (sockets for power, for voice, data, image, for USB type charging, etc.).

(1) For more information relating to data on Legrand's market and competitive positioning, readers can refer to the note on page 4 of this Registration document.
(2) This has a broader meaning than the concept of wiring devices previously used, which essentially covered switches and sockets.

Thanks to new technologies and in particular the Internet of Things, user interfaces, mainly wall mounted, are changing, becoming more flexible and mobile and adapting to changes in user lifestyles and needs. They are designed according to increasingly varied aesthetics and ergonomics, thus covering the economy, standard and premium market segments.

User interface ranges can offer up to 200 functions (of course switches and sockets with various designs and features, but also other user interfaces such as motion sensors, temperature control, sound system control, etc.), increasingly include electronics and are now becoming connected.

Legrand considers itself the world leader in control and connection interfaces. It is one of the few manufacturers whose offering complies with most of the electrical standards in use around the world.

As well as user interfaces, the Group's controls and command offerings also include buildings system solutions, which cover:

- offerings for monitoring the electrical installations of residential, commercial and industrial buildings. These solutions particularly cover energy management, especially with automated or remote-controlled products that allow end-users to control electricity and data flows;
- lighting management and security systems for buildings, including specification-grade lighting for commercial buildings as well as emergency lighting, alarms and access control systems (such as connected audio and video door entry systems and fire alarms) for residential, tertiary and industrial buildings. These systems are designed to enable rapid set-up by electrical installers, and to offer maximum flexibility, convenience and security to end-users;
- connected solutions for atmospheric data measurement, thermostatic heating management and air quality control; and
- dedicated assisted-living systems.

2.1.1.3.2 Energy infrastructure and distribution

Energy distribution products mainly include circuit protection panels and accessories: circuit breakers (modular circuit breakers, molded cases, air circuit breakers, residual current protection devices, etc.), surge protection, electrical measurement components, busbars and transformers. These products protect people and property from major electrical risks (such as electric shocks, overheating, short circuits, power surges, etc.) and provide a reliable, high-quality power supply to residential, commercial and industrial buildings. They also protect renewable energy sources.

Legrand believes that it is one of the main manufacturers of energy distribution products, and that it ranks among the top five players in the European and South American energy distribution product markets.

The Group also offers UPS systems (Uninterruptible Power Supplies). This is a business that is complementary to the Group's energy distribution and energy efficiency offering, particularly for buildings with intensive digital infrastructures, such as offices, hospitals and datacenters, for which a continuous high-quality power supply is essential. Legrand's offering includes modular UPS systems as well as conventional UPS systems.

2.1.1.3.3 Digital infrastructure and distribution

Legrand offers a complete range of systems for the distribution of digital data. The Group's offering in this field includes pre-wired solutions for IT, telephone and video networks, such as copper or fiber-optic patch panels, RJ45 sockets, and copper and fiber-optic cords, enabling and facilitating the organization of networks in residential and commercial buildings and in datacenters.

Legrand considers itself to be the leader in Audio-Video infrastructure and power in the United States, thanks to the number-one positions of Milestone in screen mounts for the commercial (Chief) and residential (Sanus) segments, projection screens (Da-Lite) and AV enclosures (Middle Atlantic Products).

Legrand also considers itself to be one of the leaders in VDI applications (excluding cables, active products and Wi-Fi) and has been very successful in this field, in particular with the LCS3 offering, an innovative high-performance cabling system for copper and fiber-optic digital infrastructures, offering simplified installation and optimized space for datacenters, as well as easier maintenance.

2.1.1.3.4 Cable management

Cable management includes trunking and ducting, cable support systems, wire-mesh cable management systems, floor boxes, electrical cable junction boxes, and various systems that enable the secure distribution of electricity and data in buildings. These items are designed to prevent any accidental contact between electrical wires and cables and other electrical or mechanical equipment, or any exposure of these wires and cables that could be hazardous for end-users. Cable management systems include a variety of plastic or metal products that enable power and data cables to be laid either in the ground (beneath the floor), around the edge of a room or even in the ceiling.

Legrand considers itself the world leader in the cable management market.

2.1.1.3.5 Installation components

Installation components mainly include power connectors (multi-pin connectors, mobile sockets and site distribution cabinets), tubes and ducts, mobile products (plugs, multi-outlet units and extensions and cable reels) and installation products (cable ties, lamp holders, junction boxes and flush-mounting boxes).

2.1.2 – History

The main stages in Legrand's development have been as follows.

- 1926: foundation of the Legrand company, specializing in the production and decoration of porcelain;
- 1946: acquisition of Legrand by the Verspieren and Decoster families;
- 1949: Legrand focuses exclusively on the manufacturing of wiring devices;
- 1966: first operations outside France, primarily in Belgium and Italy;
- 1970: Legrand is listed on the Paris Stock Market;
- 1977: first operations outside Europe, via the acquisition of Pial, the leading Brazilian wiring device manufacturer;
- 1984: first operations in the United States with the acquisition of Pass & Seymour, the second-largest US wiring device manufacturer;
- 1987: inclusion of Legrand in the CAC 40 Index when the index was created;
- 1989: acquisition of Bticino, the leading Italian wiring device manufacturer; Legrand's total sales exceed €1 billion;
- 1995: issue of a $400 million Yankee bond maturing in 2025;
- 1996: first operations in India with the acquisition of MDS;
- 1998: Legrand's total sales exceed €2 billion;
- 1999: opening of Innoval in Limoges, an 8,000 sqm showroom and training center for Group customers;
- 2000: acquisition of Wiremold, the leading manufacturer of cable management systems in the United States;
- 2001: Schneider Electric launches a friendly Public Tender Offer for Legrand's entire share capital; the European Commission opposes the planned merger in October 2001. As planned by Legrand before the merger with Schneider Electric, a new organizational structure is introduced with the aim of separating Front Office and Back Office responsibilities (see section 2.3 of this registration document);
- 2002: finalization of the "demerger" from Schneider Electric. Legrand is acquired by a consortium consisting mainly of Wendel and KKR;
- 2003: delisting;
- 2004: creation of the sustainable development function;
- 2006: Legrand is listed on Euronext Paris; Legrand joins the Global Compact;
- 2007: first CSR roadmap; the Group's total sales exceed €4 billion;
- 2010: first Eurobond issue for €300 million, maturing in 2017; entry into the UPS segment with the acquisition of Inform in Turkey;
- 2011: Legrand returns to the CAC 40 Index;
- 2012: Legrand's credit rating is upgraded to A- by Standard and Poor's;
- 2013: total sales for the United States/Canada region exceed $1 billion;
- 2014: publication of the third CSR roadmap for 2014-2018; all industrial back office functions are combined under the management of the Operations Department, and an Innovation and Systems Department is created;
- 2015: launch of the Eliot program, aimed at speeding up the deployment of the Internet of Things in Legrand's offering;
- 2016: the Group's total sales exceed €5 billion;
- 2017: acquisition of Milestone, a leading US player in Audio-Video infrastructure and power;
- 2018: Legrand achieves its 2020 Eliot targets and steps up development of the program dedicated to connected objects with the acquisition of Netatmo.

2.2 – A PROFITABLE GROWTH STRATEGY BASED ON DEVELOPING LEADING POSITIONS

In the medium term, excluding the effects of economic cycles, Legrand's strategy consists of continuing its profitable and sustainable growth. The Group is thus looking to expand its businesses internationally into new business segments[1], new technologies and new distribution channels developed by the electrical sector. Legrand relies on two development drivers to strengthen its leadership positions worldwide year after year: organic growth fueled by innovation and a strategy of making bolt-on acquisitions of leading players in its accessible market. This approach is also based on multi-year CSR roadmaps for the sustainable development of its business activities while respecting its stakeholders (see Chapter 4 of this registration document for more information about Legrand's CSR approach). Thanks to the soundness and continuous improvement of its business model, Legrand intends to continue to grow while maintaining a solid balance sheet structure, to strengthen its profitable growth profile and thus create value over the long term for all its stakeholders.

2.2.1 – Legrand, a market leader [2] with a unique position

2.2.1.1 A GLOBAL PLAYER SPECIALIZING IN ELECTRICAL AND DIGITAL BUILDING INFRASTRUCTURE

Legrand is the specialist in the development, manufacturing and marketing of a comprehensive range of products and systems for electrical and digital building infrastructures. This approach, deployed worldwide and underpinned by the Group's presence in nearly 90 countries through subsidiaries, branches and representative offices, has enabled Legrand to acquire unique technical and commercial expertise across its entire business sector.

By leveraging its strong local presence, Legrand has established longstanding commercial relationships with key local distributors and electrical installers, as well as with product specifiers that provide Legrand with thorough understanding of market trends and demand. Legrand maintains this close relationship with its customers by developing powerful CRM tools, continuously offering them more services, particularly through digital tools (online catalogs, product information, photos, videos and software), technical and commercial support, and training. (See section 2.3.1.3 of this registration document for further details).

2.2.1.2 A LEADER WITH FRONTRUNNER MARKET SHARE

Legrand believes it is the world leader in the user interface and cable management segments.

More generally, Legrand also ranks first or second in one or more product families in many key countries, such as:

- the user interface segment in several countries in Europe (France, Italy, Hungary, Russia), Latin America (Brazil, Chile, Peru), North and Central America (United States, Mexico) and Asia (India);
- cable management in several countries in Europe (France, Italy), North and Central America (United States, Mexico) and the rest of the world (Saudi Arabia, Malaysia);
- Audio-Video infrastructures in the United States and Canada;
- emergency lighting in Australia, France, New Zealand and Peru;
- structured Voice-Data-Image cabling in Colombia, the United States, Italy and Russia;
- UPS systems, particularly in Brazil and Turkey;
- modular protection in Algeria, Chile, Colombia and France.

(1) Energy efficiency, residential systems, digital infrastructure and assisted living.
(2) For more information relating to data on Legrand's market and competitive positioning, readers can refer to the note on page 4 of this Registration document.

Legrand's total sales of products that rank number 1 or number 2 in their respective markets represented around 69% of Group sales in 2018. The Group believes that this first-rate competitive position makes it a standard-setter for distributors, electrical installers, product specifiers and end-users in its field, and boosts demand for its products.

2.2.1.3 A PORTFOLIO OF WELL-KNOWN BRANDS OFFERING A FULL RANGE OF PRODUCTS AND SYSTEMS

The Group believes that it offers a range of products that distributors, electrical installers, product specifiers, and end-users associate with a high-quality image and ease of installation, and to which they remain loyal. In particular, Legrand believes that electrical installers and product specifiers, who are the main decision-makers when it comes to choosing products, have trusted the Group's brands, products and systems for many years, given their safety, reliability and ease of installation and use.

Moreover, Legrand believes that its offering, which features more than 300,000 different product references organized into more than 100 product categories, is one of the most comprehensive on the market.

Legrand markets its products:

- both to professional customers and end-users, under generalist brands such as Legrand[1] and Bticino[2], which are world renowned and among the best recognized on the market; and
- under an extensive portfolio of more than 70 brands, either specialist, such as Cablofil or Zucchini, or very well-known local brands.

Legrand primarily markets its products under the following brands for each geographic area:

- in France: Legrand, Arnould, Cablofil, Debflex, Intervox, Planet Watthom, Bticino, Netatmo, Sarlam, S2S, Zucchini, URA and Alpes Technologies;
- in Italy: Bticino, Legrand, Zucchini, Cablofil and IME;
- elsewhere in Europe: Legrand, Bticino, Cablofil, Zucchini, Kontaktor, Electrak, Estap, Inform, Neat, Netatmo, Tynetec, Minkels and CP Electronics;
- in the United States and Canada: Legrand, Chief, C2G, Da-Lite, Kenall, Finelite, Middle Atlantic Products, Pinnacle, Raritan, Sanus, Server Technology, Starline, Vantage and Wattstopper;
- in the Rest of the World: Legrand, Bticino, Cablofil, Clever, Lorenzetti, HPM, HDL, SMS, Indo Asian, Numeric, Megapower, Daneva, TCL and Shidean.

Legrand's brands and trademarks are protected in most of the markets where the Group operates. The protection granted to Legrand's brands is based on their registration and/or use. Legrand's brands are registered with domestic, European and international agencies for varying periods, usually ten years, subject to laws making ongoing protection conditional on continuing use of the brands.

As a general rule, Legrand only agrees to license its brands to third parties in exceptional circumstances and rarely licenses brands from third parties.

2.2.1.4 A BALANCED MARKET POSITION

Trends in the market for electrical and digital building infrastructure are naturally dependent on economic conditions. However, this market is resilient to the impact of economic cycles because of its diversity:

- the market covers the new-build and renovation sectors, the latter sector being less sensitive to economic cycles than the new-build sector as it requires lower investments and benefits from a recurring flow of activity, arising from regular maintenance and modernization needs. Legrand estimates that around 48% of its sales were generated by the renovation market in 2018, while the new-build market accounted for around 52% of its sales in 2018;
- the market breaks down into three sectors, depending on the categories of buildings and end-users: the commercial sector where Legrand estimates that it generated 55% of its 2018 sales, which is itself composed of many vertical segments in which business trends can differ and that includes buildings like datacenters, hotels, offices and retail outlets, and also public buildings like schools or hospitals; the residential sector (40% of its 2018 sales); and the industrial sector (5% of its 2018 sales), each of which has its own growth trend;
- the market is characterized by business flows fueled by a high level of relatively low value orders, unlike industries that are more dependent on large public or private projects. The market is therefore mostly fragmented and sustainable, and is less sensitive to the impact of economic cycles than other markets such as the medium and high-voltage or infrastructure markets;

(1) *According to an IPSOS poll conducted in 2016 in France, Legrand is by far the leading wiring device brand, with a spontaneous awareness rate of 61%.*

(2) *According to an IPSOS poll conducted in 2017 in Italy, Bticino is by far the leading wiring device brand, with a spontaneous awareness rate of 58%.*

- in addition, certain businesses, such as new business segments (digital infrastructure, energy efficiency, home systems and assisted living), are driven more by developments related to technological evolutions, to end-customer habits and to societal evolutions than by the construction market;
- finally, a highly diversified geographical presence limits the Group's dependence on the specific economic performance of one or more countries. In fact, Legrand has commercial and industrial operations in nearly 90 countries, and markets a wide range of products in close to 180 countries.

2.2.2 – A development driven by two growth drivers

Legrand is constantly seeking to develop its market share and sales on a profitable basis by relying on two growth drivers: organic growth, which is driven in particular by innovation and the regular launch of new products offering enhanced value in use, and targeted acquisitions of companies that are frontrunners in their business segment.

2.2.2.1 NUMEROUS INITIATIVES TO SUPPORT ORGANIC GROWTH

Legrand's strategy for growth and for increasing its market shares is based on various initiatives, particularly innovation, with the launch of new products that offer enhanced value in use and commercial initiatives in the digital area (e-marketing, data analytics, etc.) as well as in the physical area such as opening new showrooms and concept stores.

2.2.2.1.1 Innovation at the heart of Legrand's business model

Over the medium to long term, and on average, Legrand spends 4% to 5% of its sales[(1)] on research and development, depending on its business mix and acquisitions.

Legrand develops its products by focusing primarily on the following priorities:

- quality, reliability and overall safety;
- simplicity, ease and speed of installation;
- enhanced product features, mainly through the use of new technologies (Internet of Things, communication, security and confidentiality of personal data, remote control, etc.);
- interoperability and inclusion of various new technologies in the product offering, enabling end-users to enjoy the widest possible choice of technology to suit their needs, at all times;
- the ability of Legrand's product lines to work together in an integrated system; and
- esthetics and design.

Know-how recognized for its innovation

Legrand has long-standing and widely acknowledged experience in terms of innovation and the development of new products that create value for its economic chain. This know-how is demonstrated in particular by its Eliot program. Legrand adds higher value-added products to its ranges on a regular basis, for example by using materials such as leather, wood and steel, together with new high-technology solutions. Examples are the "Céliane with Netatmo" range of connected switches and sockets, winner at the CES Innovations Design and Engineering Awards 2017 in the Smart Home and Home Appliances categories, Living Now incorporating Alexa™, winner at the CES Innovations Awards 2019 in the Smart Home category, the Classe 300X connected door entry system, the connected face-recognition door entry system launched in China, circuit breakers with an automatic reset function, the My Home automation range, which simultaneously manages lighting, security, heating and audio and video in residential buildings in a simple, ergonomic way, eco-meters for measuring and monitoring the main sources of energy consumption on mobile devices, connected and smart thermostats and numerous controls incorporating several communication technologies such as Zigbee.

Legrand is also focusing its efforts on low-end product ranges, enabling it to meet all the requirements of its markets. For example, in 2018 it launched the new user interface ranges Pial+ in Brazil, and Defineo in Lebanon, the DMX-SP 2500 circuit-breaker in India and XL3N 630 electrical cabinets in Africa and the Middle East in the energy distribution solutions area. The Group has also globally rolled out its LCS3 digital infrastructure solutions as well as Keor T Evo and Daker+ UPS systems.

In addition, Legrand has developed special expertise in energy efficiency in order to reduce energy consumption and minimize the environmental impact of buildings. This includes lighting management, solutions for measuring and managing consumption, and a range of solar cell equipment protection devices (see section 4.2.1.4 of this registration document for further details).

(1) Research and development expenses before purchase accounting charges relating to the acquisition of Legrand France and taking into account capitalized development costs.

This continuous innovation thus enables Legrand to incorporate more added value in its products and offer integrated systems and smart electrical solutions.

Effective management of research and development activities

Research and development is under the responsibility of the seven Strategic Business Units, which decide globally on allocating projects to the various teams spread around the world. They are assisted in their task by the Innovation and Systems Department, whose role is to promote and coordinate the innovation approach within the Group, to define the technology roadmap, and to ensure consistency between the technologies used by the different SBUs (see section 2.3.2 of this registration document for further details). A significant portion of Legrand's research and development work is carried out in France, Italy, the United States, China and other countries, as closely as possible to its markets. As at December 31, 2018, close to 2,400 employees in more than 20 countries were employed in research and development, and nearly 30% of them in new economies.

More specifically, the number of R&D staff assigned to software were multiplied by more than four between 2010 and 2018.

This global organizational structure enables the Group to optimize its research and development by designing products that share the same platform. It allows it to streamline the number of components and reduce manufacturing costs, as well as pooling development costs and thus dedicate more resources to high-growth businesses like digital systems. In addition, Legrand anticipates the international roll-out of its products as soon as it designs them. The Group has implemented some fifty "technological bricks" covering the main electronic functions within the Group's offering. For a given electronic function, such as presence detection or NFC[1], a technological brick brings together all engineering information, associated software and firmware, protocols for testing and qualifying, and manufacturing processes. Technological bricks are made available to the whole Group and can thus be used by several development teams. At Group level, this standardization approach makes it possible to pool investments in engineering and to enhance product quality by sharing experience.

An extensive patent portfolio

Legrand holds about 3,700 active patents in around 80 countries, some of which relate to the protection of the same or similar technologies in several markets. Legrand considers that its level of dependence on third-party patents is not material in assessing its business development prospects.

The Group's patents cover almost 1,500 different systems and technologies. The average life of patents in the Group's portfolio is around ten years, which also corresponds to the average life of the patents held by Legrand's competitors.

2.2.2.1.2 Innovative commercial initiatives

To stimulate demand among electrical installers, product specifiers and end-users, Legrand offers:

- a variety of training courses, mainly distance learning via webinars, for electrical installers to broaden their know-how and knowledge of Legrand products and systems;
- software to assist the design and costing of installations for professionals;
- innovative marketing and sales tools that complement the numerous showrooms that the Group has had for years all over the world. Since 2011, Legrand has used concept stores such as "Lab by Legrand" in Paris to showcase the Group's premium user interface ranges, "B Inspired" in Brussels, and the "Experience Center" in West Hartford in the United States. Legrand continues to break new ground in terms of the services it offers its customers, for example by opening "Project Stores" in France and in India in recent years. This concept gives customers an opportunity to explore the Group's offerings in a connected and interactive showroom, and provides training in the installation of Legrand solutions.

2.2.2.2 GROWTH BY ACQUISITION IN A MARKET OFFERING A LARGE NUMBER OF EXTERNAL GROWTH OPPORTUNITIES

In the long term, Legrand plans to continue to making bolt-on acquisitions[2] of companies with leading positions in their market, thereby continuing to develop market share and drive growth. Given the fragmented nature of the market in which it operates, the Group focuses on acquiring small- and mid-size companies.

2.2.2.2.1 A fragmented market [3]

The Group's accessible market, which Legrand values at more than €100 billion compared with around €60 billion in 2008, remains highly fragmented. Indeed, around 50% of global sales are generated by small- and mid-size companies, which are often local and typically enjoy only a marginal share of the global market. With a share of close to 6% of its global accessible market in 2018, Legrand is one of the market benchmarks. Market fragmentation is due in part to differences in standards and applicable technical norms and in end-users' habits in each country, as well as the wide variety of

(1) Near Field Communication.
(2) Acquisitions of companies that complement the Group's business activities.
(3) For more information relating to data on Legrand's market and competitive positioning, readers can refer to the note on page 4 of this Registration document.

product offerings required to provide a building with electrical and digital infrastructure. Attempts to harmonize standards to make products usable on a very large scale have failed, especially within the European Union, due primarily to the size of the investment required to replace existing electrical networks for only limited added-value. As a result, a significant portion of the electrical and digital building infrastructure product and system market has traditionally remained in the hands of small local manufacturers. This highly fragmented market structure offers solid prospects for acquisitions over the long term, with close to 3,000 small and medium-sized companies.

2.2.2.2.2 Recognized experience in growth through targeted acquisitions

In the fragmented market in which Legrand operates, the Group has demonstrated its ability to identify and make mostly bolt-on acquisitions, i.e. businesses that complement the Group's existing activities and have leading market positions.

In this respect, Legrand's country teams, which are very familiar with local market players, have an ongoing role of identifying potential targets. Of the approximately 3,000 small and medium-sized companies operating in the Group's accessible market, 300 are actively monitored on an ongoing basis.

A dedicated Corporate Development unit is then responsible for monitoring the entire acquisition process, and is specifically responsible for coordinating the work performed by the various Group teams that may be involved in the transaction. After the acquisition is completed, there follows the critical period of the "docking" of the acquired company to the Group. This is done by the country concerned, under continuous supervision by the General Management.

Growth through targeted acquisitions is a full-fledged part of the Group's development model. Indeed, the Group has acquired and "docked" 170 companies into its scope of consolidation since 1954. In 2018 in particular, Legrand carried out seven external growth operations, enabling the Group to strengthen its positions in France (Netatmo and Debflex), the United States (Kenall), China (Shenzhen Clever Electronic), Germany (Modulan), New Zealand (Trical) and Dubai (Gemnet) (see section 2.1.1.2.1 of this registration document).

2.2.2.2.3 Financial discipline

The pace of acquisitions takes account of the economic environment.

In this regard, Legrand maintains a disciplined financial approach, based on a multi-criteria assessment and uses, in particular, an assessment matrix that enables it to ensure that the acquisitions complement the Group's existing business activities and:

- increase its local market share; and/or
- broaden its range of products; and/or
- boost its presence in markets with high growth potential; and
- are carried out on average, in compliance with its financial criteria, which primarily include:
  - an acquisition price corresponding to the usual valuation multiples compared with those applied to companies in the same sector or the same markets,
  - a positive impact on net income from the first year of full consolidation,
  - a value creation target (return on invested capital higher than the weighted average cost of capital) after three to five years.

2.2.3 – A business model creating long-term value

2.2.3.1 A MODEL BASED ON PROFITABLE GROWTH

2.2.3.1.1 A market characterized by solid economic fundamentals

On a global basis, Legrand's accessible market is characterized by a relative lack of offering commoditization, and by a very diffuse flow of business from hundreds of thousands of electricians. These electrical installers, product specifiers and end-users pay considerable attention to products' technical features. Thus, for example, electrical installers tend to favor market-leading products that can be installed efficiently (safety, quality, reliability, and ease and speed of installation) and offer the qualities expected by end-users (functionality, design and ease of use). This is one of the reasons why, every year, Legrand makes research and development investments averaging long-term 4 to 5% of its sales, ensuring a steady flow of products with new features and designs responding to customers' needs. By continually building more added value into its products and solutions, Legrand reinforces brand loyalty among electrical installers, product specifiers and end-users, enabling the Group to expand its numerous leadership positions.

While some structurally deflationary industries are seeing the price of their products steadily eroded, Legrand's market is displaying a different overall trend. In particular, end-user sensitivity to the price of products is specifically mitigated by the fact that electrical installations (including cables and labor) usually account for only a small portion of the total average cost of a new-build construction project (between 7 and 8% for a residential project, for example). Similarly, because labor represents a significant cost component for installers, they first look for products that will enable them to work efficiently, particularly through ease and speed of installation.

In addition, Legrand has developed a certain expertise in pricing, with pricing managers based all over the world who are responsible for managing sales prices. Their role is to translate into prices the innovation that Legrand's products bring to the market and to adjust the sales price for each product category, or even individual products, by taking account of trends in raw material and component prices, overall inflation received by the Group, and market conditions. More generally, all the Group's management and finance staff have been trained in, and made aware of, price management. Historically, Legrand's average selling prices have increased every year over the last 20 years.

2.2.3.1.2 Profitability driven by commercial positions, internal processes, and continuously improving competitiveness

The Group's ambition is to continue to strengthen its commercial positions: in 2018, around 69% of sales were generated from number one or number two positions. These positions, which give the Group the critical mass to achieve economies of scale and be recognized by its customers, have enabled it to generate high levels of profitability.

Expressed simply, the business model works as follows: in less buoyant economic conditions, which prevent the Group from exploiting growth-related operational leverage, Legrand uses active and differentiated management of its business to keep profitability under control. When economic cycles become buoyant, the Group generates profitable growth.

The functioning of Legrand's business model is based on simple and efficient internal processes. In particular, each Country Manager has to fulfill a Financial Performance Contract included in its annual roadmap, in which it undertakes to deliver a given level of growth and economic margin (the economic margin is the operating profit less the cost of capital employed, expressed as a percentage of sales).

In addition, Legrand relies on its unique, efficient and responsive Back Office structure (see section 2.3.2 of this registration document) to constantly improve its competitiveness. Thus, by applying industry best practices at its production facilities and the concepts of product platforms and technology platforms (see section 2.2.2.1.1 of this registration document), Legrand continually optimizes its cost base and capital employed. Some of these gains are reinvested, particularly in research and development (in the various initiatives linked to new technologies, for example) and in Front Office initiatives aimed at boosting organic growth. Thus, the benefits generated by the Group's industrial transformation enable it to participate in the financing of many ongoing initiatives linked to new technology. This is reflected in the Group's control of its R&D, industrial capital expenditure and working capital requirement ratios (see section 2.2.3.2 of this registration document).

The Group's adjusted operating margin amounted to 16% on average between 2003 and 2009, and nearly 20% between 2010 and 2018.

2.2.3.2 A SOLID BALANCE SHEET STRUCTURE BASED ON HIGH FREE CASH FLOW GENERATION

By combining a high level of profitability and tight control over capital employed (working capital requirement and capital expenditure), Legrand's business model enables the Group to generate high levels of free cash flow over the long term. Free cash flow generation has thus been around 13% of sales over the past five years. This gives the Group significant financial and operational flexibility, and a solid and attractive balance sheet structure.

The strength of the Group's balance sheet also ensures the confidence of investors on whom Legrand can call when financing its growth or refinancing transactions. For instance, in 2017 and 2018 the Group launched three successful bond issues for a total amount of €1.8 billion, including €1.0 billion to finance the acquisition of Milestone AV Technologies.

The continued development of product and technology platforms, the systematic application of a "make or buy" approach to all investment projects and the transfer of some production to less capital-intensive countries should enable the Group, over the long term, to maintain an average ratio of capital expenditure to consolidated sales of between 3% and 3.5%.

The Group also believes that it is able to maintain its ratio of working capital requirement to sales at around 10%, excluding acquisitions.

2.2.3.3 CAREFUL MANAGEMENT OF FINANCIAL PERFORMANCE ENABLING SIGNIFICANT VALUE CREATION

To ensure a high level of profitability and strong free cash flow generation, Legrand manages its financial performance on the basis of three pillars:

- composite key performance indicators;
- strong processes organized around permanent dialog between Country Managers and the Group;
- accountable, experienced and motivated senior management teams, particularly through compensation that is aligned with the challenges of creating value in the short and long term.

Synthetic key performance indicators

Three key performance indicators are measured for each country manager. Firstly, development of the Group's business, via local market shares of each family of products that drive profitability, the deployment of international commercial programs, and steps to strengthen the Group's presence in new distribution channels. Secondly, economic profit (after or before income tax depending on countries), defined as adjusted operating profit less the cost of capital employed. Finally, CSR performance, measured by the achievement rate of priorities set out in the roadmap.

Solid processes organized around a permanent management dialog between Country Managers and the Group

As part of the management of the Group's financial performance:

- once a year, the Group signs a Financial Performance Contract with each country manager and his/her team for the coming year. This outlines several scenarios of change in revenue and economic margin (economic profit on sales); one scenario is chosen and the country manager and his/her team are fully responsible for its implementation;
- quarterly performance reviews with managers from the Group's main countries. This is an opportunity during the course of the year to assess the level of achievement of the Financial Performance Contract and if necessary choose a different scenario depending on whether business is better, not as good or in line with the scenario initially chosen;
- finally, comprehensive monthly reports are used to confirm that the performance of each country is in line with the latest approved scenario.

Accountable, experienced and motivated senior management teams, particularly through compensation aligned with the challenges of creating value in the short and long term

On average, members of Legrand's senior management team have around 20 years of experience in the electrical and digital building infrastructure industry. Their experience and commitment have allowed Legrand to create and maintain a unique corporate culture, which inspires and rewards talent and initiative. The influence of its senior management team has enabled Legrand to continue growing while maintaining a strong financial performance.

Countries are run by managers who are true entrepreneurs. Management and management dialog between countries and the Group are based on a high level of accountability for local managers, who are incentivized to create long-term value. The Group has also set up long-term performance linked profit-sharing plans involving more than 2,000 beneficiaries in 2018, to drive value creation over the long term and increase the management team's loyalty to the Group (see sections 4.4.3.1, 7.2 and 7.3 of this registration document).

For the Group's key managers, this might take the form of performance shares (see section 6.2 of this registration document). This plan, with a four-year vesting period, depends on future performance conditions and gives key managers a greater interest in creating value over the long term.

In addition, the Group's current and former senior management and employees held 3.88% of the Company's share capital as at December 31, 2018.

2.2.3.4 MEDIUM-TERM MODEL

The depth of its offering, the ongoing and controlled investment to ensure profitable and sustainable growth, and the momentum related to an accessible market worth more than €100 billion, driven by many macrotrends, offer Legrand with sustainable growth prospects.

Legrand is thus confident in the soundness of its model and its ability to fuel lasting profitable growth and has confirmed its medium-term model:

- assuming a buoyant economic backdrop and excluding exchange-rate effects, the Group intends to achieve annual growth in sales and adjusted operating profit of around +10%;
- assuming a lackluster or unfavorable economic backdrop, Legrand will focus on protecting its model, profitability and generation of free cash flow.

Over a full economic cycle, and excluding any major economic slowdown, this model would result in average annual total growth in sales above that of the Group's reference markets, adjusted operating margin averaging around 20% of sales[(1)], normalized free cash flow ranging on average between 13% and 14% of sales[(1)] and an attractive dividend.

Legrand also intends to continue rolling out an ambitious approach to CSR, driven by demanding roadmaps.

(1) Without major acquisition and taking into account the implementation of IFRS 16 standard.

2.3 – AN ORGANIZATION SERVING BOTH THE GROUP'S STRATEGY AND ITS CUSTOMERS

Legrand has manufacturing and marketing sites and subsidiaries in nearly 90 countries. Legrand's organizational structure is based on two distinct roles: firstly, sales and operational marketing activities (Front Office), and secondly, activities connected to strategy, operations (innovation, R&D, manufacturing, purchasing, and supply chain) and general administration (Back Office).

- The Front Office is organized by country in order to respond to the specific requirements of each market in terms of relations with distributors, electrical installers, product specifiers and end-users. The aims of this decentralized organizational structure, run by local managers, are to develop sales in accordance with the strategy set out by the Strategy and Development Department and approved by General Management, to raise commercial profitability, and to optimize the working capital requirements for each country.
- The Back Office, generally organized on a centralized basis, includes an Operations Department, responsible for innovation, research and development, manufacturing, purchasing and the supply chain, and the head office departments (Strategy and Development, Finance, IT and Human Resources).

The specific aims of this organization, at Group level, are to define strategy, optimize industrial organization, accelerate the development of new products, keep capital employed under control, adapt the Group's resources to the business, appoint key managers worldwide, establish all internal control rules, and coordinate risk management processes.

2.3.1 – Front Office

Legrand's relationship with generalist and specialist distributors (IT, VDI, web, etc.), electrical installers, product specifiers, and end-users represents a strategic priority for the Group. Legrand is extending its commercial coverage of all its markets by prioritizing areas with high long-term growth potential, such as new economies and new business segments[(1)].

2.3.1.1 THE FRONT OFFICE'S ROLE AND RESPONSIBILITIES

The Front Office acts as an interface with Legrand's distributor customers, electrical installers, product specifiers and end-users. In each country, Front Office activities are run by a country manager who is responsible for:

- growing market share and sales;
- increasing commercial profitability; and
- optimizing working capital requirements through efficient inventory and trade receivables management.

The Group's subsidiaries in each country are given significant latitude to manage their business and staff, and country managers are real entrepreneurs.

2.3.1.2 AN ECONOMIC CHAIN ADAPTED TO MARKET FLOWS

As part of its business activity, Legrand has various means of accessing a market consisting of a wide variety of users (distributors, electrical installers, product specifiers and end-users).

- Legrand's distributors are the electrical and digital device and equipment distributors. These can be generalist distributors – the reference distribution channel for Legrand products because it offers broad expertise and unique coverage of the market – or distributors specialized in specific fields (IT, VDI, etc.), or even specific new distribution channels such as e-commerce. Sales to generalist and specialist distributors represented the vast majority of the Group's consolidated sales in 2018. Legrand's relations with its distributors are generally governed by terms and conditions of sale specific to each local market.
- Electrical installers are professionals and individuals who buy, install and use Legrand's products. The professional category includes electricians, business owners, panel builders, and industrial and commercial companies whose business activity is connected to the installation of electrical products and systems. They are also very often product specifiers for the Group.

(1) Energy efficiency, residential systems, digital infrastructure and assisted living.

- The other product specifiers are architects, decorators and design firms, who fuel demand for Legrand's products by recommending their installation to end-users or by specifying them in the design of certain building projects.
- End-users are the people who use Legrand's products in the environment where these products are installed or used.

Legrand's distribution chain is organized so that manufacturers like Legrand sell their products, primarily to distributors, which in turn sell the products to the electrical installers responsible for installing them in end-users' buildings. This is mainly a flow-driven business, as electricians may come to buy products from distributors several times a week, depending on their requirements. Product specifiers play an active role in this chain by advising electrical installers and end-users on product and application choices.

2.3.1.3 A "PUSH-AND-PULL" STRATEGY

Sales and marketing are the responsibility of the Front Office, whose headcount accounted for more than 19% of the Legrand total headcount in 2018 (see section 4.7.2.2 of this registration document). Marketing efforts are focused on each level of the distribution chain (distributors, electrical installers, product specifiers and end-users), in accordance with the Group's "push-and-pull" strategy, the aim of which is outlined below. These efforts are primarily aimed at providing market players with information, training, and other services relating to the Group's entire range of products and systems, alongside sales. Legrand believes that making its products easier to access and use for distributors, electrical installers and end-users enables the Group to create significant product and brand loyalty, and to generate demand for its products and systems at each level of the distribution chain.

Selling Legrand's products to electrical equipment distributors ("push")

As part of the "push" strategy, Legrand maintains close relationships with electrical equipment distributors by focusing on product availability and just-in-time delivery, and by simplifying and accelerating the ordering, stocking and dispatching of its products. The "push" strategy is also based on providing a catalog that covers all of an electrician's requirements, and includes new and innovative products. In addition, Legrand makes its catalog easier to access and use by making an electronic version available, standardizing packaging sizes and appearance, and by introducing innovative services such as pre-sorted deliveries.

Legrand's "push" strategy includes:

- *priority inventories*. In France, many distributors have agreed to maintain permanent inventories of certain Legrand priority products. In return, Legrand ensures not only that large amounts of non-priority finished products are held in inventory, but also that flexible and reactive production enable it to fill its distributors' orders quickly. For example, in an emergency, products that are not stocked by distributors can be delivered anywhere in France within 24 to 48 hours via the "Dispo-Express" service;
- *inventory management*. In the United States, Wiremold and Pass & Seymour, US subsidiaries of the Group, can access the inventory levels of some of their main distributors on a daily basis. If inventory levels drop below a pre-defined threshold, new inventories are prepared and shipped immediately;
- *intelligent sorting*. In order to optimize the logistics chain, Legrand pre-sorts its products before dispatching them to electrical equipment distributors in France, thereby anticipating the steps these distributors will have to follow in order to distribute the products to their agencies and customers. This value-added service, which is intended for the largest product flows, decreases the preparation work that the distributors have to perform themselves, reduces dispatch errors and lowers handling costs, giving Legrand a competitive edge that is appreciated by its customers;
- *the creation of international logistics platforms*. Legrand manages its international distribution via logistics platforms from which it dispatches its products. By reducing the distance between its products and customers, Legrand is improving the service provided, and significantly reducing delivery lead times. Legrand has installed logistics platforms in Asia, the Middle East and Eastern Europe. These platforms and various subsidiary-owned warehouses are connected by a single network that makes it possible to synchronize their inventories on a daily basis. Using logistics platforms also enables more products to be transported in fewer trips, thus reducing CO_2 emissions to protect the environment.

Legrand enjoys strong, long-standing commercial relationships with its electrical equipment distributors, and particularly with its two largest distributors, the Sonepar and Rexel electrical product distribution groups. In 2018, sales to Sonepar and Rexel accounted for more than 18% of the Group's consolidated sales, although this percentage varied from country to country. Legrand believes that no other single distributor accounted for more than 5% of the Group's global revenue in 2018. Legrand's other main clients include Graybar, CED, FinDea, Lowe's, Anixter, Best Buy, Wesco, Comoli Ferrari, SOCODA, Comet, Yess Electric and Megawatt.

The electrical products and systems distribution structure in most countries enables Legrand to channel its products towards distributors' centralized distribution centers, and therefore benefit from their market presence and retail outlet infrastructure. This organizational structure also limits the logistics costs and credit risk that Legrand would incur if it had to deal with electrical installers and end-users directly.

Stimulating demand among electrical installers, product specifiers and end-users ("pull")

Where its "pull" strategy is concerned, Legrand believes that demand for its products is mostly determined by requirements that electrical installers, product specifiers and end-users make known to distributors. As a result, Legrand focuses the bulk of its marketing efforts on developing and sustaining demand for its products, by actively promoting them to electrical installers, product specifiers, and end-users. Legrand focuses on providing training, technical handbooks, business software applications and a large amount of information in digital format to fuel its clients' digital communication, as well as ensuring reliable and rapid availability of its products.

Legrand offers training programs to local distributors and electrical installers, mainly at its Innoval international training centers in France, as well as in the Middle East, Asia and South America. In total, there are more than 20 training centers around the world for electrical industry players. Almost 800,000 customers received one training session between 2014 and 2018. These training programs are designed to expand electrical installers' expertise and service offering by familiarizing them with the Group's latest product innovations and product installation methods. The Innoval training centers in France offer more than 80 separate hands-on programs in different areas, ranging from home automation, the wiring of electrical cabinets and fiber-optic cabling to installing emergency lighting systems or providing training on current regulations and technical standards. In 2018, the Innoval centers received 7,300 visits from customers, while nearly 5,400 trainees attended courses. In addition, Legrand offers local training programs in many countries, including Italy, India, Brazil and the United Kingdom, as well as in Chile and Dubai.

More generally, Legrand also uses new communications and training technologies, and has thus introduced various online training tools, such as e-learning and virtual classrooms (webinars).

Legrand also offers various software applications specifically designed to provide day-to-day support to professionals, depending on their role (from architects to electricians) or the type of project. Among the main business software applications offered by the Group, XLPro3 is aimed at designers and manufacturers of energy distribution panels, who can use it to plan the distribution and siting of panels and to visualize and cost entire projects; LCS Pro3 can be used to configure Voice-Data-Image systems simply (patching racks and communication cabinets for multimedia networks as well as UPS systems); the entire electrical installation can be designed quickly using illiPro, intended for the residential and tertiary markets, which allows users to select products room by room.

Legrand also publishes e-catalogs on the websites of its various brands, making it possible to search for technical, commercial and logistics data, certifications and installation tools, for all product categories. Legrand also offers online configurators in France and the United States in particular. The Group continuously enriches its digital marketing content for its distributor customers, specifiers and end-users (rich content) – with more than 74,000 product references already available in ETIM (Electro-Technical Information Model) format – and contributes actively to the development of BIM (Building Information Modeling), an innovative process for the digital planning of the building life cycle.

Finally, Legrand offers applications for tablets and smart phones (including, in particular the e-catalogue for iPhone, Home + Control for the "Céliane with Netatmo" connected user interface offering, or apps related to My Home residential systems solutions), which make it easier to search for information concerning products, configure and cost an electrical installation and manage many functions.

Legrand promotes its products in particular via marketing initiatives that are aimed at electrical installers. The Group also seeks to stimulate demand among end-users by actively promoting its products through advertising campaigns and targeted marketing events promoting the design and functionalities of its products. In this respect, Legrand has implemented innovative marketing and sales initiatives in recent years: the "Lab by Legrand" in Paris, where individuals, architects, decorators, distributors and electrical installers can experience the Group's high-end user interfaces in a unique setting, the multi-brand (Legrand, Bticino and Vantage) concept store, "B Inspired", in Brussels, and the Experience Center at West Hartford in the United States, where visitors enter a unique world of innovation and design. Finally, Legrand is also developing its relationship with end-users by continuously strengthening its presence on social networks and more generally online, especially through its corporate website *www.legrand.com* and websites in local languages in most countries where the Group operates. In 2018, the Group's websites generated more than 121 million-page views in total, while Legrand's YouTube© videos were viewed over 40 million times.

Legrand's call centers, which provide a full range of information on new applications, also contribute to this promotional effort. In France, for instance, Legrand has organized its customer relations by setting up a three-level call center which provides general information about its products at the first level, detailed information on the standards that apply to products at the second level, and information giving access to customized solutions drawn from Legrand's product portfolio at the third level.

In order to support end-users' interest in simple home DIY, Legrand markets part of its product range in specialist stores, with a particular emphasis on high value-added ranges. This system enables the Group not only to meet demand from customers who want to renovate or improve their electrical installation, but also to communicate with the general public by offering aesthetically or functionally innovative solutions.

2.3.2 – Back Office

The role of the Back Office, generally organized centrally at Group level, is to optimize the industrial organization, accelerate the development of new products, keep capital employed under control and adapt the Group's Back Office resources to the business.

Since the first half of 2014, Legrand has set up an Operations Department that brings together all the Group's "industrial" Back-Office functions (product marketing, innovation, R&D, purchasing, manufacturing and supply chain) under a single responsibility, with three priorities:

- focus more on the Group's strategic business areas by creating seven Strategic Business Units (SBUs) in charge of R&D and production;
- enhance productivity management by setting up a Group Operations Performance Department; and
- improve supply chain and purchasing efficiency by bringing them closer to operations.

At the same time, an Innovation and Systems Department was set up to enhance coordination of innovation using a shared technology roadmap.

STRATEGIC BUSINESS UNITS

To take into account the close relationship between manufacturing and the technology used, Legrand's manufacturing and development activities are organized into seven Strategic Business Units (SBUs). These pool specific industrial process and product manufacturing expertise and are aligned with the local structure of the Group's markets:

- user interfaces;
- energy distribution;
- building systems;
- cable management;
- digital infrastructure;
- UPS systems (uninterruptible power supplies);
- installation components.

The Strategic Business Units have the following objectives:

- to ensure the best customer service rate and optimal product quality;
- to handle product marketing and develop new products;
- to define and implement industrial plans, in line with commercial development;
- to improve cost prices on an ongoing basis; and
- to control capital employed and, in particular, capital expenditure and inventories.

More specifically, the SBUs' ongoing goal is to improve their industrial performance and reduce capital employed by:

- factoring these criteria into the product design phase, specifically through the deployment of product platforms and technology platforms (see section 2.2.2.1.1). Product platforms enable the Group to achieve significant reductions in development time and the number of components used, and to increase the utilization rate of equipment. The platform concept, originally deployed for user interfaces, is being rolled out to other product categories such as digital infrastructure, security lighting, UPS[1] systems and even plastic cable management systems. Using technology platforms makes it possible to pool investments in engineering and to enhance product quality by sharing experience. Around 65% of the Group's sales were thus covered by platforms in 2018;
- streamlining and optimizing industrial sites;
- introducing plant specialization by product line or technology so as to reach critical mass and prevent the dispersal of resources and skills;
- systematically applying a recently revamped "make or buy" approach to all new projects to determine whether to invest in new manufacturing assets or to outsource and thus gain extra flexibility and adaptability, while at the same time reducing the amount of capital employed; and
- deploying industry best practices at production facilities through the "Legrand Way" program, aimed at overall operational excellence (productivity, capital employed, quality, customer service, etc.). In particular, Legrand is aiming to increase the deployment of "Legrand Way" in its manufacturing sites by 11 points between 2018 and 2021.

At the same time, the Group is making targeted investments to digitize its manufacturing base – intending eventually to allocate up to 10% of its capital expenditure to the Industry 4.0 – including in particular 100 PoCs[2] of which 51 are already operational and ready to be deployed, such as:

- gradually deploying data gathering and analysis applications that help control production processes in real time throughout the economic chain, and to accelerate the cycles of this chain; and

(1) Uninterruptible power supplies.

(2) PoC: Proof of Concept.

- implementing solutions that assist intelligent production such as AGVs[1], Cobots[2] and augmented reality, which are already being used in some plants.

These initiatives come as part of an overall industrial excellence approach.

More generally, the Group permanently seeks to optimize its cost structures and reduce its impact on the environment, in particular by manufacturing products as near as possible to the areas where they are sold. This approach involving local manufacturing close to markets is mainly reflected by the fact that the revenue base and cost base are broadly balanced in the various currencies. The Group is therefore actively strengthening its presence in markets that offer long term development opportunities, such as China, India and Russia.

INNOVATION AND SYSTEMS

The role of the Innovation and Systems Department is:

- to promote and coordinate the innovation process within the Group;
- to define the major technology roadmaps and ensure the consistency of the technologies used by the SBUs;
- to contribute ensuring that Group's offerings are compatible and organized into consistent systems.

PURCHASING

For more than ten years now, Legrand has been implementing a centralized purchasing policy to optimize its purchases and reduce its consumption costs. The Group's purchasing organization is characterized by:

- a structure adapted to its suppliers' overall organizational structure, which enables Legrand to negotiate with them on an equal footing (locally or by geographical area), thereby generating economies of scale;
- managing purchases, under the responsibility of user and buyer teams, to maximize the value of the Group's purchases by incorporating the cost factor into procurement selection criteria; and
- involving buyers in the new product development process in order to make savings from the product design stage onwards, and target future suppliers, particularly in terms of innovation.

This organizational structure has optimized purchasing by:

- consolidating purchases for the whole Group;
- optimizing purchases of raw materials and components depending on the geographic regions concerned and market volatility; and
- continuously optimizing the specifications of raw materials and components (purchasing productivity, including redesign to cost, etc.).

LOGISTICS AND SUPPLY CHAIN

Legrand's objective in terms of supply chain is to deliver products within the timeframes demanded by clients while optimizing transport and warehousing costs and inventory levels.

To that end, procurement, production and distribution cycles are studied from the new product design phase, opting for solutions that optimize the quality of service for the customer (product availability) as well as costs, while minimizing the environmental footprint of the various flows.

In addition, the Group's logistics facilities form a network of local, regional and central storage and distribution centers, enabling it to serve the market in a way suited to its product ranges and specific geographical requirements.

This approach is based on dedicated tools and processes for planning and execution:

- distribution sites are connected to a central Distribution Resource Planning (DRP) tool. Every night, this records the inventories and forecasts of each subsidiary, as well as local customer orders, in order to schedule procurement at the global level and thus optimize finished product inventory levels;
- industrial facilities use powerful planning tools based on the Manufacturing Resource Planning concept. They define production plans – allowing client requirements to be met while ensuring that demand and capacity are matched as closely as possible – and procurement plans;
- operational good practices among the functions contributing to supply-chain performance is recorded and shared through the "Legrand Way" referential:
  - for example, the Kanban and just-in-time systems are being progressively rolled out across the value chain, covering procurement and outsourcing, manufacturing and inter-site flows, and
  - end-to-end collaboration processes are also being implemented, allowing increased communication throughout a given flow.

At the same time, Legrand is continuing to digitize its supply chain, for example through data analytics, to improve both inventory levels and customer service.

This system has enabled Legrand to reduce the ratio of inventory value to consolidated sales, from approximately 17% on average between 1990 and 2002 to around 14% on average between 2003 and 2018, and to guarantee a high-quality service for its distributors in terms of availability and flexibility, speed and adaptability.

(1) AGV: Automated Guided Vehicle.

(2) Cobot: collaborative robot.

2.4 – OTHER INFORMATION

2.4.1 – Suppliers and raw materials

Legrand does not depend on any single supplier for the purchase of the main raw materials or components used in the manufacturing of its products. It considers that most of the raw materials and components required by its operations will remain available in all its major markets.

In 2018, the main raw materials used to manufacture Legrand products were:

- plastics: Legrand uses lots of different plastics of varying grades and colors in the design of its products; these are selected according to their physical properties and their ability to meet certain requirements such as durability, heat and impact resistance, and ease of molding, injection, or welding with other components;
- metals: in particular steel, which is used in mechanisms and structures, as well as brass and copper, which are used mainly for their conductive properties; and
- packaging materials.

Legrand also buys a large number of finished and semi-finished electro-mechanical and electronic components intended to be incorporated in its products.

The table below sets out the Group's raw material and component purchases as a percentage of Group sales for the 2017 and 2018 financial years:

(% of consolidated sales)	2018	2017
Raw materials	9.3%	9.5%
Components	23.6%	22.5%
TOTAL	**32.9%**	**32.0%**

2.4.2 – Property, plant and equipment

Legrand intends to optimize its industrial processes, improve its efficiency and reduce its production costs by increasing the level of industrial specialization at each site according to specific technologies or product categories; by optimizing its choice of production sites, by manufacturing close to its sales areas; by systematically implementing a "make or buy" approach on a Group-wide basis; and by applying industrial best practice in order to optimize productivity and capital employed.

The following table sets out the location, size and principal use of Legrand's major sites. All of them are wholly owned, the main exceptions being the Boxtel, Corsico, Carcavelos, Diadema, Dayton, Diegem, Fairfield, Fort Mill, Huizhou, Jhajjar, Istanbul, Kenosha, Madrid, Mumbai, Murthal, Ospedaletto, Pau, Rancho Cucamonga, Shakopee, Shenzhen, Sydney, Tijuana, Ulyanovsk, Union City, Vhegel and Wuxi sites, which are leased.

At the date when this registration document was filed, and to the best of the Company's knowledge, there are no significant charges not provisioned relating to Group sites described below.

Site or subsidiary	Size *(in thousands of m²)*	Principal use	Location
France			
Legrand Limoges	185	Headquarters/Manufacturing/Distribution/Administrative services/Storage	Limoges and its region
Other French sites	240	Manufacturing/Administrative services/Distribution	Malaunay, Fontaine-le-bourg, Sillé-le-Guillaume, Senlis, Saint-Marcellin, Antibes, Strasbourg, Bagnolet, Pantin, Montbard, Pau, Lagord, Pont à Mousson, Belhomert, Feuquière en Vimeu
Verneuil	90	Storage	Verneuil-en-Halatte
Italy			
Bticino Italy, IME	235	Manufacturing/Distribution/Administrative services/Storage	Varese, Erba, Naples, Bergamo, Tradate, Ospedaletto, Alessandria and Reggio nell'Emilia, Corsico
Portugal			
Legrand Electrica	31	Manufacturing/Distribution/Administrative services/Storage	Carcavelos
United Kingdom			
Legrand Electric	32	Manufacturing/Distribution/Administrative services/Storage	Scarborough, West Bromwich, Consett, Blyth
Spain			
Legrand España	22	Manufacturing/Distribution/Administrative services/Storage	Madrid, Barcelona
Poland			
Legrand Polska	34	Manufacturing/Distribution/Administrative services/Storage	Zabkovice
Hungary			
Legrand Zrt	30	Manufacturing/Distribution/Administrative services/Storage	Szentes
Germany			
Legrand-Bticino, Modulan	18	Manufacturing/Distribution/Administrative services/Storage	Soest, Nidderau

Site or subsidiary	Size (in thousands of m²)	Principal use	Location
United States and Canada			
The Wiremold Company, Ortronics Inc., Pass & Seymour Inc., Vantage, TWS, OnQ, Middle Atlantic Products, Electrorack, Nuvo, Lastar, Raritan, Pinnacle, Solarfective, Luxul, Milestone AV Technologies, OCL, AFCO Systems Group, Finelite, Server Technology, Kenall	386	Manufacturing/Distribution/Administrative services/Storage	West Hartford, Mascoutah, Rancho Cucamonga, Concord, Fort Mill, Fairfield, Anaheim, Hickory, Dayton, Somerset, Denver, Union City, Farmingdale, Maryland Heights, Shakopee, Warsaw, Reno, Toronto, Kenosha
Mexico			
Bticino de Mexico	60	Manufacturing/Distribution/Administrative services/Storage	Queretaro, Tijuana
Brazil			
Legrand Brazil, Cemar, HDL, SMS and Daneva	79	Manufacturing/Distribution/Administrative services/Storage	Caxias do Sul, Manaus, São Paulo, Aracaju and Vila Varela
Colombia			
Legrand Colombia	15	Manufacturing/Administrative services/Storage	Bogota
China			
Rocom, Legrand Beijing, TCL, Legrand, Shidean, Raritan, Shenzen Clever Electronic	125	Manufacturing/Distribution/Administrative services/Storage	Dongguan, Beijing, Huizhou, Shenzhen, Wuxi and Shanghai
Russia			
Kontaktor and Firelec	100	Manufacturing/Distribution/Administrative services/Storage	Ulyanovsk, Moscow
Australia and New Zealand			
HPM, Trical	34	Manufacturing/Distribution/Administrative services/Storage	Sydney, Melbourne, Auckland
India			
Legrand India, Indo Asian Switchgear, Numeric UPS and Adlec Power	114	Manufacturing/Distribution/Administrative services/Storage	Jalgaon, Nashik, Sinnar, Mumbai, Noida, Murthal, Haridwar, Chennai, Jhajjar
Malaysia			
Megapower, SJ Manufacturing	25	Manufacturing/Administrative services/Storage	Seri Kembangan, Shah Alam
Netherlands			
Legrand Nederland, Aegide-Minkels, Milestone	52	Manufacturing/Administrative services/Storage	Boxtel, Veghel, Weert
Egypt			
EMB Egypt	10	Manufacturing/Distribution/Administrative services	Sadat City
Turkey			
Legrand Elektrik, Estap and Inform	43	Manufacturing/Administrative services/Storage	Gebze, Istanbul
Saudi Arabia			
Seico	15	Manufacturing/Administrative services/Storage	Jeddah

2.4.3 – Information by geographic region

Since Legrand's business is local, i.e. country-specific, its financial reporting is organized into geographic regions.

Please refer to section 5.4.1.1 of this registration document for more information on business trends by geographic region over the past two years, and to section 4.7.2.2 of this registration document for a breakdown of the Group's average headcount by geographic region and by category (Front Office and Back Office).

From January 1, 2019, in line with the new organization of its front office consisting of three regions(1) – compared to a similar organization consisting of five regions previously – the Group organizes its financial reporting into three regions (Europe – including France, Italy and countries previously reported under the Rest of Europe region – North and Central America, and Rest of the World). Sales and weighted average headcounts in those regions in 2018 were as follows:

- for Europe, €2,466.3 million and almost 14,400 people;
- for North and Central America, €2,175.1 million and around 6,400 people; and
- for the Rest of the World, €1,355.8 million and almost 17,600 people.

By aligning its organization more closely with its markets in this way, the Group intends to improve coverage of its international clients, speed up development in fast-growing verticals, roll out its international programs more extensively and promote the sharing of good practices.

2.4.4 – Competitors

Legrand enjoys established market positions in France, Italy, and many other European countries, as well as in North and South America and in Asia. Legrand's main direct competitors include the following:

- divisions of large multinational companies that compete with Legrand in various domestic markets, for some or all of Legrand's product ranges, such as: ABB, Eaton, Honeywell, Panasonic, Schneider Electric and Siemens;
- specialized companies that mainly offer one or two product categories, such as CommScope and Belden (VDI structured cabling), Aiphone and Urmet (door entry systems), Crestron and Nortek (building systems), Lutron (lighting control), Obo Bettermann and Niedax (cable management), Panduit (VDI and cable management), Rittal and nVent (envelopes and racks for datacenters) and Vertiv (former Emerson Network Power – UPS); and
- multi-specialist companies such as Hager in Germany and France, Gewiss and Vimar in Italy, Niko in Belgium, Gira in Germany, Simon in Spain, Leviton and Hubbell in the United States and Canada, Havells in India and Chint in China.

(1) For more information about changes to the Group's front office, please refer to page 8 of the 2018 annual results press release published on February 14, 2019.

3

INTERNAL CONTROL AND RISK MANAGEMENT

3.1 – ENVIRONMENT AND ORGANIZATION OF INTERNAL CONTROL AND RISK MANAGEMENT 54

3.1.1 – Reference framework 54
3.1.2 – Scope of application 54
3.1.3 – Internal control and risk management environment 54
3.1.4 – Resources allocated to internal control and risk management 55

3.2 – INTERNAL CONTROL SYSTEM 56

3.2.1 – Definition and purposes of internal control 56
3.2.2 – Procedures, controls and assessments 56

3.3 – RISK MANAGEMENT SYSTEM 57

3.3.1 – Definition and purposes of risk management 57
3.3.2 – Risk management procedure 57

3.4 – INTERNAL AUDIT SYSTEM 58

3.4.1 – Definition and objectives of internal audit 58
3.4.2 – Audit planning, implementation and follow-up action 58

3.5 – PROCEDURES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION 58

3.6 – RISK FACTORS AND CONTROL MECHANISMS IN PLACE 60

3.6.1 – Strategic risks 63
3.6.2 – Operational risks 65
3.6.3 – Reputational and compliance risks 69
3.6.4 – Financial risks 70

3.7 – INSURANCE POLICIES AND RISK COVERAGE 74

3.7.1 – Civil liability 74
3.7.2 – Property damage and business interruption insurance 74
3.7.3 – Other cross-functional risks insured 74

3.1 – ENVIRONMENT AND ORGANIZATION OF INTERNAL CONTROL AND RISK MANAGEMENT

3.1.1 – Reference framework

The Group's internal control and risk management system falls within the legal framework applicable to companies listed on the Paris stock exchange and relies on the "Reference framework for risk management and internal control systems" published by the AMF in 2010.

3.1.2 – Scope of application

The Group's internal control and risk management system covers all controlled entities that fall within the scope of consolidation of which the Company is the parent company. No entity is excluded from the system.

The Group defines the roles and responsibilities of the various participants, establishes procedures, and ensures that internal control and risk management are performed effectively within its subsidiaries. Newly acquired companies adopt the internal control system during their integration with the Group. They are audited for the first time by the Group's Internal Audit team within around a year of their acquisition.

The scope of application of internal control concerns every area of the business. The internal control system is regularly updated, to keep it closely aligned with risk management approach and business developments.

3.1.3 – Internal control and risk management environment

The Group's internal control and risk management environment is based on the following:

- the Group's values, formally enshrined in a set of charters that are widely circulated among its teams. They include the Group's Charter of Fundamental Principles and its Application Guide setting out the Group's values, its Prevention Charter and Environment Charter and its Guide to good business practice. Commercial practices are governed by the Fair Competition Charter and the Guide to Good Business Practice;
- exemplary behavior, an essential means of disseminating values within the Company;
- the clear objectives set out by the Company and communicated to its employees (see section 2.2.1);
- an organizational and hierarchical structure that provides a clear definition of responsibilities and powers;
- management policies and procedures available on the Group's intranet, applicable to all its subsidiaries;
- IT tools and access to information systems determined according to each person's role, in compliance with the rules regarding segregation of duties.

The reporting structures that exist for all the Group's major business processes relevant and reliable information to be gathered and circulated at various levels of the business, and ensure that the Group's different organizational levels (regions, subsidiaries and head office departments) use the same terminology. Examples include the annual budget process, monthly and quarterly country performance reviews, and various reports (financial, HR, corporate social responsibility, environmental responsibility, etc.), as well as the internal control self-assessment questionnaire completed by each Group entity.

3.1.4 – Resources allocated to internal control and risk management

The Group's Audit, Internal Control and Risk Management Department coordinates and organizes monitoring of the risk management and internal control system. The main tools it uses include risk mapping, the internal control framework, the self-assessment process, audits and action plan monitoring. Assigning these tasks to a single department ensures a consistent methodology and the continual adjustment of audit procedures to internal control risk areas, as well as rapid adjustment of the internal control framework to address weaknesses detected during audits.

For roughly ten Group countries, including the largest contributors in terms of business (United States, France, Italy, India, China, Brazil, Russia, Mexico, Colombia, etc.), the Group's Internal Control Department relies on local internal controllers who coordinate the process in their respective units. In smaller subsidiaries, internal control is the direct responsibility of the entity's Chief Financial Officer. In the Group as a whole, around 33 staff members were fully dedicated to internal controls at the end of 2018.

The manager in charge of this function at Group level has direct access to the Chair of the Audit Committee with whom he/she confers independently when preparing for Audit Committee meetings.

The manager in charge of this function at Group level reports directly to the Chief Executive Officer, ensuring that he/she enjoys the required authority at the internal level.

Aside from the Internal Control Department, other key contributors include:

- General Management, in connection with the overall design and management of the Group's internal control system;
- the Company's governance bodies, particularly the Audit Committee, whose tasks include monitoring the effectiveness of the system;
- the Risk Committee, in connection with managing the Group's risk-mapping exercises;
- the Group's various departments, some of which coordinate the internal control and risk management approach within the various operational committees;
- the Finance Department in general, and especially the finance managers of the Company's various subsidiaries, who play an ongoing role in organizing the control environment and ensuring compliance with procedures;
- managers at all levels of the organization, who are responsible for managing the internal control system in their particular area.

The integrated report contains a summary diagram presenting the existing governance structure for internal risk management and control.

LIMITATIONS

It should be noted that the internal control system, outlined above and detailed below, though well designed and implemented, cannot provide an absolute guarantee that the Group's targets will be met and that every risk, particularly those relating to error, fraud or failure, will be completely controlled or eliminated.

3.2 – INTERNAL CONTROL SYSTEM

3.2.1 – Definition and purposes of internal control

The Group's internal control system consists of a set of resources, behaviors, policies, procedures, tools and actions tailored specifically for Legrand, that:

- enable it to take appropriate account of significant risks, whether strategic, operational, reputational, financial or compliance-related; and
- contribute to the control of its business activities, the efficiency of its operations and the efficient use of resources.

The internal control system is wide-ranging and not limited solely to procedures for making accounting and financial reporting data more reliable. More generally, its objectives are to:

- ensure compliance with laws and regulations;
- ensure that instructions are applied and that the objectives set by General Management are achieved;
- guarantee the proper functioning of the internal procedures, especially those that contribute to the protection and safeguarding of assets;
- provide assurance regarding the reliability of financial and accounting information;
- support both organic and external growth;
- contribute to the optimization of procedures and operations.

The risk management process continually feeds into the internal control process, which, as a result, adapts in response to developments in the Group's risk environment.

3.2.2 – Procedures, controls and assessments

The Group's internal control activities (procedures and controls) are defined in internal control standards, which are regularly updated. These internal control standards, as well as all the legal, financial, management and accounting rules applied by the Group, can be accessed on the Group's website.

Internal control activities, and particularly the controls in place, are reviewed annually using a self-assessment mechanism that is mandatory for all entities and supported by a dedicated tool.

The self-assessment process covers matters concerning the internal control environment and controls over the Group's main processes (e.g. Purchasing, Sales, Inventory management, Payroll, Fixed assets, etc.). The questionnaire evolves each year as part of a continuous improvement process. The questionnaire is adapted to take account of strengths and weaknesses identified during audits and self-assessments, and of changes in risks and in the control environment.

The size of the questionnaire varies according to the size of the respondent entities.

The results of these self-assessment questionnaires and tests are systematically reviewed, consolidated and analyzed by the Internal Control Department.

The 2018 self-assessment campaign showed that the Group's entities achieved an overall compliance rate of 89% in respect of the internal control system's minimum requirements, as opposed to 90% in 2017. The Group considers that this is a satisfactory compliance rate. Targeted support is provided to help all entities reach this level, and cross-functional initiatives are launched as and when required. In 2018, specific actions were carried out to strengthen the management rules for IT access, to support the roll-out of new procedures as part of the compliance program, and to prevent fraud.

The IT system used to support the internal control process includes a module for overseeing the action plans defined by the subsidiaries.

The Group's internal control system, and any changes it may undergo, are presented annually to the Audit Committee.

The tools, procedures and results of internal control reviews are available to the Company's Statutory Auditors, and there are regular consultations to optimize the internal control framework and coverage of risk areas, which reinforce the internal control system and risk controls.

3.3 – RISK MANAGEMENT SYSTEM

3.3.1 – Definition and purposes of risk management

A risk represents the possibility of an event occurring that might have adverse effects on people, resources, the environment, the Group's objectives or its reputation. A risk is also the possibility of missing a strategic or other opportunity.

Risk management is a dynamic system that enables managers to identify, analyze and deal with the main risks regarding the Group strategic objectives, to keep them at an acceptable level.

It seeks to be comprehensive, to cover all the Company's activities, processes and assets.

Risk management is considered as a business management leverage tool, and has the following objectives:

- ensure the safety of the Group's employees;
- preserve the value, assets and reputation of the Group;
- secure the Group's decision-making and procedures to encourage achievement of its objectives and thus the creation of value for all stakeholders;
- ensure that the initiatives undertaken are consistent with Group values; and
- encourage Group employees to buy into a shared vision regarding major risks, and to raise their awareness both of the risks inherent in their activity and of newly emerging risks.

3.3.2 – Risk management procedure

The risk management procedure consists of three stages:

1) Risk identification: the risk environment is jointly determined using data gathered during meetings and workshops with the Group's senior executives ("top-down" approach), supplemented by contributions from Group subsidiaries and functional departments ("bottom-up" approach), business experts and external benchmarking.

   An update of the risk universe in 2018 led to the identification of 25 relevant risks.

2) Assessment of identified risks: risk assessment and classification are carried out by a panel of Group senior executives using a dedicated tool. Risks are assessed and ranked according to the probability of their occurrence and their potential impact on the basis of a homogeneous set of criteria. The risks are then prioritized based on an assessment of how effectively they are controlled. Risk analysis is supported by a regular review of specific indicators (KRIs or Key Risk Indicators). These indicators, drawn up on the basis of historic and prospective data, are tracked by the relevant functional departments and fed back to the Group's Risk Manager in charge of coordinating the process.

   On the basis of this risk identification and assessment, a risk map is produced, which is submitted to the Risk Committee for approval. Risk factors and risk control systems are detailed in section 3.6 of this chapter.

3) Dealing with risks: measures to reduce, transfer or accept risks are applied. Action plans are defined and the owners of the risks identified within the functional departments, with the help of the Group's Risk Manager. The Risk Committee validates the procedure for dealing with the main risks and monitors the progress of the action plans.

The risk management process is supported by a specific tool allowing the methodology to be documented, ensuring closer involvement of the players, and facilitating co-ordination and reporting.

Governance takes place through semi-annual meetings of the Risk Committee, chaired by the Group's General Management and attended by the functional and operational departments.

The Audit Committee is also regularly informed of the subjects addressed. The approach to assessing and dealing with risk is the subject of an annual discussion with the Audit Committee, during which a review is made of the major risks, of the risk control mechanisms in place, and of any current action plans. The minutes of the Audit Committee meeting are submitted to the Board of Directors.

3.4 – INTERNAL AUDIT SYSTEM

3.4.1 – Definition and objectives of internal audit

The purpose of internal audit is to provide objective assurance regarding the degree of control over operations and the processes for managing, controlling and governing risk, and to make recommendations on how to make them more effective.

3.4.2 – Audit planning, implementation and follow-up action

An audit plan is drawn up each year, applying the following rules:

- the rotation of audits across all the Group's reporting entities and functional departments;
- audits of the Group's new acquisitions within a year of the Group acquiring them or investing in them;
- follow-up audits on the action plans put in place by operational entities, if the situation requires it;
- audits of systems for controlling the risks identified in connection with risk management;
- specific and cross-functional audits aimed at covering major or emerging risks.

After approval by General Management, the audit plan is presented annually to the Audit Committee.

Every audit assignment results in a report. Those reports are submitted to General Management. A summary of them is presented quarterly to the Audit Committee.

The recommendations expressed in the audit reports directly address the risks inherent in the identified internal control weaknesses, thereby strengthening the previously mentioned bottom-up approach. Correct implementation of action plans is monitored systematically by the Internal Control Department.

3.5 – PROCEDURES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Objectives

Internal controls applied in the accounting and finance areas must meet the following objectives:

- ensure that the published accounting and financial information complies with applicable regulations;
- ensure that the instructions concerning this information, issued by the Group's General Management, are applied;
- safeguard the Group's assets;
- detect and prevent fraud and accounting irregularities wherever possible;
- ensure the reliability of internal financial and accounting information, and of information disclosed to the markets.

Main contributors

- General Management, in connection with setting up and organizing the Group's internal control system and preparing financial statements for approval and publication;
- the Board of Directors, which approves the consolidated financial statements, based particularly on the work of the Audit Committee;
- the Internal Audit Department which, through its work, makes a certain number of recommendations both to General Management and to the Audit Committee on improvements to the internal controls applied in the accounting and finance areas;
- the Statutory Auditors who, through their external audit work, express an independent opinion on the published consolidated financial statements.

Control mechanism for accounting and financial information

This mechanism is based on the definition and implementation of processes to prepare and review financial and accounting data so that it can be used internally for management purposes and disclosed externally for publication to the markets. The mechanism is deployed through concerted action involving contributions from the following staff within the Finance Department.

FINANCE MANAGERS IN SUBSIDIARIES

Finance managers in subsidiaries, who are appointed by, and report functionally to, the Group's Finance Department, are specifically entrusted with responsibility for internal control and with the role of Compliance Officer in their respective companies. They are appointed by the Group's Finance Department, to ensure consistently outstanding levels of expertise.

GROUP FINANCE CONTROL

Group Finance Control, which reports to the Group Finance Department, plays a key role in monitoring and controlling subsidiaries' performance and their enforcement of procedures. He/she coordinates the preparation of annual budgets and regularly performs an in-depth review of outturn and estimates. This work is based on rules for the preparation of financial reports and the budget, which can be found in the standards for internal control procedures.

All subsidiaries issue a detailed consolidation report every month, which includes a balance sheet with an analytical review and an income statement with analyses, to allow detailed monitoring of their performance.

CORPORATE FINANCIAL ANALYSIS

The Corporate Financial Analysis unit, which reports to the Group Finance Department, prepares and analyzes the Group's consolidated financial statements. It prepares and circulates, on a monthly basis, a progress sheet showing the Group's consolidated performance and the variance between actual results and the results forecast in the budget. This data is formally reviewed each month by the Finance Department and General Management.

Accounting data are consolidated by a dedicated team using the consolidation reports submitted through a software application deployed across all Group subsidiaries. Consolidated financial statements are prepared on a monthly basis (except at the end of July) in accordance with a schedule circulated to all subsidiaries. This allows them to plan accordingly and provide financial information in a timely manner.

Almost all consolidated entities have their annual and/or consolidation reports reviewed by the local affiliated offices of the Group's Statutory Auditors or by independent auditors.

GROUP FINANCING AND CASH FLOW

The Treasury Department reports to the Group Finance Department.

Bank account signatories are individually approved by the Group Finance Department. Cash flow is monitored through specific procedures. Investment, borrowing and hedging transactions are centralized and controlled by the Group's Finance Department. All bank accounts are managed in agreement with the Group Treasury Department, which ensures consistency in the Group's relationships with banks.

INFORMATION SYSTEMS

The Information Systems Department reports to the Group Finance Department.

In order to reduce the risks associated with the reliability of accounting and financial data processing, the Group has implemented a full set of IT procedures to mitigate security risks as well as data back-up plans.

In addition, the deployment of internal control helps strengthen and harmonize processes related to the implementation and operation of information systems, as well as system and network protection and access arrangements.

The very nature of data processing activities, in an environment that is subject to frequent change in terms of the scope of Group activity and the information systems used, makes IT risk management a process of continuous improvement.

3.6 – RISK FACTORS AND CONTROL MECHANISMS IN PLACE

At the date of this registration document, the risks described below are those identified by the Group as possibly having a material impact on its business, image, financial position, results or ability to achieve its objectives. Other risks that are not identified, that are emerging or that appear non-material at the same date, may also have an adverse effect on the Group.

All the identified risks and threats are analyzed on a regular basis as part of the risk management process outlined in section 3.3 of this registration document.

The table below summarizes the key risks and associated control systems, organized into four categories: strategic risks, operational risks, reputational risks and financial risks.

In each of the four categories, risks are ranked according to criticality (a combination of the estimated impact and the probability of occurrence) assessed during the risk mapping exercise. Criticality is therefore a measure of gross risk, before taking into account risk mitigation arrangements.

The criticality of risks is assessed according to four levels (minor, moderate, material, critical). Only risks assessed as "critical", "material" or "moderate" are detailed in this chapter.

Certain risks whose impact is assessed as moderate are detailed in Chapter 3 of this document, in accordance with extra-financial performance reporting obligations.

Risk factors	Structural risk reduction criteria and main systems in place	Criticality	Reference
Strategic risks			3.6.1
Disruptive technology and digital transformation	■ Chief Digital Officer and digital acceleration program ■ Eliot program ■ Dedicated "Innovation & Systems" team and cross-functional innovations program ■ Innovation and R&D ■ Strategic partnerships	Material	3.6.1.1
Risks related to pricing power	■ Increasing product value-added through innovation and marketing efforts. ■ Monthly analysis of the price effect in each country (on sales and operating margin) ■ Pricing teams in regions	Material	3.6.1.2
Risks related to external growth	■ Dedicated acquisitions team ■ Rigorous due diligence and selection process ■ Contractual clauses ■ A proven integration process based on multidisciplinary expertise	Material	3.6.1.3
Changes in product standards and regulations	■ Standardization department ■ Correspondent network ■ Standardization committee	Moderate	3.6.1.4

Risk factors	Structural risk reduction criteria and main systems in place	Criticality	Reference
Operational risks			3.6.2
Cybersecurity, continuity and performance of information systems	■ Multi-skilled team ■ Security masterplan ■ Specific governance ■ Centralized infrastructure management ■ 24/7 monitoring of critical applications ■ Single hotline covering the whole world ■ Audit of systems in place	Critical	3.6.2.1
Talent, skills management, and well-being at work	■ Talent management process ■ Incentives and retention mechanisms for key employees ■ Onboarding of new employees ■ Quantitative and qualitative indicators via dedicated reporting	Material	3.6.2.2
Intellectual property	■ Dedicated department and network of correspondents in the Group ■ Occasional recourse to experts ■ Use of internationally renowned consulting firms	Material	3.6.2.3
Availability of raw materials and components	■ Market monitoring ■ Central supervision of the risk of shortages ■ Excess inventory or substitution plan	Material	3.6.2.4
Failure in major new product launch	■ "Creation of the Product Offering" process ■ Monitoring and validation meetings with General Management ■ Analysis of project risk and sharing of indicators	Material	3.6.2.5
Supplier default or risky practices	■ Systematic approach to the qualification of suppliers ■ Identification of critical suppliers (interdependence, financially vulnerability, risks relating to Corporate Social Responsibility) ■ Supplier risk mitigation approach (multi-sourcing strategy, security of supply, CSR action plan) ■ CSR audit of suppliers ■ Responsible purchasing policy – "Responsible Supplier Relations" accreditation	Moderate	3.6.2.6
Unavailability of a production, storage or logistics site	■ Limited concentration of industrial activities ■ Identification of risks and vulnerabilities, prevention plan ■ Regular investments in modernization and maintenance of industrial facilities ■ External audits ■ Worldwide insurance program covering property/casualty and business interruption risks	Moderate	3.6.2.7
Risks related to climate change	■ Map of vulnerabilities and analysis of exposed assets ■ Impact mitigation strategies (organizational measures and technical solutions)	Moderate	3.6.2.8
Reputational and compliance risks			3.6.3
Product quality and safety	■ Quality policy ■ ISO 9001 certification for production sites ■ Qualification of products by certified laboratories ■ Processes to monitor quality in production, ■ Product quality surveillance plan ■ Customer dissatisfaction management process ■ Satisfaction surveys ■ Product recall management procedure	Material	3.6.3.1
Business ethics	■ Network of compliance officers in each country ■ Compliance program ■ Compliance committees at country and Group level ■ Guide to Good Business Practice ■ Competition charter ■ Risk and control matrix in place for each country ■ Ethics and fraud whistleblowing system ■ Training and communication plan	Material	3.6.3.2 Issue no. 3 on the CSR roadmap

Risk factors	Structural risk reduction criteria and main systems in place	Criticality	Reference
Brand and reputational damage	■ Dedicated team in charge of monitoring social media ■ Digital Dashboard ■ Detection and reaction procedures	Material	3.6.3.3
Protection of personal data	■ Data Privacy ■ Officer and network of Data Privacy Representatives ■ Application of the Privacy by Design principle for Eliot products ■ Security audits and intrusion tests ■ Systematic Privacy Impact Assessment of connected products	Material	3.6.3.4
Employment practices	■ Head of Occupational Health & Safety (OHS) and network of correspondents ■ Prevention policy based on international standards ■ Legrand's Charter on Human Rights ■ Mapping of risks regarding human rights at work ■ Responsible purchasing	Material	3.6.3.5. Issues no. 6 and no. 7 on the CSR roadmap
Environmental impact	■ Dedicated department and network of correspondents in the Group ■ Limiting our Environmental Footprint: a priority of the 2014-2018 CSR roadmap ■ ISO 14001 and ISO 50001 certification and environmental audits ■ Environmental reporting in line with Grenelle 2 and the Global Reporting Index ■ Carbon footprint reduction plan	Moderate	3.6.3.6 Issue no. 9 on the CSR roadmap
Financial risks			3.6.4
Failure to achieve the expected financial performance	■ Multi-scenario annual budgets ■ Detailed monthly performance analysis ■ Quarterly performance review ■ Ensuring the accountability of managers, whose remuneration is linked to the achievement of annual targets set out in a Financial Performance Contract	Material	3.6.4.1
Reliability of accounts and internal control weaknesses	■ Group internal audit team ■ Internal control framework and self-assessment system ■ Systematic fraud reporting	Material	3.6.4.2
Foreign currency risk	■ "Natural" hedging of operational currency risks ■ Hedging of significant intragroup foreign exchange positions	Moderate	3.6.4.3
Country risk	■ Balanced geographical exposure ■ Ongoing monitoring and contact with the Group's various countries ■ Insurance covering credit, property/casualty and repatriation risks	Moderate	3.6.4.4
Tax risks	■ Group tax department and tax specialists in higher-risk countries ■ Use of external experts and internationally renowned firms ■ Tax regulation monitoring ■ Country-by-country reporting ■ Group policy in favor of non-aggressive tax strategies ■ Monthly review of tax expense by country ■ Quarterly review with country finance managers ■ Quarterly tax review with the Chief Financial Officer and annual tax review with the Chief Executive Officer	Moderate	3.6.4.5
Customer credit risk	■ Specific reports on trade receivables ■ Credit risk insurance program	Moderate	3.6.4.6
Financing and liquidity risk	■ Regular monitoring of the debt repayment schedule ■ Available headroom ■ Debt mostly at fixed rates	Moderate	3.6.4.7
Value of brands and goodwill	■ Annual impairment tests	Moderate	3.6.4.8

3.6.1 – Strategic risks

3.6.1.1 DISRUPTIVE TECHNOLOGY AND DIGITAL TRANSFORMATION

Against the background of the digitization of the economy and the rapid development of digital solutions, the Group may:

- be unable to enter new high growth markets;
- be threatened in some of its traditional market segments should its products fail to meet new user expectations (connected objects, voice control, maintenance and services, solutions ensuring a constant connection with consumers, changes in utility);
- be unable to deal with changes in the economic chain: new specifiers, vertical integration, e-commerce and disintermediation;
- be unable to take advantage of big data processing.

To address these new challenges, the following initiatives are in place:

- a digital acceleration program, led by the Chief Digital Officer and steered by the executive committee, aimed at improving the customer experience, the employee experience and operational excellence through the contribution of new technology. This program has led to the launch of several initiatives that will enable the Group to limit identified risks and develop growth opportunities;
- the Strategic Business Units (SBUs) analyze the Group's products, technologies and markets on an ongoing basis;
- an Innovation and Systems Department, works cross-functionally with the Group's various Strategic Business Units (SBUs), and monitors system architectures, interoperability, technology trends, standardization and intellectual property. Using that work, Innovation and Systems Department produces Group guidance, particularly as regards innovation. The innovation program is organized around four key themes (energy efficiency, the Internet of Systems and artificial intelligence, installation trends and new technologies);
- the Eliot program is helping the Group to develop a range of connected objects;
- the Group has signed multiple partnerships with major new technology players to jointly develop offerings of connected and interoperable products. For years the Group has also been a member of various technology associations and alliances;
- the Group has an innovation strategy supported by research and development expenditure that represents, on average, between 4% and 5% of Group sales over the long term, while the amount spent on electronic and digital technology has been increasing for many years.

3.6.1.2 RISKS RELATED TO PRICING POWER

Legrand's ability to adjust its selling prices to its costs could be affected by the following factors: development of new distribution channels and particularly e-commerce, rising market shares of retailer own brands, competition from inexpensive products made in low-cost countries, or competition from counterfeit products.

The Group is aware of these risks and therefore engages in ongoing and sustained efforts in terms of market intelligence, brand positioning, active management of the product mix, research and development, marketing and the development of new distribution channels, in order to increase the added value of its products and the attractiveness of its offering while keeping a tight rein on costs and maintaining or growing its market share (see section 2.2.2.1 of this registration document).

To monitor any deviation, the Group analyses the impact of prices on its sales and operating margin every month. Inflation figures are also produced by each country and analyzed.

Pricing teams exist within regions to define multi-channel pricing strategies.

Furthermore, the Group's new business activities, developments in which are being driven by social and technological mega-trends, also limit this risk (see section 2.1.1.2).

3.6.1.3 EXTERNAL GROWTH

The Group's growth strategy, in line with the guidance given by the Strategy and Social Responsibility Committee and the Board of Directors, mainly relies on bolt-on acquisitions[1] with strong market positions or new technologies and offering synergies with its existing businesses.

The Group may not be able to complete transactions or obtain financing on satisfactory terms, to successfully integrate acquired businesses, technologies or products, to effectively manage newly acquired operations or to achieve the anticipated cost savings and other synergies. It could also experience problems integrating acquired businesses, including possible incompatibilities regarding systems, procedures (particularly accounting systems and controls) policies and business cultures, the departure of key employees and the assumption of liabilities, particularly environmental liabilities. All these risks could have a material adverse effect on the Group's businesses, results and financial position.

A dedicated acquisitions team in the Strategy and Development Department works closely with country managers to identify appropriate targets, and coordinates the acquisition process with the finance, legal, industrial, logistics and marketing departments at head office (see section 2.2.2.2 of this registration document).

Regarding financing risk, the control arrangements are presented in section 3.6.4.7.

For funding, the control arrangements are presented in section 3.6.4.7.

The Group conducts audits and due diligence prior to any planned acquisition, based, where appropriate, on advice provided by outside consultants, in order to ensure in-depth examination of the target company's position. At every important stage in the transaction, and according to a formal process, each planned acquisition is subject to validation reviews to confirm its advantages and to determine the terms and conditions for its completion.

Acquisition agreements always include certain standard clauses that allow Legrand to cover potential risks (seller's warranty, specific indemnities, non-compete clauses etc.). Depending on the situation, Legrand may also use warranty and indemnity insurance.

The acquired company is then integrated into the Group's financial reporting system and integrated more broadly into the Group in accordance with dedicated processes overseen by a multidisciplinary steering committee chaired by General Management. An initial internal audit is conducted as part of this integration process within around 12 months of the acquisition to establish the action plans required to ensure that the acquiree's processes comply with Group standards.

The first consolidation of these acquisitions may result in the recognition of significant goodwill and brand asset value. This could lead to a risk of impairment in the event of a significant decline in the performance of these companies. This financial risk is described in section 3.6.4.8 of this chapter.

3.6.1.4 CHANGES IN PRODUCT STANDARDS AND REGULATIONS

Legrand's products, which are sold in almost 180 countries, are subject to regulations and standards at the national and international levels, such as European Union directives and the National Electric Code in the United States, and product norms and standards adopted by international organizations such as the European Committee for Electrotechnical Standardization, the Federal Communication Commission (FCC) and the International Electrotechnical Commission.

Changes in or more stringent application of these quality and safety standards could require the Group to make capital expenditures or implement other measures to ensure compliance, the costs of which could have a material adverse effect on the Group's business, results and financial position.

Legrand may be unable to anticipate a future change in standards or regulations and could see its products withdrawn from markets, or miss an opportunity to grow its market share and sales.

Regulations are changing rapidly, driven by issues related to connected products.

To manage the risks in this area, a standardization department is in charge of contributing to the development of standards and technical legislation applicable to products, systems and installations, depending on the Group's strategy, and of informing the Group about such changes.

A standardization committee meets three times per year, bringing together strategy, SBU and Front Office teams. A global network of correspondents informs the Group about changes in local and international standards and enables the Group to take part in certain standardization committees.

Legrand's products are also subject to numerous regulations, including trade, customs and tax regulations applicable in each country in which the Group operates and on an international level. Changes to any of these regulations and their applicability to Legrand's business could lead to lower sales or increased operating costs, and result in a decrease in Legrand's profitability and income.

(1) Small and medium-sized companies that complement the Group's business activities.

3.6.2 – Operational risks

3.6.2.1 CYBERSECURITY, CONTINUITY AND PERFORMANCE OF INFORMATION SYSTEMS

Because of the scale and number of its international operations, processes and sites, Legrand's business activity requires multiple and often interconnected information systems. In addition, the development of connected products (Eliot program) potentially exposes the Group to specific risks related to cybercrime and data security.

The failure of systems (networks, cloud, infrastructure and applications) used by the Group (either directly or via service providers) or security breaches could slow or partially disrupt the Group's industrial and commercial activity, impact the quality of customer service, or compromise the level of security and confidentiality expected by stakeholders.

Such failures could originate from inside the Group (configuration error, system obsolescence, lack of infrastructure maintenance, poor IT project management, malicious acts) or from outside (viruses, cybercrime, etc.).

IT related risks are managed through a specific governance system (monthly, quarterly and annual committee meetings, with oversight by the Group Risk Committee).

IT system is centrally managed by the Corporate IT department.

The following skill sets are deployed within the Information Systems Department:

- a Head of Information Systems Security and his team, who work on improving system quality and security, are in charge of defining and implementing policies and projects specific to these areas, such as the IT security plan, personal data protection, guidelines on the use of information systems to all employees, and data back-ups. This department is also responsible for conducting regular security audits and intrusion tests on the Group's information systems, with the support of external service providers;
- the Projects and Architecture & Expertise teams implement systems and infrastructure based on the established governance structures;
- the Support teams are responsible for continuity of service of infrastructure and applications. They define the necessary investment and maintenance programs and oversee the change management process;
- a specific team assists and monitors the subsidiaries, as regards both structures and application projects.

Infrastructure and information systems management is centralized and overseen through specific governance arrangements. They include server back-up and virtualization arrangements, user access management via Active Directory, the management of IT hardware, LANs and WANs, co-ordination of outsourced services and contract management.

Applications used by the Group are also managed centrally. However, certain domestic applications are managed locally.

Legrand is deploying a cybersecurity masterplan which aims to strengthen and supplement all the protection, detection and response measures already implemented as part of its security policy. This masterplan is structured around the following seven components:

- a detailed analysis of IT risks;
- an IT systems security policy, based on applicable standards and best practice (ISO 27002, recommendations of the French National Cybersecurity Agency, etc.);
- making security an integral part in IT projects through a specific methodology;
- an employee cybersecurity awareness program;
- a structured incident handling process involving a Computer Emergency Response Team (CERT) and a Managed Service Security Provider (MSSP);
- a legal, regulatory and standards monitoring system;
- a specific program dedicated to personal data security and processing for Eliot connected objects and the related cloud.

Critical applications are covered by a 24/7 maintenance system and quality indicators are monitored to measure application performance.

A single support hotline is available in all countries and for all employees.

Relationships with outsourced IT service providers are also governed by contracts that include continuity and security clauses and by a governance arrangement designed for this purpose.

IT audits are carried out by external consultants or internally by the internal audit team.

In the event of any damage, an insurance policy covers damage to hardware, business interruption and data recovery or reconstitution costs. Cyber risk insurance is also taken out.

3.6.2.2 MANAGEMENT OF TALENT, SKILLS AND WELL-BEING AT WORK

In general, Legrand's key employees are long-standing employees of the Group. They have built up excellent knowledge of Legrand and its activities and of the entire sector in general. The loss of any one of these key employees could lead to a loss of know-how or product or market expertise, and could result in Legrand's competitors being able to obtain sensitive information. The loss of key employees could also adversely affect the Group's ability to retain its most important distributors, continue the development of its products or implement its strategy.

The Group's internal and external development is also partly dependent on its ability to hire, train, motivate, promote and retain new talent in all regions in which it operates.

Well-being at work makes employees more engaged and therefore more effective in their activities. Employee dissatisfaction could cause them to become disengaged and therefore less effective, and in the most serious cases could lead to strikes or resignations.

Legrand has a Human Resources policy to attract, retain and develop the expertise, talents and skills it requires to conduct its business worldwide. The human resources function is present in all countries, either at the local or regional level.

In particular, Legrand has rolled out programs to motivate and retain its key staff, and skills and talent management is one of the priorities of the Group's CSR roadmap.

The main mechanisms are training, annual performance reviews (the CAPP – Competency Appraisal Performance & Perspective – process), the talent management process (identification, succession plan, mobility committees) and manager retention arrangements.

Moreover, the Group has introduced several major initiatives since 2017, including a highly selective corporate training program, a mobility platform to encourage international transfers, and strong local development policies (Mexico, USA) to strengthen the employer brand and retain key talents.

To anticipate and manage potential risks, the Group has introduced monthly reports which allow it to prepare consolidated quantitative and qualitative data with a broad scope (almost 90% of the workforce). This reporting covers labor risks and the related trend analysis, along with the employee retention rate. The employee-related indicators summarized in section 4.7.2 of this registration document are consolidated in an annual report on human resources data.

In 2017, Legrand carried out its first engagement survey covering all of its employees. Overall, 78% of employees took part in the survey. It gave all employees the opportunity to comment on matters such as how proud they are to belong to the company, their working conditions and their confidence in management. In 2018, the Group worked on devising action plans based on that survey, in order to improve employee satisfaction.

Notification systems are also in place to alert the Group rapidly if key talent leaves.

Internal communication, too, is important in motivating staff and creating a sense of belonging, by providing regular information on the Group's strategy and objectives. A range of media are used, all conveying the Group's core values embodied in the Charter of Fundamental Principles:

- onboarding seminars ("Welcome Days" for new hires) to share the Group's vision, strategy, culture and values;
- information resources, such as the Group Dialeg intranet and local Dialeg intranets, and the online magazine.

3.6.2.3 INTELLECTUAL PROPERTY

The Group's future success depends in part on developing and protecting its intellectual property rights, particularly the Legrand and Bticino brands. Legrand could also incur significant expenses in monitoring, protecting and enforcing its rights. If Legrand failed to adequately protect or enforce its intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business, results and financial position.

Furthermore, in spite of precautions taken, Legrand cannot fully guarantee that its activities will not infringe the rights of third parties. If this were to happen, Legrand could be subject to claims for damages and might be prevented from using the disputed intellectual property rights.

To minimize this risk, Legrand pays particular attention to managing its intellectual property, and relies on a dedicated team in its Innovation and Systems Department. This team is in charge of monitoring patents, designs, trademarks and domain names, and for tackling counterfeiting. It also takes joint action with other major market players within professional organizations such as Gimélec, IGNES, and ASEC.

It draws on input from intellectual property representatives in each of the Group's SBUs in France and in key foreign subsidiaries. The primary role of these representatives is to inform the Group about the SBUs position in all strategic decisions relating to intellectual property, such as decisions to file for and extend rights and to waive title.

This approach is monitored via a standardization committee.

Finally, Legrand also uses external consulting firms to assist it in drafting its patents or to deal with certain matters in defense of its rights, working in close collaboration with the Group's Legal Department and external counsel.

A net total of €1,912.8 million in trademarks and patents was recognized in assets at December 31, 2018, compared with €1,892 million at December 31, 2017.

The Group's strategy for tackling counterfeiting is described in section 4.2.1.2 of the chapter concerning the CSR roadmap in this document.

3.6.2.4 COST AND AVAILABILITY OF RESOURCES, RAW MATERIALS AND COMPONENTS

Certain materials and components used in making the Group's products may sometimes be in short supply. This is the case for certain metals, plastics and electronic components, for example. For the purchases concerned, Legrand could see prices or supply times increase, or may be unable to source supplies at all.

In that situation, a specific procedure was adopted in May 2018 to manage the risk of shortages at the Group level. Each country must identify its specific risks and action plans are coordinated with central teams.

For example, action plans involve adopting an excess inventory or substitution strategy, or working on estimated supply times and forecasts.

3.6.2.5 FAILURE IN LAUNCHING A NEW PRODUCT

Legrand is a manufacturer that regularly carries out major project launches, which require heavy investment in terms of time and resources. These large-scale projects could end in failure, due to production problems, late arrival in the market or a lack of commercial success. Such failures could result in a loss of sales, asset write-downs and loss of market share.

To prevent those risks, the following arrangements are in place:

- a "Creation of the Product Offering" process is defined, comprising key stages (validation "milestones") allowing the Group to detect project anomalies or drift. Each Strategic Business Unit (SBU) carries out a monthly review of its project portfolio as part of this process;
- Monthly Marketing Meetings (MMMs) are attended by sales teams, SBUs and Management. Product projects are validated and monitored in these MMMs. Monitoring indicators and project risk analyses are shared in those meetings as regards significant projects.

3.6.2.6 SUPPLIER DEFAULT OR POOR PRACTICE

The Group's suppliers and subcontractors are a vital link the value chain and, as such, represent a significant risk factor.

- The financial or operational failure of one or more suppliers, without an alternative solution, could pose a major risk to business continuity.
- Moreover, the Group's reputation could also be tarnished through a supplier's poor practice in terms of respect for the environment, business ethics, compliance with labor laws or with human rights and fundamental freedoms.

As regards the risk of failure, the geographic spread of supplies (by origin: France 13%, Italy 13.2%, Rest of Europe 13.3%, North and Central America 26.5%, Rest of the World 33.9%) is not seen as a major factor in terms of the Group's country or geopolitical risks.

An analysis of purchases shows that the risk of dependence on suppliers is limited; indeed, purchases from Legrand's ten largest suppliers accounted for about 6.2% of the total value of purchases in 2018 (virtually unchanged from 2017). The largest supplier represents 1.3% of total purchases.

The Purchasing Department has introduced a systematic policy for supplier certification and approval that covers operational risk and CSR (corporate social responsibility) risk.

In addition, to ensure that risks are regularly reassessed, an annual supplier risk analysis is carried out covering risks such as those relating to interdependence, suppliers' financial strength and CSR-related criteria. Suppliers presenting significant risks for the Group are identified and are the subject of dedicated action plans (more stringent contracts, back-up inventories, alternative suppliers, CSR improvement plan, etc.).

To protect against any poor practice among suppliers in view of the Group's CSR commitments, the Group Purchasing Department has established a responsible purchasing policy that is detailed in section 4.3.2 "Ensuring responsible purchasing" of this registration document.

3.6.2.7 UNAVAILABILITY OF A PRODUCTION, STORAGE OR LOGISTICS SITE

Natural events or other events (such as strikes, fires, health risks, geopolitical events, machinery failures, natural catastrophes etc.) could disrupt or interrupt a site's activity.

The likelihood that such events will occur is increased by the large number of Group sites, but the overall impact on the Group is reduced by the number and geographic spread of industrial sites in all operational activities.

In addition, regular analyses of risks and vulnerabilities shown by the Group's sites are carried out jointly with the Group's insurer. These analyses cover technical risks (fire, machinery breakdowns, gas leaks, etc.). They allow the Group to assess the potential damage to property and related business interruption.

Based on these analyses, local management, in coordination with Group Operations oversee, investments in the prevention, protection, modernization and maintenance of industrial and logistical facilities.

Main action plans are followed during the Country Operation Performance Reviews, and prevention good practices are integrated in the Legrand Way.

As part of its prevention policy, Legrand conducts joint audits with experts from the Group's insurance company to evaluate the level of fire protection and take any action deemed necessary. In 2018, 50 such visits were made to the Group's facilities.

Finally, Legrand has taken out a global insurance policy to cover direct accidental damage to property and the potential business interruption resulting from such accidents.

3.6.2.8 RISKS RELATED TO CLIMATE CHANGE

Climate change is creating new risks for companies: damage to physical installations, business interruption, financial risks (linked to the rise in insurance costs, for example) and the impact on populations and therefore on company employees.

Faced with these new risk factors, in 2018 the Legrand Group mapped the vulnerability of its sites in terms of the physical consequences of extreme weather events that could affect business continuity (such as flooding, snowfall and storms). The methodology used is based on site scores developed by the Group's insurers for exposure to natural catastrophe risks. They allow the Group to assess the potential damage to property and related business interruption.

The same analyses are also carried out upstream on new building construction projects.

Risk mapping has been carried out for the 124 major sites (of a total of 153 sites) visited regularly by insurers. It should be noted that the sites excluded from the study are mainly unoccupied or dormant sites, minor sites deemed non-critical for the Group or sites acquired during the year or currently being integrated.

Regarding the risk of flooding, 82% of the sites visited present no risk or have a risk level deemed non-material. A total of 18%, or 22 sites, present a risk level lower than or equal to 1% (i.e. there is less than a 1% chance that this type of event will occur in any given year). These sites are mainly in France, Italy, India and the United Kingdom.

Regarding the risk of storms (including extreme snowfall) and high winds (215-292 km/h), 5% or six sites could potentially be affected by such phenomena. The sites concerned are mostly located in China, the United States and India. The Group's other sites are not exposed to this type of risk.

To limit the impact of this kind of weather phenomenon, organizational measures (evacuation and protection of people and property) and technical resources (flood barriers, measures to secure roofs, repairs to water evacuation systems etc.) have been put in place.

These analyses supplement the Group's site mapping in terms of water stress, which indicates that approximately 80% of the Group's water consumption takes place at industrial sites located in areas with low or moderate water use (for more information on this topic, please refer to section 4.5.1.2 "Controlling water consumption" in this registration document).

Analyses will become progressively more detailed and will be regularly updated. This will enable the Group to target its exposed sites, paving the way for action plans to mitigate the long-term consequences of climate change.

Climate change could also have an indirect impact on the profitability of the Group's product offerings if a carbon emissions tax is introduced. Legrand has anticipated this risk by increasingly including the carbon dioxide price per ton into its operational considerations, notably investment decision processes since early 2016.

Finally, there is a reputational risk relating to a loss of trust amongst stakeholders, and in particular investors and customers, if there were no commitment to reducing the Group's energy footprint or if the Group failed to meet its commitments. Legrand has joined two international initiatives against global warming: the Science Based Targets initiative, which calls on companies to commit to CO_2 emission reduction targets; and the Global Alliance for Energy Productivity, an international alliance that seeks to improve energy efficiency.

For more details concerning the impact of the Group activities on greenhouse gas emissions, readers are also invited to refer to section 4.5.1 of this registration document.

3.6.3 – Reputational and compliance risks

3.6.3.1 PRODUCT QUALITY AND SAFETY

See section 4.2.1.2 “Ensuring the safety of users of electrical equipment”.

3.6.3.2 BUSINESS ETHICS

See section 4.3.1 “Acting ethically”.

3.6.3.3 BRAND AND REPUTATIONAL DAMAGE

New technologies and growing communication via social media are increasing the risks to the Legrand Group’s image. They are leading to a much higher risk of the Group being exposed to criticism, fake news and negative messages, and they are speeding up the spread of such messages.

This could damage the Group’s image among its stakeholders (employees, shareholders, customers, suppliers, etc.).

To prevent this risk, a charter on individual use of social networks has been written for employees. In addition, monitoring, detection and reaction systems are in place:

- The Group’s digital footprint is monitored by a Digital Dashboard, which logs websites and pages related to the Group’s activities.
- Dedicated teams are in place within the Strategy Department, in charge of overseeing and monitoring activity on social media.
- Response procedures are in place for addressing identified risks.

3.6.3.4 PERSONAL DATA PROTECTION

The Internet of Things (IoT) is leading to an increase in the volume of personal data to be processed. Such data could be used for fraudulent purposes or misappropriated, infringing users’ privacy and security.

Given that there is a close link between utility, security and respect for users’ privacy, any leak, theft or loss of data could have a major impact on user confidence in Legrand’s products, and thus on the Group’s sales.

The Group could also be sued for damages.

Finally, with the entry into force of the EU General Data Protection Regulation (GDPR) in May 2018, the Group’s obligations regarding data processing and protection will increase, and it could be fined for failing to meet those obligations.

Legrand undertakes to respect the privacy of its customers, partners, managers and employees, to protect their personal data, and to process that data in accordance with the applicable rules and laws.

To meet this commitment and fulfill its regulatory obligations, the Group has established a program involving specific governance, a dedicated team (a Data Privacy Officer and a network of Data Privacy Representatives in the Group’s countries) and several working groups.

Legrand applies “Privacy by Design” principle, based on the ISO 27001 standard, when developing connected objects as part of the Eliot program.

Security audits and regular intrusion tests are carried out by Legrand or by leading cybersecurity companies. These are conducted by simulating hacking throughout the process from development to marketing.

Legrand also implements PIAs (Privacy Impact Assessments) across all its connected products, to measure and minimize the impact of personal data processing on users’ privacy.

Finally, Legrand takes particular care in handling its employees’ data, and in 2016 introduced internal company rules for transfers of data outside Europe.

3.6.3.5 EMPLOYMENT PRACTICES

With commercial and industrial sites in nearly 90 countries, more than 38,000 employees worldwide and countless subcontractors and suppliers, Legrand could face situations in which the Group’s guidelines on working conditions and respect for human rights are not complied with, for employees of the Group and/or its subcontractors.

In addition to the ethical concerns this raises, regulations are also changing, for example with French act no. 2017-399 of March 27, 2017 on the duty of care of parent companies and principal contractors. This law makes it compulsory to have a duty of care plan to identify risks and prevent violations of human rights and fundamental freedoms, or threats to health and safety and the environment. Failure to comply with this obligation could lead to penalties on the Company and corporate civil liability may be incurred.

Moreover, apart from the financial and legal risks, non-compliance with these principles could have a major impact on the Group’s image with its stakeholders.

The Group has already taken steps to prevent and limit these risks, since “Respecting human rights” and “Guaranteeing occupational health and safety” are two of the issues covered by the 2014-2018 CSR roadmap (see sections 4.4.1 and 4.4.2, respectively).

The Group’s response as regards the duty of care plan is described in section 4.6 “Duty of care”.

Detailed information on the systems and governance in place can also be found in these sections.

3.6.3.6 ENVIRONMENTAL IMPACT

The main industrial processes that take place on Legrand's sites focus on the molding of plastic components, the production of metal parts and the assembly of plastic, metal and electronic components, as well as painting or surface treatment on a less frequent basis. These activities may have an impact on the environment, even if this impact is, by nature, limited. Accordingly, some of Legrand's sites are, like those of similar companies, subject to obtaining permits and authorizations and to extensive and increasingly stringent environmental regulations regarding matters such as emissions into the atmosphere and water, use of substances, energy and water consumption, waste processing methods and remedial measures to deal with any potential environmental contamination.

If Legrand failed to comply with the relevant regulations, the authorities could suspend Legrand's operations and/or may not renew the permits or authorizations it requires to conduct its business.

Moreover, Legrand may be required to pay potentially significant fines or damages as a result of past, present or future violations of environmental regulations, even if these violations occurred before Legrand acquired the relevant companies or business lines. The courts and regulatory authorities, or third parties, could also oblige or seek to oblige Legrand to undertake investigations and/or implement remedial measures concerning current or historic contamination of operational or former facilities or to install off-site waste treatment facilities. Any of these actions could harm the Group's reputation and adversely affect its business, results and financial position.

Legrand has designed and developed an environmental risk prevention and measurement policy. This policy includes regulatory monitoring supported by a network of environmental correspondents appointed at each Group industrial site, who liaise with their equivalent departments in the SBUs and with Group's headquarters.

Concerning the Group's operational activities, Legrand has rolled out a policy to identify environmental risks ("Material Environmental Aspects") to support its sites' ISO 14001 certification efforts. At the end of 2018, 90% of the Group's industrial and logistics sites that had been integrated into the Group for more than five years were ISO 14001-certified.

Warning systems are in place to quickly inform the Group about actual or suspected pollution.

Provisions for environmental risks are set aside when environmental assessments are available or remedial works are probable and their cost can be reasonably estimated. These provisions amounted to €7.4 million at December 31, 2018. Taken individually, none of those provisions were material.

To limit the environmental risks related to products, the Group has committed to complying with the restrictions on the substances identified in the RoHS Directive for all of its products sold worldwide, over and above the regulatory requirements of the RoHS Directive and the REACH regulation in Europe. Naturally, Legrand products comply with environmental regulations regarding energy efficiency, for example.

3.6.4 – Financial risks

Counterparty, liquidity, currency and interest-rate risk and the corresponding financial instruments are also described in note 5.1.2 on the management of financial risk, found in Chapter 8.

3.6.4.1 FAILURE TO ACHIEVE EXPECTED FINANCIAL PERFORMANCE

If one or more risks, including those described in this chapter, were to materialize, Legrand could be unable to achieve the targets it has set, either annually or in the medium term, or to meet market expectations in terms of financial performance. This could result in a substantial decline in its share price or the value of its listed bonds.

To limit that risk and give it the means to respond as quickly as possible, Legrand monitors its performance very closely using the following tools:

- annual budgets for each Group entity, including a basic scenario, a scenario involving less favorable market conditions including detailed adjustment plans, and a scenario involving more favorable market conditions;
- detailed monthly performance analysis for each Group country and for the consolidated Group; and
- quarterly performance reviews for each of the Group's main countries;
- accountable managers whose remuneration is linked to the achievement of annual targets set out in a Financial Performance Contract.

3.6.4.2 RELIABILITY OF ACCOUNTS AND INTERNAL CONTROL WEAKNESSES

Legrand's international presence, its ongoing expansion and the diversity of its businesses result in many complex administrative, financial and operational processes. Its entities have varying levels of maturity in terms of internal control, operate in a variety of legal environments, and use different information systems.

In this context, a flaw in the internal control system could make internal or external fraud (theft, embezzlement, etc.) possible and/or result in the recording of inaccurate and/or inappropriate transactions or operations. Weakness in internal controls could also mean that corruption is not detected or prevented. More generally, the Group's performance may be limited by inefficient processes.

In a bid to prevent a major failure in internal control, Legrand has defined a corpus of mandatory charters, rules, procedures and key controls that apply to all its subsidiaries. These rules and procedures are regularly updated to keep pace with changes in Legrand's business, organization, processes and tools.

The Company's fundamental principles also include an ethics component, the requirements of which are impressed on all members of staff.

The correct operation of the internal control system is assessed each year using a self-assessment process (see section 3.2.1 of this registration document), as well as through regular reviews and audits.

Legrand makes every effort to include automated controls and audit tools in IT systems to optimize internal control within processes. The correct use of these tools is checked regularly by general or specialist internal auditors.

Legrand has implemented a systematic procedure for reporting fraud to the Internal Control Department so that the necessary remedial action can be taken. In the event of fraud, a detailed form specifying the circumstances and amounts at stake must be forwarded to the Group's internal control management, which is in charge of validating the proposed action plans. All instances of fraud are reported to the Audit Committee.

3.6.4.3 FOREIGN CURRENCY RISKS

The Group operates internationally and is therefore exposed to currency risk arising from the use of several currencies. The Group therefore has certain assets, liabilities, revenues and costs denominated in currencies other than the euro. Those other currencies include the US dollar, Indian rupee, Chinese yuan, Brazilian real, Russian ruble, Australian dollar, British pound, Mexican peso, Turkish lira and Polish zloty. The preparation of the Group's consolidated financial statements, which are denominated in euros, requires the conversion of these assets, liabilities, revenues and costs into euros at the applicable exchange rate. Consequently, fluctuations in the euro's exchange rate against these other currencies could affect the amount of these items in the Group's consolidated financial statements, even if their value remains unchanged in their original currency. These translations have resulted in the past, and could result in the future, in material changes in the Group's results, the value of the assets and liabilities on its balance sheet and its cash flows, from one period to another.

Moreover, to the extent that the Group may incur expenses that are not denominated in the same currency as that in which the corresponding sales are made, exchange-rate fluctuations could cause the Group's expenses to increase as a percentage of sales, thus affecting its profitability and cash flows. However, where possible and when justified economically, the Group seeks to balance its revenues and costs in each currency, which gives a certain degree of protection.

With regard to the balance sheet, natural hedges are preferred, for example by seeking a balance, when justified, between the proportion of net debt or debt servicing costs in a given currency, and operating income or cash generation in the same currency.

Only sufficiently large intragroup balance-sheet positions are hedged.

Details regarding exchange-rate risk are discussed in note 5.1.2.2 to the consolidated financial statements in Chapter 8 of this registration document.

3.6.4.4 COUNTRY RISK

Legrand operates in almost 90 countries. Changes in the local or wider political, social or economic climate, and in the sectors and countries where the Group operates, could affect the Group's business activity or resources.

Country risk could affect the Group in several ways, causing a significant fall in business levels in a given country, making it impossible to repatriate business revenue and, in the most serious cases of political, social or economic crisis, creating risks for employees and the Group's physical assets.

Firstly, Legrand's operations are spread across the world's major markets, which limits the impact of any economic downturn in specific geographic regions. The overall balanced distribution of business between the commercial, residential and industrial construction sectors, and between new construction and renovation, limits these risks.

In order to adapt to these risks as swiftly as possible, the Group continuously monitors changes in the overall situation of the regions concerned. Each month, it performs an in-depth review of the sales and profitability of all its businesses, in consultation with local managers, so that it can react immediately if a risk occurs.

Finally, the Group's assets are covered by a variety of insurance arrangements, including credit, property/casualty and business interruption insurance. Medical assistance and security arrangements also ensure a rapid response to protect and assist Group employees.

3.6.4.5 TAX RISK

Because of the complexity of the various tax systems around the world, the Group is exposed to:

- the risk of changes in tax regulations or their interpretation. The increase in existing taxes, the introduction of new taxes or the double taxation, particularly regarding corporate income tax, along with dividend repatriation costs, could adversely affect the Group's results;
- the risk that the Group's positions could be challenged during tax inspections, which may take place anywhere the Group operates. Such challenges may give rise to financial costs that are potentially significant and, in some countries, criminal penalties that would damage the Group's image and reputation.

The Group Tax Department reports to the Group Finance Department and has experienced financial officers in the various countries. Those officers are in charge of their subsidiaries' tax policy and work under the Group Compliance program. The Group Tax Department also relies, for the countries most exposed to tax risks, on highly qualified tax experts, particularly in the United States, Brazil and India.

The Group Tax Department carries out permanent monitoring of the most significant regulatory developments. It ensures that the Group complies with the applicable rules and laws in the main countries, particularly regarding transfer pricing, and checks overall compliance with the Group policy defined in accordance with OECD rules.

The Tax Department has also set up country-by-country reporting in accordance with international recommendations. This enables it to detect any discrepancies in tax expense or in the distribution of earnings.

The Group Tax Department and local professionals are committed to refraining from using aggressive tax strategies disconnected from operational reality or artificial tax arrangements. If necessary, operational teams use the services of tax firms that are internationally renowned or have a very strong local reputation.

Each month, the Group tax department checks the overall tax expense borne by Legrand and all Group subsidiaries.

Quarterly discussions take place between the Group Tax Department and finance officers in the Group's main countries to review the main tax subjects. Material tax items and any disputes and regulatory developments relating to tax are examined every quarter with the Finance Department and every year with General Management. The main matters are also shared with the Audit Committee at each quarterly publication.

3.6.4.6 CUSTOMER CREDIT RISKS

Credit risk is the risk linked to Legrand's outstanding trade receivables.

As stated in notes 2.1 and 5.1.2.4 of Chapter 8, a significant portion of Legrand's income is from sales to its two electrical equipment distributors, which represent almost 18% of consolidated net sales. The Group estimates that no other distributor accounts for more than 5% of consolidated net sales.

Therefore, Legrand may have significant amounts receivable from its distributor clients, exposing it to the risk of customer insolvency or bankruptcy. Trade receivables stood at €666.4 million at end-December 2018. Note 3.5 to the consolidated financial statements gives detailed information about this.

Furthermore, Legrand's global presence means that the Group operates in regions where credit risk is higher than in the Group's historical markets.

Consequently, Legrand imposes strict monitoring of its trade accounts receivable. Credit limits are set for each customer, debt collection is closely monitored, with systematic reminders when payment deadlines are missed, and the balance of outstanding trade receivables is monitored carefully at each of Legrand's product distribution subsidiaries. The Group's Finance Department reviews specific indicators monthly using reporting and analysis tools. These indicators are part of the elements considered to be key in assessing the commercial performance of Legrand's subsidiaries and the individual performance of their respective management teams.

When the situation warrants, the Group makes use of credit risk insurance (provided by a global insurance company) or factoring.

3.6.4.7 FINANCING AND LIQUIDITY RISK

The banking and financial indebtedness of the Group is described in section 5.5.2 of the management report, as well as in note 4.6 to the consolidated financial statements in chapter 8 of this registration document.

The Group considers that managing liquidity risk depends primarily on having access to sources of financing that are diversified in terms of their origins and maturities. This approach represents the basis of the Group's financing policy. Although the Group has, in the past, demonstrated its capacity to generate significant levels of free cash flow enabling it to finance its growth, its ability to comply with the covenants contained in some loan agreements, and to refinance or repay its borrowings in the manner provided for therein, will depend on its future operating performance and could be affected by other factors (economic environment, conditions in the debt market, compliance with legislation, regulatory changes, etc.).

However, Legrand could be obliged to devote a significant part of its cash flow to the payment of principal and interest on its debt, and this could consequently reduce the funds available to finance its day-to-day operations, investments, acquisitions or dividend payments.

However, the Group has a structurally high level of free cash flow, amounting to €746.3 million in 2018.

Aside from its financial and banking performance, banks or equity investors could decide not to finance Legrand if the Group failed to demonstrate its commitments and performance concerning social and environmental issues, for example concerning the greenhouse gas reduction plan. The Group has defined a CSR strategy and set out its commitments in a CSR roadmap. Annual progress with respect to this roadmap is presented in the registration document.

The Group has an investment grade credit rating from Standard & Poor's (A- with negative outlook at the time this registration document was filed), a testament to the strength of the Group's business model and its balance sheet.

The debt repayment schedule and the Group's financial headroom (immediately available financing) is regularly monitored, with refinancing spread out over time and debt repaid early in volatile market conditions.

Net debt (€2,296 million as of December 31, 2018) consists mostly of long-term financing facilities. The average maturity of gross debt is more than six years.

At December 31, 2018, there were no drawings on available credit facilities (€900 million). There are no covenants associated with those facilities.

At December 31, 2018, cash and cash equivalents stood at €1,022.5 million.

3.6.4.8 VALUE OF BRANDS AND GOODWILL

As at December 31, 2018, the Group's intangible assets mainly included brands with an indefinite useful life (€1,820 million) and goodwill in its various geographic regions (€4,322 million).

These assets may pose an impairment risk due to internal or external factors, which could have a material impact on Legrand's financial situation and results.

An annual review of the value of these intangible assets is carried out and verified by the Statutory Auditors.

- As regards goodwill, the calculation assumptions used in impairment tests take into account both known and anticipated trends in sales and results for each cash generating unit (CGU) at the calculation date. Discount rates can vary from one year to another depending on market conditions (risk premiums, interest rates, etc.).
- As regards brands, impairment tests are carried out on the Group's three brands with an indefinite useful life (Legrand, Bticino and Cablofil) to compare their value in use against their carrying amount.

As in previous years, Legrand recorded no impairment losses for goodwill or brands in 2018. The criteria for goodwill impairment tests are described in note 3.2 to the consolidated financial statements in chapter 8 of this registration document, which also contains a sensitivity analysis of the main criteria.

Furthermore, the Statutory Auditors, in their report on the consolidated financial statements for the year ended December 31, 2018 deal, with this subject through the Key Audit Matters (KAM).

3.7 – INSURANCE POLICIES AND RISK COVERAGE

Legrand has taken out global insurance policies to cover its assets and income from identifiable and insurable risks. Working closely with brokers, it seeks the insurance market's most appropriate solutions that offer the best value for money in terms of coverage.

The major risks incurred by the Group across all its operating activities are covered by a risk and insurance management policy centralized at headquarters.

Insurance programs are arranged with highly reputed and financially sound international insurance companies without recourse to a captive reinsurance structure. These policies provide global coverage for the Group and take into account the specific risks and activities related to the Group's operations, including property damage and the resulting business interruption, and product liability.

Legrand intends to continue its practice of maintaining global insurance programs where practicable, increasing coverage where necessary and reducing insurance costs through prevention and risk protection methods and through self-insurance (using appropriate deductibles).

Legrand believes that the coverage offered by these insurance programs is adequate in scope, amounts insured and coverage limits. The Group regularly reviews its insurance coverage with the help of its brokers. The Group's insurance and risk management policy and related prevention programs are periodically presented to the Risk Committee by the Legal Department (and to the Audit Committee as part of its annual review of the Group's main risks).

3.7.1 – Civil liability

The global, integrated civil liability program covers possible claims arising from the Group's liability for physical injury, property damage and consequential loss arising during production or after product delivery, as well as damage arising from accidental pollution. More specifically, it covers the costs of product removal/reinstallation, withdrawals or recalls.

3.7.2 – Property damage and business interruption insurance

Subject to the usual excesses, exclusions and limits, the Group's property/casualty and business interruption insurance program covers direct damage to property arising from any unexpected and accidental event (such as fire, storm, explosion, electrical damage, water damage, etc.) affecting the insured property, as well as the resulting business interruption.

In addition to this insurance program, and as mentioned in section 3.6.2.7 of this registration document, Legrand has an active industrial and logistics risk prevention policy, and intends to continue risk awareness and prevention campaigns in its operating entities.

3.7.3 – Other cross-functional risks insured

The Group's other main insurance programs cover the following risks: D&O (Directors' and Officers') liability, employer liability, credit insurance, and attacks on its IT systems and data.

4 CORPORATE SOCIAL RESPONSIBILITY AND DECLARATION OF EXTRA-FINANCIAL PERFORMANCE

4.1 –	THE GROUP'S CSR STRATEGY	76
4.1.1 –	Integration with the business model	76
4.1.2 –	Analysis of priority risks and issues in terms of social responsibility	77
4.1.3 –	CSR roadmaps	80
4.1.4 –	CSR standards applied	82
4.1.5 –	CSR governance and performance management	83
4.1.6 –	Recognized CSR performance	84
4.1.7 –	2014-2018 roadmap and overall performance	85
4.2 –	OFFERING USERS SUSTAINABLE SOLUTIONS	87
4.2.1 –	Issue no. 1: Providing sustainable solutions	87
4.2.2 –	Issue no. 2: Playing a driving role in the electrical sector	94
4.3 –	ACTING ETHICALLY TOWARDS SOCIETY	99
4.3.1 –	Issue no. 3: Acting ethically	99
4.3.2 –	Issue no. 4: Ensuring responsible purchasing	104
4.3.3 –	Issue no. 5: Enabling access to electricity for all	108
4.4 –	BEING COMMITTED TO OUR EMPLOYEES	112
4.4.1 –	Issue 6: Respecting human rights	112
4.4.2 –	Issue no. 7: Guaranteeing health and safety at work	114
4.4.3 –	Issue no. 8: Developing skills and promoting diversity	118
4.5 –	LIMITING OUR ENVIRONMENTAL IMPACT	125
4.5.1 –	Issue no. 9: Reducing the Group's environmental footprint	126
4.5.2 –	Issue no. 10: Innovating for a circular economy	131
4.6 –	DUTY OF CARE	136
4.6.1 –	Governance	136
4.6.2 –	Overview of the duty of care plan	137
4.6.3 –	Duty of care plan concerning suppliers' activities	138
4.6.4 –	Whistleblowing system	138
4.6.5 –	Duty of care plan concerning the Group's activities	138
4.6.6 –	Report on the duty of care plan: monitoring of measures and effectiveness	140
4.6.7 –	Future development of the duty of care plan	141
4.7 –	OVERVIEW OF INDICATORS AND ADDITIONAL INFORMATION	142
4.7.1 –	Reporting procedures	142
4.7.2 –	Overview of social indicators	143
4.7.3 –	Overview of environmental indicators	149
4.7.4 –	GRI cross-reference table	151
4.7.5 –	Global Compact cross-reference table	151
4.7.6 –	Materiality for the Group of the core issues of ISO 26000	152
4.8 –	STATUTORY AUDITORS' REPORT	153
	Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non financial statement published in the Group management report	153
	Appendix 1	156
	Appendix 2	156

4.1 – THE GROUP'S CSR STRATEGY

In addition to reading this Chapter 4, please refer to the latest information, data and examples published on the www.legrand.com website.

Corporate social responsibility is an integral part of Legrand's overall strategy and integrated performance.

The Group's aim is to **enable everyone to be connected to electricity and new technologies in a sustainable way**, ensuring progress for all stakeholders in Legrand's activities.

The CSR strategy involves all Group entities and subsidiaries, which are committed to implementing it worldwide.

Legrand's CSR strategy and its 2014-2018 roadmap are based on the following guiding principles:

- the achievements of previous roadmaps, to maintain Legrand's longstanding commitments while taking into account new subjects emerging from developments in the Group's businesses and the economic, workforce-related, social and environmental context in which they operate;
- dialogue with internal and external stakeholders and risk management processes at the highest level of the Group, to define materiality issues and priority risks;
- compliance with regulatory and legislative requirements and standards concerning CSR ("hard law" and "soft law").

This approach helps Legrand, a responsible player with regard to its economic, social and environmental ecosystem, to commit over the medium and long term.

4.1.1 – Integration with the business model

The Group's CSR strategy is fully integrated with the business model (presented in section 1 of the integrated report included in this registration document) and supports its sustainable, profitable growth model.

Human, intellectual, social, environmental and industrial capital are both inputs into the Group's business model and outputs from our value creation model. These types of capital are positively affected by Legrand's CSR strategy, through its four CSR focal areas:

- offering users sustainable solutions;
- acting ethically towards society;
- being committed to our employees;
- limiting our environmental impact.

The workforce-related, social and environmental risks and issues specific to our business model are analyzed below.

4.1.2 – Analysis of priority risks and issues in terms of social responsibility

The main issues and risks in workforce-related, social and environmental terms for stakeholders and for the Group are identified and ranked in terms of importance through two complementary approaches:

- in 2017, the Group prepared a materiality matrix, identifying the stakeholder expectations that have a material impact on the development of the Group's activities over a medium-term timeframe of five years;
- in 2018, the Group carried out a risk-mapping exercise to identify and rank in terms of importance the main risks that affect the Group directly (strategic, operational or financial risks) or indirectly (reputational risks), also with a medium-term timeframe of five years.

Analyses of these risks and issues are updated every two or three years, and reviewed annually to check that they remain relevant.

Risk and issue analyses are shared with the Executive Committee in various governance body meetings, in the presence of the Chief Executive Officer. For example:

- the risk map is presented by the Group Risk Manager to the Risk Committee;
- the materiality analysis is presented by the Vice-President of Corporate Social Responsibility to the CSR Steering Committee.

The Group's Social Responsibility Department brings these two approaches together. It identifies the Group's main risks and issues, which are presented below.

4.1.2.1 DIALOGUE WITH STAKEHOLDERS AND MATERIALITY MATRIX

Our stakeholders

Legrand's CSR strategy is based on:

- its historic involvement with participants in the electrical sector;
- its culture of employee-management dialogue;
- its interaction with local communities;
- its willingness to listen to stakeholders' expectations so that it can respond accordingly.

Legrand identifies eight priority stakeholder groups:

1) its customers and users of its products and solutions, whether they are specifiers, installers or end customers;
2) its employees and trade unions;
3) its suppliers and subcontractors;
4) the scientific community, industry and the education sector;
5) the financial and extra-financial community (including investors, banks and rating agencies);
6) its shareholders;
7) civil society;
8) NGOs and charitable organizations.

Legrand has mapped its stakeholders in detail, identifying their expectations, the Group's responses and forms of dialogue. This map is available at *www.legrand.com*.

Methodology

An extensive materiality survey was conducted in 2017 among all the Group's stakeholders. The aim was to update and supplement the survey carried out in 2013 and thus prepare the ground for the Group's next CSR roadmap (post-2018). The methodology is based on the principles of the AA1000 AccountAbility Principles Standard which, in the absence of an internationally recognized standard, offers basic principles for stakeholder consultation.

Key issues for consultation were selected in view of the CSR practices of various institutional players (including the UN Sustainable Development Goals, OECD and Global Compact), applicable standards (including core ISO 26000 issues), and companies within its inner or outer ecosystem. This effort to determine material issues for people and the environment, across all sectors, identified 33 issues that were the subject of consultation.

This list of issues was turned into an online questionnaire for all internal and external stakeholders, available in nine languages. Nearly 3,700 responses were received from 70 countries, with a representative distribution across all stakeholders. Because the Group wanted to be completely transparent about the results of the survey, more details can be found at *www.legrand.com*.

Results

The survey was used to generate the materiality matrix shown below. It reveals the priority issues for which stakeholders have high expectations and which have a major influence on Legrand's business. The materiality issues are ranked from 1 to 3 depending on their level of priority, 1 being the highest.

4.1.2.2 THE GROUP'S RISK MAP

Methodology

The Group's risk mapping approach is described in detail in Chapter 3.3 "Risk management system".

Legrand's risks include some that relate to workforce-related, social and environmental issues. Through its risk-assessment work, the Group has identified the most critical of these CSR risks.

The notion of criticality – i.e. possible impact and probability of occurrence – is used to rank CSR issues in terms of importance, and involves looking at gross theoretical risk before any risk-management steps are taken. Risks are ranked by criticality, and then prioritized in terms of the Group's estimated level of control over them. There are four levels of criticality: 4 (minor), 3 (moderate), 2 (significant) and 1 (critical).

Results

The results of the risk-mapping exercise are presented in Chapter 3.6 "Risk factors and control mechanisms in place".

4.1.2.3 HIERARCHY OF PRIORITY RISKS AND ISSUES IN TERMS OF SOCIAL RESPONSIBILITY

Bringing together these two approaches, the main issues and risks involved in our business model are assessed as follows.

N.B.:

Materiality issues: ranked from 1 to 3 depending on their level of priority, 1 being the highest.

Criticality issues: ranked from 1 to 4 depending on their level of criticality, 1 being the highest.

These main issues and risks are managed using methods that are monitored as part of the Enterprise Risk Management process presented in Chapter 3 and/or subject to targets set out in the CSR roadmap as presented in Chapter 4.

	Materiality issue (materiality matrix)	Criticality issue (risk map)	Reference
Social risks and risks related to the *business ecosystem*			
Risk of non-compliance with data protection and privacy rules, in connection with the sale of connected objects.	1	2	Risk 3.6.3.4
Risk of corruption or non-compliance with business ethics in the conduct of our operations, particularly in connection with our presence in countries with a high corruption index score.	1	2	Issue no. 3 on the CSR roadmap
Risks related to consumer health and safety, in connection with the quality of products, particularly electrical safety products.	1	2	Issue no. 1 on the CSR roadmap
Risk of not meeting customer expectations, particularly in terms of innovation in our products and services.	1	2	Issue no. 2 on the CSR roadmap
Risk of tax evasion, in connection with our international presence.	Not assessed	3	Risk 3.6.4.5
Efforts to combat counterfeiting, in connection with sustained growth in new economies.	3	2	Issue no. 1 on the CSR roadmap
Respect for property rights, in connection with our major investments in intellectual capital.	3	2	Risk 3.6.2.3
Workforce-related risks			
Risk of non-compliance with human rights and fundamental rights at work, in connection with our manufacturing operations around the world.	1	2	Issue no. 6 on the CSR roadmap
Risks related to health, safety and quality of life at work, in connection with our employees around the world.	1	2	Issue no. 7 on the CSR roadmap
Risks related to respect for diversity, in connection with our employees around the world.	2	2	Issue no. 8 on the CSR roadmap
Risks related to the development of skills, in connection with our employees around the world.	2	2	Issue no. 8 on the CSR roadmap
Risks related to attracting and retaining talented people, in connection with our employees around the world.	Not assessed	2	Risk 3.6.2.2
Workforce-related risks related to the practices of some of our suppliers and our supply chain.	2	2	Issue no. 4 on the CSR roadmap
Risks related to ensuring welfare benefits for our employees around the world.	2	3	Issue no. 7 on the CSR roadmap
Management-employee dialogue, in connection with our employees around the world.	3	3	Issue no. 6 on the CSR roadmap
Environmental risks			
Risks related to pollution caused by our operations or those of our suppliers, in connection with our manufacturing and tertiary sites around the world.	2	3	Issues no. 4 and no. 9 on the CSR roadmap
Risks related to the impact of our activities and products on global warming, in connection with our activities around the world and the products and services we sell.	2	3	Issues no. 1 and no. 9 on the CSR roadmap
Risks related to the preservation of natural resources and biodiversity, in connection with our activities around the world and the products and services we sell.	2	3	Issues no. 1, no. 9 and no. 10 on the CSR roadmap

N.B.: *Issues relating to combating food waste and food insecurity, promoting animal welfare and promoting a responsible, fair and sustainable diet have been excluded from the scope of the analysis because they are considered to be too remote from the Group's business activities.*

4.1.3 – CSR roadmaps

Since 2007, Legrand has defined and coordinated its CSR strategy through multi-year roadmaps, built around the key issues of this strategy and their performance indicators. The first two roadmaps covered the periods 2007-2010 and 2011-2013.

4.1.3.1 2014-2018 CSR ROADMAP

In 2014, Legrand continued these efforts by publishing its third CSR roadmap for the period 2014-2018. It is based on the four strands and 10 key issues described below. It identifies 21 priorities for its various businesses and entities, to be achieved during the period 2014-2018. Each year, the global results of this roadmap are published at the same time as the annual financial results. The detailed results are published in the Group's registration document.

User

1. Providing sustainable solutions
2. Playing a driving role in the electrical sector

Society

3. Acting ethically
4. Ensuring responsible purchasing
5. Enabling access to electricity for all

Employees

6. Respecting human rights
7. Guaranteeing health and safety at work
8. Developing skills and promoting diversity

Environment

9. Reducing the Group's environmental footprint
10. Innovating for a circular economy

Please refer to section 4.1.7 of this registration document for the entire 2014-2018 roadmap, together with the progress indicators at the end of its fifth year of implementation.

4.1.3.2 2019-2021 CSR ROADMAP

The 2019-2021 CSR roadmap, to be published in April 2019, will be Legrand's fourth. It reasserts the Group's commitment to sustainability in its business activities while setting out significant advances compared with previous roadmaps:

- to make the Group more agile and responsive in this area, the 2019-2021 roadmap covers a three-year period. Quantitative targets are calculated with respect to end-2018 levels and are to be achieved by the end of 2021;
- the roadmap is partly based on a materiality survey that was carried out for the first time at the international level in 2017. The survey's methodology is explained in section 4.1.2.1;
- it will actively contribute to the Group's attainment of Sustainable Development Goals (SDGs) as defined by the United Nations in 2015.

The 2019-2021 roadmap is based around three areas of focus, which are divided into 10 key challenges for both stakeholders and the Group's business development:

Business Ecosystem

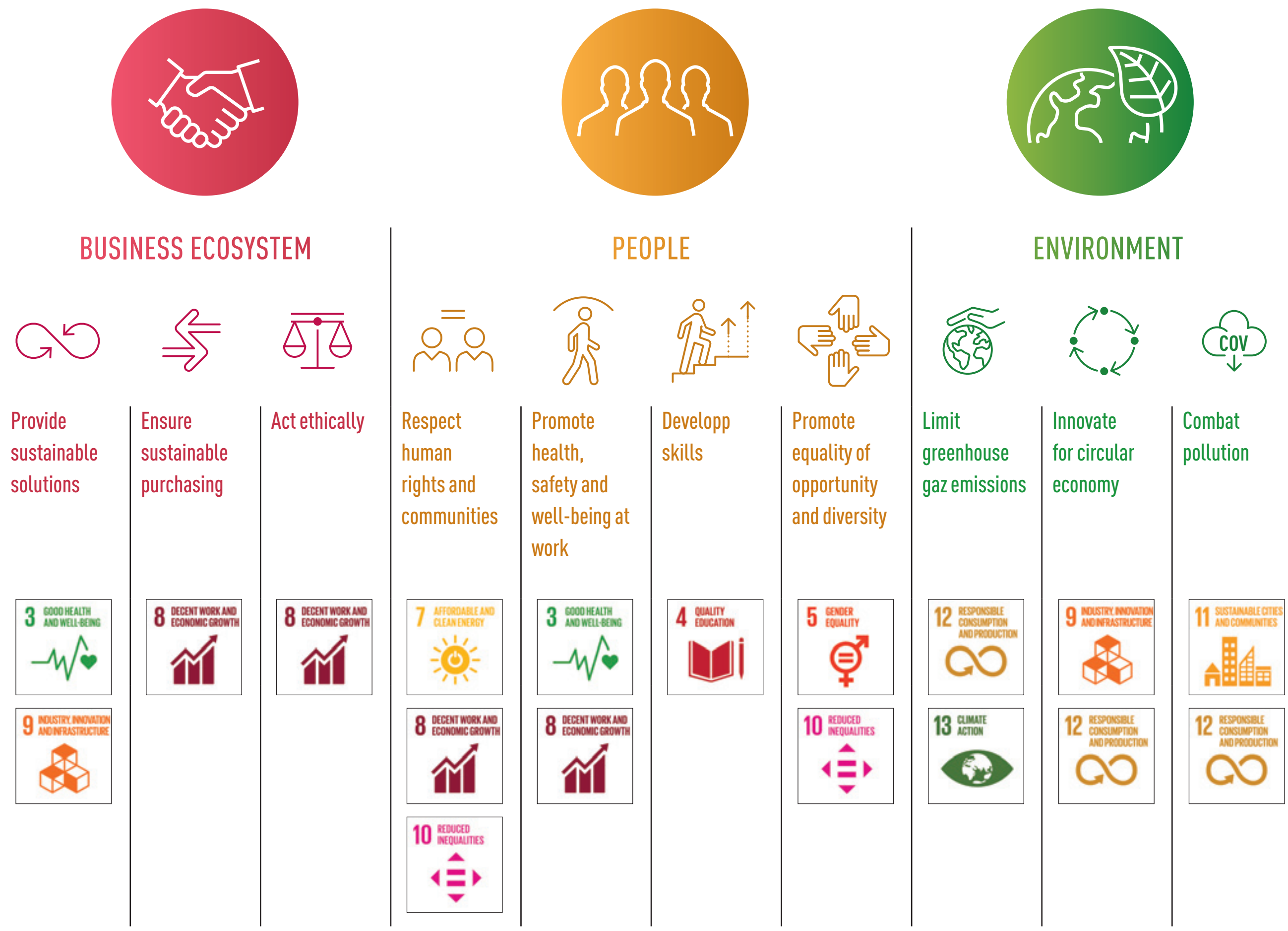
- Provide sustainable solutions (SDG3 Good health and well-being, SDG9 Industry, innovation and infrastructure)
- Ensure sustainable purchasing (SDG8 Decent work and economic growth)
- Act ethically (SDG8 Decent work and economic growth)

People

- Respect human rights and communities (SDG7 Affordable and clean energy, SDG8 Decent work and economic growth, SDG10 Reduced inequalities)
- Promote health, safety and well-being at work (SDG3 Good health and well-being, SDG8 Decent work and economic growth)
- Develop skills (SDG4 Quality education)
- Promote equal opportunities and diversity (SDG5 Gender equality, SDG10 Reduced inequalities)

Environment

- Limit greenhouse gas emissions (SDG12 Responsible consumption and production, SDG13 Climate action)
- Innovate for a circular economy (SDG9 Industry, innovation and infrastructure, SDG12 Responsible consumption and production)
- Combat pollution (SDG11 Sustainable cities and communities, SDG12 Responsible consumption and production).



4.1.3.3 2030 TARGETS ALIGNED WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS)

In addition to the targets set out in the 2019-2021 CSR roadmap, and to provide a framework for its longer-term approach, Legrand has adopted three targets to be achieved by 2030:

- **Increasing the share of sustainable income**: Legrand intends to pursue its sustainable growth model. That involves factoring ecodesign into the products we make and selling solutions that sustainably improve the comfort and living conditions of users, particularly through the Energy Efficiency and Assisted Living ranges. By 2030, Legrand wants 80% of its revenue to come from these sustainable activities;
- **Strengthen the position of women**: Legrand is keen to enhance its culture of inclusivity and wants to help all staff members pursue their development commensurate with their commitment and capabilities, without any regard to gender, and to ensure, over time, that the Group's practices are among the best in the industry. Gender equality in the workforce is a source of wealth and is therefore a priority of Legrand's workforce policy. The Group intends in particular to give women a more prominent role in its activities. The Group has set a target for 2030 of achieving equality in terms of the number of women and men employed and having at least a third of top management roles occupied by women;
- **continuing to reduce the Group's energy footprint**: By joining the Science Based Targets Initiative (backed by the WWF, the United Nations Global Compact, the World Resources Institute and the Carbon Disclosure Project), Legrand has publicly committed to targets for reducing greenhouse gas emissions. We have moved from an energy performance target to a CO_2 emissions reduction target. Legrand has committed to reducing its greenhouse gas emissions arising from its energy consumption by 30% by 2030.

4.1.4 – CSR standards applied

Legrand applies the main international standards concerning Corporate Social Responsibility. These include:

- the Universal Declaration of Human Rights;
- the Declaration of the International Labour Organization (ILO);
- the Global Reporting Initiative (GRI) and ISO 26000 guidelines, which are also used as tools to evaluate the Group's approach (see cross-reference tables in sections 4.6.5 and 4.6.8 respectively);
- the United Nations Sustainable Development Goals (2030) (see cross reference table in section 4.6.7);
- the Ten Principles of the United Nations Global Compact (see cross-reference table in section 4.6.6).

Legrand complies with its regulatory obligations regarding ESG (Environmental, Social and Governance) risks, mainly:

- French act no. 2016-1691 of December 9, 2016 on the fight against corruption;
- French act no. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies;
- French act no. 2018-493 of June 20, 2018 on personal data protection;
- obligations relating to the publication of non-financial information set out in article L. 225-102-1 of the French Commercial Code as amended by French act no. 2018-898 of October 23, 2018 (transposing European Directive 2014/95/EU). The "declaration of extra-financial performance" replaces the previous "Grenelle 2" reporting. An Independent Third-Party Organization issues a reasoned opinion on the information published.

One of the Group's Statutory Auditors, Deloitte & Associés, has been appointed for that purpose. It has produced a certificate of completeness regarding CSR information, as well as a reasoned opinion on its accuracy.

Focus: Confirmation of the Group's commitment to the Global Compact

"Legrand stands by its commitment to the ten principles of the Global Compact.

Since we joined the Global Compact in 2006, we have made consistent efforts, within our sphere of influence, to ensure progress in areas relating to human rights, working standards, protection of the environment and the fight against corruption. These principles are fully in line with the Group's Charter of Fundamental Principles and are incorporated into company policy through our CSR strategy.

This results in a model for business development founded on a set of workforce-related, social and environmental values, which we actively promote in all our subsidiaries and in relationships with our stakeholders in all parts of the world.

In the interest of transparency and continued progress, we are including in this registration document a progress report on Legrand's CSR efforts."

Benoît Coquart, Chief Executive Officer of Legrand

These external standards and regulations are adopted by the Group's entities in the form of policies, charters, guides and procedures that all employees are expected to observe, in particular:

- the **Charter of Fundamental Principles**, which lays down the rules on how to behave and conduct business, and incorporates the principles of combating corruption and respecting human rights. The text has been translated into around 10 languages and is accompanied by a practical guide;
- the **Fair Competition Charter**, which defines rules on complying with competition law;
- the **Guide to Good Business Practice**, which focuses on preventing corruption and fraud. Other matters relating to conflicts of interest, lobbying, political contributions and compliance with international trade rules (compliance with sanctions, combating money laundering and the financing of terrorist activities) are also covered;

- the **Prevention Charter**, which sets out the key principles of Legrand's health and safety policy. It defines three principles: complying with national legislation and regulations, making safety an integral part of operating policies, and harmonizing prevention strategies;
- the **Charter of Human Rights**, detailing the rules that the Group wants its own businesses and suppliers to apply;
- the **Environment Policy**, which sets out the requirements and fundamental aspects of the Group's environmental strategy;
- the **Quality Policy**, which sets out Legrand's principles regarding the quality of its products;
- the **Purchasing Policy**, which establishes the principles of sustainable, balanced and mutually beneficial supplier relations.

These documents are promoted and disseminated locally by ethics and environmental representatives, human resource managers, admin and finance managers, compliance officers, the purchasing community, quality assurance officers and health and safety teams.

They can be viewed on the *www.legrand.com* website.

The activities of the Group's subsidiaries, functional departments and SBUs (Strategic Business Units) form part of a sustainable approach involving reciprocity and dialogue with their customers, suppliers, employees and partners. This approach encourages knowledge-sharing and dialogue on CSR. For example, Legrand is involved in studies, surveys and round-tables, both within and outside the industry, which are important sources of information and opportunities to share best practice. The Group is therefore a member of the CSR committees set up within professional bodies (GIMELEC, FIEEC, etc.), the Club des Directeurs du Développement Durable (C3D), and the Institut du Capitalisme Responsable. Locally, Legrand's teams may take part in studies, working groups and committees regarding CSR topics in their countries.

4.1.5 – CSR governance and performance management

4.1.5.1 CSR GOVERNANCE

The **CSR Department** is responsible for overseeing and implementing the Group's CSR strategy. It is attached to the Strategy and Development Department, whose Executive Vice-President is a member of the Group's Executive Committee.

This central structure relies on several **specialist functional departments**: Legal and Compliance, Human Resources, Group Purchasing and the SBUs (Strategic Business Units). These functional departments coordinate networks of around 300 representatives located within the Group's subsidiaries, who work directly on the different areas comprising the Group's CSR strategy.

A **CSR Steering Committee** that brings together the whole Executive Committee, meets two or three times a year to approve and follow up on the actions of the Group CSR strategy.

Within Legrand's Board of Directors, the **Committee on Strategy and Social Responsibility**, composed of six independant directors, is in charge of ensuring that the Group's strategy remains compliant with the CSR approach. Once a year, the CSR Department presents the previous year's results to this committee, together with targets for the coming year (see section 6.1.3 of this registration document).

This arrangement gives Legrand's General Management coherent oversight over its CSR activity, from General Management to the Group entities (gradually including acquired entities).

In addition, an **Independent Third-Party Organization (Deloitte)** provides a reasoned opinion on the conformity and accuracy of the 31 indicators making up the CSR roadmap. Its statement can be found in section 4.8.

4.1.5.2 PERFORMANCE MANAGEMENT

The implementation and management of the roadmap are handled jointly by the CSR Department and by the functional departments (Human Resources, Finance, Purchasing, Occupational Health & Safety, Environment, etc.), working with the managers of the SBUs and subsidiaries.

Legrand keeps track of its CSR performance through a process involving the collection and analysis of non-financial data. This process involves:

- the departments and countries, which are directly responsible for producing the data;
- functional departments and SBUs (Strategic Business Units) that analyze these data;
- the CSR Department, tasked with consolidating the data and then comparing them against the commitments of the roadmap.

Reporting enables the various units to capitalize on best practices and share them within the Group.

This deployment is supported by various tools: procedural guidelines (definitions and reasons behind the issues and priorities, the way in which each entity contributes, the performance evaluation grid, and individual and consolidated dashboards for the Group), communication tools and best practices, available on the Group's intranet.

The progress and evaluation of the roadmap's 21 priorities are measured through 31 indicators. Most of the data used to measure these indicators are derived from the Group's reporting tools, especially those pertaining to Occupational Health & Safety, Human Resources, Environment and Marketing.

For more information on the Group's reporting tools, see section 4.7.1 of this registration document.

The 31 indicators mentioned above are deployed at two levels:

- **locally**: for each priority item, the achievements of each entity are ranked on four levels ("Insufficient", "Deployment", "Performance", "Excellence"). A CSR dashboard is produced annually for each entity, which allows them to track their performance over time, and also track their performance relative to that of the Group as a whole.

  The Group's aim was for all scopes to achieve at least Performance level the end of 2018.

  Local CSR performance is one of the criteria, with a weighting of around 10%, for measuring the individual performance of the managers of subsidiaries, regions or SBUs. At the end of 2018, the CSR performance levels of more than 60 reporting scopes (subsidiaries, regions or entities) had been assessed, representing all Group activities (apart from new acquisitions not included in the Group's reporting, as per the rules described in section 4.7.1 of this document). Of these reporting scopes:

  - 86% were at "Performance" level (rating greater than or equal to 2.5 on a scale of 1 to 4) versus 83% in 2017,
  - 14% were at "Deployment" level (rating between 2 and 2.5) versus 13% in 2017,
  - 0% were at "Insufficient" level (rating below 2) versus 4% in 2017;
- **at the consolidated Group level**: the overall CSR performance results from the consolidated results of all its entities. Measured on quantitative indicators, performance is compared against a baseline established at the end of 2013.

The variable compensation of Executive Committee members, including the Chief Executive Officer, was linked to the Group's consolidated CSR performance, with a 10% weighting.

One quarter of the performance criteria for performance shares awarded under four-year plans to members of the Executive Committee, including the Chief Executive Officer, and to key managers has been linked to the Group's consolidated CSR performance in connection with the roadmap.

The performance of certain departments within the Group is also partially assessed on the basis of CSR criteria, including, for example, the completion rate of individual appraisal reviews for some human resources functions, and the assessment rate for suppliers according to sustainable development criteria for buyers.

4.1.6 – Recognized CSR performance

To promote transparency and openness, in particular towards investors and shareholders, Legrand regularly responds to requests relating to its non-financial performance. That performance is recognized and rewarded by its inclusion in some of the world's leading CSR indexes, including at the end of 2018:

- CDP Climate Change (A- rating);
- DJSI: score of 80 in 2018;
- FTSE4Good;
- ESI Excellence Europe and Excellence Global;
- Euronext Vigeo: Eurozone 120, Europe 120;
- MSCI SRI Index: World, ACWI, Europe;
- STOXX® Global ESG Leaders, STOXX® Global ESG Environmental Leaders, STOXX® Global ESG Governance Leaders, STOXX® Global ESG Social Leaders, EURO STOXX® Sustainability Index;
- ISS Oekom Corporate Rating (Prime Status).

To allow access to the information, a special CSR analysts' room is available on our corporate website *www.legrand.com*.

4.1.7 – 2014-2018 roadmap and overall performance

In 2014, Legrand published its third CSR roadmap for the period 2014-2018. The roadmap is based on the four strands, 10 key issues and 21 priorities for its various businesses and entities to be achieved during the period 2014-2018.

Each year, the global results of this roadmap are published at the same time as the annual financial results.

The final results of the 2014-2018 roadmap show that targets were exceeded, with an achievement rate of 122%.

The detailed results are set out below.

2014-2018 roadmap: 2018 targets	2014: Target achievement rate	2015: Target achievement rate	2016: Target achievement rate	2017: Target achievement rate	2018: Target achievement rate	Ref.
Focus: User						4.2
Issue no. 1: Providing sustainable solutions						4.2.1
■ To increase by 50% Group sales of solutions that improve living conditions and comfort	57%	47%	51%	47%	47%	4.2.1.1
■ To actively continue deploying initiatives to improve product quality and tackle counterfeiting in the electrical industry	93%	94%	89%	96%	96%	4.2.1.2
■ To provide ISO 14025-compliant product environmental data for products accounting for two-thirds of Group sales	101%	101%	102%	106%	105%	4.2.1.3
■ To avoid the emission of 1.5 million metric tons of CO_2 equivalen$_t$	74%	105%	100%	110%	121%	4.2.1.4
Issue no. 2: Playing a driving role in the electrical sector						4.2.2
■ To continue providing training to industry participants through further innovation in response to local needs and conditions	122%	130%	146%	153%	159%	4.2.2.1
■ To continue developing university partnerships and collaborative research projects, and to implement the resulting innovations	83%	131%	114%	110%	113%	4.2.2.2
■ To provide feedback mechanisms and customer satisfaction measurement for 95% of Group sales	109%	112%	104%	104%	102%	4.2.2.3
Focus: Company						4.3
Issue no. 3: Acting ethically						4.3.1
■ To have an additional 3,000 employees trained in business ethics	273%	198%	152%	131%	113%	4.3.1.1
■ To cover 100% of Group sales through a compliance program monitoring system	110%	105%	107%	88%	96%	4.3.1.2
Issue no. 4: Ensuring responsible purchasing						4.3.2
■ To support 100% of higher-risk suppliers in implementing an improvement plan for environmental issues, fundamental rights in the workplace and business ethics	100%	124%	131%	116%	100%	4.3.2
Issue no. 5: Enabling access to electricity for all						4.3.3
■ To enable an additional 800,000 people to have access to electricity, whether directly or indirectly	141%	167%	153%	165%	155%	4.3.3.1
■ To ensure the widest possible access to the initiatives of the Legrand Foundation	100%	100%	100%	100%	100%	4.3.3.2

2014-2018 roadmap: 2018 targets	2014: Target achievement rate	2015: Target achievement rate	2016: Target achievement rate	2017: Target achievement rate	2018: Target achievement rate	Ref.
Focus: Employees						4.4
Issue no. 6: Respecting human rights						4.4.1
■ To map and annually assess the exposure of all Group staff to the risk of human rights violations in the workplace and to deploy measures for improvement as appropriate	100%	108%	100%	100%	100%	4.4.1
Issue no. 7: Guaranteeing health and safety at work						4.4.2
■ To extend and maintain an occupational risk management plan covering 90% of the Group's workforce	106%	100%	100%	102%	109%	4.4.2.1
■ To implement the health and safety monitoring and improvement process and maintain coverage of at least 90% of the workforce, with the objective of reducing the Group's workplace accident frequency rate by 20%	211%	235%	184%	182%	178%	4.4.2.2
Issue no. 8: Developing skills and promoting diversity						4.4.3
■ To maintain a dynamic approach to talent and skills management, in line with employee expectations and market needs	71%	90%	104%	107%	108%	4.4.3.1
■ To increase the number of women in key positions by 25%	127%	125%	113%	136%	129%	4.4.3.2
■ To reduce the gender pay gap in the Group's non-managerial positions by 15%	274%	94%	142%	184%	161%	4.4.3.3
Focus: Environment						4.5
Issue no. 9: Reducing the Group's environmental footprint						4.5.1
■ To achieve ISO 14001 certification at more than 90% of the Group's industrial and logistics sites	102%	104%	102%	102%	100%	4.5.1.1
■ To reduce energy intensity by 10%	315%	175%	247%	213%	264%	4.5.1.3
Issue no. 10: Innovating for a circular economy						4.5.2
■ To deploy circular economy principles to products, from the design phase through to their end-of-life recovery	100%	87%	118%	103%	103%	4.5.2
TOTAL ACHIEVEMENT RATE	**123%**	**120%**	**122%**	**122%**	**122%**	

4.2 – OFFERING USERS SUSTAINABLE SOLUTIONS

Legrand places the user and the user's needs at the center of its attention and its concerns. The user may be the end consumer, the electrician, or the professional installer. The Group harnesses innovation to offer sustainable solutions to everyone and drive progress in the electrical sector.

4.2.1 – Issue no. 1: Providing sustainable solutions

The solutions developed by Legrand are the answer to certain **social megatrends**. Firstly, **environmental challenges** linked to the depletion of raw materials and the impact of global warming. Secondly, **social challenges**, mainly relating to aging populations and increasing urbanization (especially in new economies).

The Group's objective is therefore to develop solutions so that everyone can use electricity sustainably.

- Legrand is helping to make the functions of electrical installations available to the largest number of people, whether these functions serve basic needs or address demand for enhanced and intelligent systems. The Group is therefore developing products and solutions to improve people's **living conditions and comfort**;
- As an industry leader, Legrand is committed to ensuring the safety of users of electrical equipment by striving for **product quality** and actively fighting against counterfeiting;
- Since improving the **energy efficiency** of buildings is a priority, the Group believes it is important to inform users about the **environmental impact of its products**, and designs solutions that will reduce electricity consumption.

4.2.1.1 IMPROVING THE LIVING CONDITIONS AND COMFORT OF USERS

There are several ways in which Legrand's products can be used to improve living conditions and comfort, not least through:

- "value" product ranges, allowing the widest possible access to high-quality solutions for the home without compromising on electrical safety;
- products and solutions that limit power outages and optimize the energy efficiency of buildings, reducing energy bills for the occupants;
- assisted living systems for the home, enabling people to have a better life at home, for longer.

The general offering as regards improving living conditions and comfort is defined by the Group's marketing teams, depending on the type of products and solutions available. Weighting coefficients may be applied to certain product families that do not fully address these criteria. These coefficients may be updated from year to year as ranges evolve, based on surveys carried out on a sample of subsidiaries, and then extrapolated to the Group as a whole.

2014-2018 Group priority

To increase by 50% Group sales of solutions that improve living conditions and comfort.

Key performance indicator:

Percentage of sales generated in the residential building sector from:

- "value" switches, sockets and circuit breakers;
- solutions that limit power outages and optimize energy efficiency;
- home systems enabling people to have a better life at home for longer.

Annual targets:

	2014	2015	2016	2017	2018
Growth in the proportion of sales generated with these solutions compared with 2013	+4%	+10%	+19%	+32%	+50%

2018 achievement:

The proportion of Group sales represented by these offerings increased by 23.3% between 2013 and 2018. This was below the 50% growth target that the Group set itself at the end of 2018. Sales for this product offering contributed less to total sales than the target set for the year, particularly in some of the mature markets.

In addition, the Group's acquisitions have focused on companies that do not necessarily contribute to the product categories included in this segment. Nevertheless, the Group is continuing to strengthen its position in the assisted living sector and energy efficiency products, as well as launching ranges in new economies.

	2014	2015	2016	2017	2018
Target achievement rate*	57%	47%	51%	47%	47%

* *Calculated against annual targets and excluding 2018 acquisitions.*

Products resulting from frugal innovation

The Group's frugal innovation approach is reflected by the development of product ranges that meet basic needs. It involves rethinking certain offerings by focusing on what is essential and redesigning products to suit users' primary needs.

It means using innovative design and doing more with less, in order to meet the expectations of users who are yet to become customers, either for cost reasons or because the products themselves do not meet their requirements.

Legrand's frugal innovation approach can be seen in the design, development and marketing of ranges of accessories (sockets, switches) and circuit breakers, which enable buildings to be permanently and safely equipped at price levels affordable for the greatest number of people. The approach is mainly intended for emerging economies:

- in India, with the Group's subsidiary Indo Asian and its range of Elvira accessories for the residential market;
- in South Korea, with the Taivang accessories range, designed to equip residential projects;
- in Brazil, Turkey, Algeria and Western, Central and Southern Africa with the Practibox protection range.

For more information on solutions that address basic needs, see our website *www.legrand.com*.

Products promoting energy efficiency

To combat energy poverty and help limit global warming, Legrand designs solutions that optimize energy efficiency and meet new sustainable building requirements. This means consuming less electricity and reducing energy bills across the board by adopting simple solutions.

In the home, for example, solutions range from sensors to complete automation equipment. This allows lighting, heating and other sources of electricity consumption such as vehicle charging points to be controlled and programmed, optimizing electricity consumption and ultimately reducing electricity bills.

In commercial or industrial buildings, the offering consists, for example, of lighting management, office equipment management, security lighting and network metering and monitoring. Further examples include efficient distribution of energy within buildings using high-efficiency transformers, low-loss busbars, capacitor banks that increase system performance, and network analyzers that measure consumption and energy quality.

For more information on the Group's energy efficiency solutions, see section 4.2.1.4, or visit the website at *www.legrand.com*.

Products dedicated to assisted living

Legrand provides support to people with diminishing capability to live independently, with solutions that improve comfort and safety. These **home systems allow people to enjoy living at home safely and for longer**.

By 2050, the number of people around the world aged over of 80 is set to more than triple compared with 2018 (source: UN). These social changes represent new challenges for electrical and digital infrastructure, particularly in terms of:

- guaranteeing the safety of people who are frail, with a range of devices such as switches and plugs that are easy to use, or enhanced home automation functions, such as My Home, which offers centralized or remote commands. In addition, illuminated paths highlight obstacles, aid orientation and prevent falls, reducing the latter by up to 30% (source: trial carried out in association with Corrèze Regional Council in France). Another example is safety in the home, which involves the use of technical sensors such as smoke, gas and carbon monoxide detectors;
- facilitating access to building features, such as shutters or heating with Legrand home automation solutions (e.g. Legrand's Céliane lighting control systems or Bticino 300 X connected door-entry systems) means that home environments can be programmed from a single control point, with lighting, heating and access set to match personal needs and preferences. Céliane user interfaces can even be coupled with remote control systems to compensate for specific motor or sensory deficiencies;
- facilitating communication with the outside world by sending reports on the status of the dwelling and information on the activity of its occupant to a support center, which can then respond to alerts remotely and take control of home automation systems. The solutions of the subsidiaries Intervox Systèmes, Neat and Tynetec can be used, via wearable alarm devices, to trigger a manual or automatic alarm (fall sensor) and alert a remote support center in the event of illness, for example.

- keeping pace with technological advances, such as the digitization of telecommunications networks that transmit calls between homes for the elderly and support centers. With the range of NOVO carephone systems from Neat and REACH IP from Tynetec, the Group is accompanying the switchover from telecommunications networks to IP technology. The monitoring platforms from Jontek (acquired in 2016) also reflect Legrand's ambition to offer technologically advanced solutions.

For more information on the Group's solutions for assisted living, see the *www.legrand.com* website. For more information about the Group's initiatives for the Silver Economy, see section 2.1.1.2.3.

4.2.1.2 ENSURING THE SAFETY OF USERS OF ELECTRICAL EQUIPMENT

Given the potential risks associated with the use of electricity, user safety is paramount for Legrand. The Group is therefore committed to ensuring that the products it places on the market are of the highest quality and that they conform to the relevant standards. To protect users, Legrand is involved in an ongoing industry campaign to prevent counterfeiting.

This roadmap priority is supported by two sub-targets:

- in terms of product quality, the aim is to ensure that the product risk management policy is properly applied within the Group;
- as regards deploying and maintaining resources to combat counterfeiting, the aim is to monitor the number of products seized, and to complete at least one significant action each year in the fight against counterfeiting. The term "significant" here means being able to take action involving several partners, potentially in several different countries.

2014-2018 Group priority

Continue deploying initiatives in favor of product quality and against counterfeiting in the electrical industry.

Key performance indicators: the number of seized counterfeit products, anti-counterfeiting measures, the percentage of Group sales compliant with the product risk management policy.

Annual targets:

To monitor the number of seized counterfeit products, introduce at least one major anti-counterfeiting measure, and ensure that 100% of sales are covered by the product risk management policy.

2018 achievement:

The Group slightly underperformed on the indicator for implementing the product risk management procedure, since 92% of its sales are generated within entities that apply the principles, against an annual target of 100%.

The targets set for counterfeiting have meanwhile been achieved, with the seizure and destruction of about 690,000 counterfeit products and action plans implemented to tackle counterfeiting in several countries.

	2014	2015	2016	2017	2018
Target achievement rate*	93%	94%	89%	96%	96%

* *Calculated against annual targets; each subject has a 50% target achievement weighting.*

Product risks and quality policy

Despite product testing, it is possible that Legrand's products might not operate properly or present errors and defects. These errors and defects could cause personal injury and/or damage to property and equipment. Such accidents have in the past, and could in the future, result in product liability claims, loss of revenue, warranty claims, costs associated with product recalls, litigation, delay in market acceptance or harm to the Group's reputation for safety and quality.

The increased accountability of all Group employees is encouraged through the application of the quality policy, which may be consulted at *www.legrand.com*.

The Group's quality policy, managed by the Group's Operations Department, is deployed within each SBU (Strategic Business Unit) and in each country. It defines the Group's commitments in terms of quality, and, specifically, compliance with regulatory requirements, the need for product reliability, and the organization, control, measurement and monitoring of processes. Management systems (which are ISO-certified) reduce and prevent risks.

The Group's quality policy is essentially implemented through:

- **ISO 9001 certification** issued by independent bodies for the quality management system at each of the Group's sites. At the end of 2018, 90% of sites were certified;
- **production quality control procedures**, which require frequent or systematic checks to be introduced, depending on the manufacturing specifications of the products. These are accompanied by a list of safety functions to be systematically tested because of their criticality (e.g. ground continuity);

- a **system is also put in place to monitor product quality**: the aim here is to certify product quality through additional tests carried out under a plan reviewed annually, to ensure that the basic product performance conforms with original quality and certification standards throughout the period of manufacture and marketing of the products. A monitoring plan is drawn up for a predefined period, at the end of which it must be reviewed. This includes the list of products to be monitored, testing, analysis of test reports, and a final report;
- the same product qualification and quality control processes are implemented by the Purchasing Department for **trade products**;
- these measures may be supplemented by a product audit incorporating the technical and production quality specifications, as well as the product documents (catalogue pages, notices, datasheets, etc.) for review;
- **product accreditation by certified laboratories**, overseen by the SBUs and carried out before products are brought to market;
- the **customer dissatisfaction management process** ranks instances of dissatisfaction according to different levels of severity: those that could have implications for the safety of goods or people, or that have significant financial implications, are dealt with according to the rules laid down in the product risk management procedure. If necessary, an instant alert procedure is set in motion with industry contacts and the team responsible for product expertise.
- the **product risk management procedure**, applicable to all Group products irrespective of brand and target market, includes fast-track internal processing for potentially critical situations. In the most sensitive cases, product withdrawal or recall actions could be launched. In 2018, one operation of this type was carried out within the Group;
- Finally, the Group conducts regular **customer satisfaction surveys** on product lines and service quality (see section 4.2.2.3).

Non-product quality indicators are closely monitored at the country and SBU levels. Any divergence from these indicators is systematically analyzed and corrected by implementing action plans.

Provisions for product warranties totaled €29.4 million at December 31, 2018, compared to €29.1 million at December 31, 2017.

Efforts to combat counterfeiting

Coordinated by the Group's Intellectual Property Department, which is part of the Group's Operations Department, the Group is engaged in ongoing efforts to combat counterfeiting and to protect consumers on two levels:

- through internal anti-counterfeiting mechanisms (see Copytracer, below), and particularly by the SBUs' intellectual property representatives;
- through actively participation in the seizure and destruction of counterfeit electrical products, working closely with the customs agencies of the countries concerned. Efforts also take place through global communication strategies via trade unions or industry associations FFB (Fédération Française du Bâtiment), IGNES (Industries du Génie Numérique Énergétique et Sécuritaire), BEAMA (British Electrical and Allied Manufacturers' Association), to raise awareness among all stakeholders, including installers and distributors.

In 2018, the Group seized 690,000 counterfeit products. Almost 80% of these seizures resulted from actions instigated directly by Legrand's teams in China. The remainder resulted from Legrand taking part in actions carried out jointly by members of the electrical industry and customs supervision.

More generally, since January 2006, more than 7.2 million counterfeit devices (primarily switches and sockets) and circuit breakers under various Group brands, as well as 21 production molds, have been seized and destroyed. Legrand has also shut down some 10,000 links to websites selling counterfeit goods.

Copytracer: protecting the user

Customer satisfaction also depends on the Group's ability to guarantee the authenticity of its products to customers. To combat counterfeiting, Legrand has introduced a system known as Copytracer Legrand. This is a unique registration number applied to certain Legrand products (e.g. new generations of modular circuit breakers, Valena wiring devices in Russia).

The system applies a specific mark to the Group's products to differentiate between original products and copies and other counterfeits that are often synonymous with risk for users. It is gradually being extended to all Group subsidiaries and brands. Since 2014, it has been introduced by the Egyptian, Polish, Italian, Russian, Indian, Hungarian and South African subsidiaries, as well as other core subsidiaries.

Focus: combating counterfeiting online

Anti-counterfeiting efforts are partly aimed at the sale of counterfeit products online. To combat the sale of counterfeit products on the internet, in 2018 the Group's Chinese legal team worked with a new partner proposing an innovative approach to detecting and taking action against those selling such products on the various e-commerce platforms.

In 2018, a total of 356 presumed offences involving 124 stores were found, leading to 235 sets of legal proceedings.

During the year, 24 stores were closed (online but also offline), 91 stores withdrew counterfeit products from their shelves and almost 4,370 links were deleted.

4.2.1.3 INFORMING CUSTOMERS ABOUT THE ENVIRONMENTAL IMPACT OF PRODUCTS

Reducing the environmental impact of buildings requires careful design choices. Product environmental information, in accordance with ISO 14025, specifically informs users of the environmental impact of the electrical products they use. This is a unique advantage for users of Legrand products.

2014-2018 Group priority

Provide ISO 14025-compliant product environmental data for products accounting for two thirds of Group sales

Key performance indicator:

Percentage of Group sales of products sold with a PEP (Product Environmental Profile), in compliance with ISO 14025.

Annual targets:

	2014	2015	2016	2017	2018
To achieve a sales coverage rate of:	51%	55%	59%	63%	67%

2018 achievement:

At the end of 2018, 70% of the Group's sales were generated using products with a PEP.

	2014	2015	2016	2017	2018
Target achievement rate*	101%	101%	102%	106%	105%

* *Calculated on year-end sales (excluding services and acquisitions in 2018) compared with annual targets.*

An industry-wide approach

The Product Environmental Profile (PEP) is a reference tool for information on the environmental impact of electrical products. It is based on an international benchmark standard, ISO 14025 – Environmental labels and declarations – Type III environmental declarations.

The information provided is taken from the LCA (Life Cycle Assessment), which calculates the environmental impact of a product or service over its entire lifetime using the EIME (Environmental Improvement Made Easy) calculation software, applying the rules defined by ISO 14040 – Environmental Management – LCA.

N.B. LCA techniques and calculations are also used to optimize the environmental performance of products during the design phase. This subject is covered in section 4.5.2.

The PEP ecopassport® program was first developed in France with leaders in the electrical industry that are members of the PEP Association (of which Legrand is a founding member). It now has global reach and is today recognized by countless operators for environmental reporting programs and sustainable building certification worldwide. On the basis of a set of rules defined by the program and currently being standardized, PEP ecopassport® provides a strict framework for the LCA approach, and characterizes the environmental information to be provided: a review of the materials used, information on hazardous substances when present, environmental impacts on air, water and natural resources based on the calculation of at least eight indicators. Each stage in the life of the product or service is taken into account, from the extraction of raw materials needed for manufacturing to the end of product life, as well as the production, distribution, implementation and use stages.

In 2015, with the publication of the third edition of the Product Category Rules (PCR ed3), the rules of the PEP ecopassport® program were updated to facilitate the use of PEPs in the LCA of a building. PEPs that comply with these new rules have been aligned with the requirements of European standard EN 15804 (Sustainability of construction works – Environmental product declarations), the benchmark for type III environmental declarations for construction products. Legrand's PEPs offer all the environmental indicators necessary for a building's LCA calculation.

A recognized tool

The PEP environmental declaration and the associated PEP ecopassport® program are recognized by several construction rating systems. For example, version 4 of the Leadership in Energy and Environmental Design (LEED) program, a standardization system for high-performance buildings and the first global standard in this area, emphasizes the importance of environmental information conforming to ISO 14025 for the electrical equipment installed in a building. Not only do PEPs enable Legrand to position itself on projects with more added value, but they also allow the industry to deliver projects with better environmental performance, thereby adding value to the buildings in which these solutions are installed.

More than 1,840 PEPs available

By including all environmental data in a single document, the PEP provides the supply chain with authentic, reliable information enabling an informed technical choice to be made while acknowledging the environmental aspects, particularly in buildings with environmental certification (HQE, LEED, BREEAM, etc.).

Legrand has filed more than 1,840 PEPs in the official database of the PEP ecopassport® program (pep-ecopassport.org). These documents can also be accessed on the websites of the Group's various brands, or on request from customer service departments. For example, about 5,200 downloads of these documents were recorded on Legrand's French website in 2018.

Thanks to the efforts of its R&D teams, 70% of Group sales were generated by products covered by PEPs at the end of 2018.

In 2018, some 190 new PEPs were developed for the Group's various international offerings. All R&D centers involved in the Legrand Way for Eco-design participated in this effort to create PEP ecopassports® for their market. This environmental information has also been made available to customers in China, Brazil, India and the United States.

For more information about the PEP ecopassport® program, see the *www.legrand.com* website.

4.2.1.4 IMPROVING ENERGY EFFICIENCY IN BUILDINGS

Because buildings are responsible for 35% of energy consumption and 40% of CO_2 emissions (global data, source: International Energy Agency), reducing their energy consumption is a major part of the fight against global warming. Installing equipment to improve energy efficiency in buildings is therefore a priority for Legrand. The aim is to reduce CO_2 emissions through solutions that allow users to consume energy more efficiently.

2014-2018 Group priority

Avoid the production of 1.5 million metric tons of CO_2 equivalent.

Key performance indicator: number of metric tons of CO_2 emissions avoided by using the energy efficiency solutions sold each year by the Group.

Annual targets:

	2014	2015	2016	2017	2018
Millions of metric tons of CO_2 avoided using the energy-efficient solutions marketed by the Group	0.18	0.43	0.83	1.2	1.5

2018 achievement:

A total of 1.81 million metric tons of CO_2 emissions were avoided due to the sale of the Group's energy efficiency solutions, against a target of 1.5 million metric tons by end 2018, enabling the Group to exceed its 2018 target for this priority.

	2014	2015	2016	2017	2018
Target achievement rate*	74%	105%	100%	110%	121%

* *Calculated on year-end sales (excluding services and acquisitions in 2018) compared with annual targets.*

Simple and accessible solutions

The Group offers energy-efficient solutions for residential, commercial and industrial buildings, both new builds and those being renovated. They are easy to install, adapt and use and can be implemented by the Group's usual industry partners. These solutions serve the needs of investors and specifiers working in the field of energy efficiency (energy service companies, facility managers, system integrators, technical consultants on green buildings, etc.).

In energy distribution, Legrand contributes to a building's energy performance with the following solutions:

- **reactive energy compensation and harmonics filtration**: Alpes Technologies offers a full range of services and products that improve energy quality and reduce environmental impact, particularly in terms of CO_2 emissions;
- **energy-efficient transformers and busbars** to optimize power distribution and reduce system losses;
- **high-quality uninterrupted power supply**: the Group's UPS ranges are based on smart power factor correction circuitry, which optimizes the absorption of energy inputs: efficiency remains at a high and constant level, even at a low rate of charge. Through its subsidiaries Inform (Turkey), SMS (Brazil), Meta System Energy and Borri (Italy), Numeric (India), S2S (France), Primetech (Italy) and Fluxpower (Germany), Legrand offers conventional UPS ranges, high-tech modular UPS facilities for critically important systems (data centers and financial institutions), and photovoltaic power inverters.

In energy management, Legrand contributes to a building's energy performance with the following solutions:

- **in lighting, heating and plant management**, the Group's solutions manage energy and reduce waste and therefore electricity bills, with a quick return on investment for users. The Group has recently expanded in this area with the acquisition of Q-Motion and

Solarfective for natural lighting management, and CP Electronics, a leader in energy-efficient lighting control in the United Kingdom. In addition, digital lighting management solutions optimize energy consumption by adapting to usage;

- **analysis, measurement and monitoring of electrical equipment** are essential steps when preparing an energy audit (i.e. ISO 50001 audit) and managing installations. The Energy Distribution SBU continues to develop innovative, smart solutions (linked to Eliot, Legrand's connected objects program) to monitor and control energy management in buildings. For example, with the new EMS CX³ (Energy Management System) solution, it is now very easy to check whether an electrical installation is functioning properly and to monitor and control it directly from the unit itself or remotely via a computer, tablet or smartphone. The Group has expanded in this area with the acquisition in 2015 of IME, a leading Italian player and European specialist in the measurement of electrical installation parameters;
- Legrand offers **photovoltaic panel connection** solutions for residential and commercial use;
- as regards **electric vehicle charging solutions**, Legrand offers a domestic type socket, Green'up Access, which can charge at 14 A (3.2 kW). It also has a range of charging stations, Green'up Premium, mainly designed for houses, public or company car parks and apartment buildings. These have been joined by a smart range (IRVE 3.0), launched in 2017;
- the Group provides **energy-saving solutions for data centers** largely thanks to Minkels, a Dutch company specializing in data-center equipment. For example, the Varicondition Cold Corridor® solution is a system based on the complete separation of hot and cold air flows, to increase efficiency and energy savings. Following the acquisition of Raritan and Servertech, the data center offering is completed with smart PDUs[1] to analyze energy consumption and improve performance.

CO_2 emissions avoided

Using the Group's energy efficiency solutions helps reduce energy consumption with a commensurate reduction in greenhouse gas (GHG) emissions.

Energy saved using the Group's energy efficiency solutions is calculated from Group sales of those solutions, a return on investment (ROI) and the cost of electricity in the countries concerned; for France, a five-year ROI and an electricity cost of €90/MWh are used, in line with industry-wide data. In other countries, the local cost of electricity and the impact on return on investment balance each other out when calculating energy saved. Besides, the calculation of greenhouse gas (GHG) emissions avoided in each country concerned takes into account the carbon content of local electricity. For each of Legrand's national markets for energy-efficient solutions, combining all these factors helps to estimate, based on the corresponding sales in the country since 2014, the total CO_2 emissions avoided from using the products sold for one year. The estimate gives an avoided GHG value of 1.81 million metric tons of CO_2 equivalent in 2018. Sales in 2018 have a 50% weighting in the calculation to obtain a value which is the closest approximation of the actual period of use during 2018 of equipment purchased in 2018.

Since 2014, the Group's energy-efficient solutions have thus avoided, in aggregate, a total of 4.5 million metric tons of CO_2 emissions.

Focus: Energy efficiency: clear information for customers

To provide clear answers to its customers, Legrand has classified its applications that contribute to the energy efficiency of buildings into 16 families. For each family, Legrand helps customers evaluate performance according to four factors: financial savings, payback period, CO_2 emissions avoided and contribution to sustainable building accreditations. Calculations are based on regulatory or standard specifications, and/or evidence from recognized outside experts. This information is also backed up with concrete examples of installations presenting solutions for specific applications and building types.

4.2.1.5 2019-2021 CSR ROADMAP

For its fourth CSR roadmap, due to be published in 2019, in connection with SDG3 (Good health and well-being) and SDG9 (Industry, innovation and infrastructure) Legrand is addressing the issue of **providing sustainable solutions** by adopting initiatives to:

- **protect the health and safety of users**. Legrand wants to protect the health and safety of users of electrical equipment. The Group is therefore careful to sell only high-quality products and actively combats counterfeiting. It is also committed to protecting its users' data;
- **stimulate innovation through partnerships**. Sustainable solutions are also innovative solutions. Innovation is a growth driver at Legrand, and is achieved particularly through partnerships. The Group forms both technological partnerships (to adopt new techniques) and strategic partnerships (to access new markets and promote the emergence of new services for users).

(1) PDU: Power Distribution Unit.

4.2.2 – Issue no. 2: Playing a driving role in the electrical sector

Users of the Group's products include professional electrical installers and product specifiers. Legrand is committed to helping them drive change, particularly in view of the social, environmental and technological developments within the electrical industry. The challenge is to foster skills enhancement across the industry and to stimulate innovation. Legrand also places particular importance on customer satisfaction and feedback in order to make continuous improvements to the products and services offered to users.

4.2.2.1 FOSTERING SKILLS ENHANCEMENT ACROSS THE ELECTRICAL INDUSTRY

Because electrical trades are becoming increasingly high-tech, technical support is often required today for high value-added systems. Legrand is committed to training all industry participants to help them develop their skills. They want to have access to training anywhere, at any time and in a wide range of formats. To meet these needs, Legrand uses new communications and training technologies. For example, the Group has introduced various e-learning online training tools and virtual classrooms.

2014-2018 Group priority

To continue to provide training to industry players through further innovation in response to local needs and conditions.

Key performance indicator: number of customers trained through the provision of tools and training tailored to their needs.

Annual targets:

	2014	2015	2016	2017	2018
Customers trained (in aggregate)	100,000	200,000	300,000	400,000	500,000

2018 achievement:

Legrand has trained nearly 800,000 customers since 2014, exceeding its target of 500,000 customers by more than 50%. This positive performance is mainly due to the results of the U.S., Chinese, Chilean and Peruvian subsidiaries.

	2014	2015	2016	2017	2018
Target achievement rate*	122%	130%	146%	153%	159%

* *Calculated against annual targets.*

Dedicated training centers

Legrand is committed to designing innovative programs to teach its direct and indirect customers about the features of its products, their benefits and applications, market trends and best practices in terms of installation. The courses provide both hands-on experience and online learning for distributors, installers and builders, teaching them about new products and how to install the Legrand product range safely and efficiently.

Legrand offers training programs to local distributors, specifiers and electrical installers, mainly at its international training centers in Europe, the Middle East, South America, the United States and Asia. In total, there are more than 20 training centers around the world for participants in the electrical industry. Moreover, Legrand's subsidiaries are continuing to increase the number of training centers, as was the case in South Africa, Algeria, Morocco and Senegal in 2018, for example.

The training courses offered allow electrical installers to keep up with the latest innovations and installation methods used by the Group, and to expand their know-how and range of services. The courses help them keep their skills up to date, consolidate their knowledge and develop their commercial offering.

The Innoval training centers offer more than 60 hands-on programs which reproduce actual site conditions, in different areas, including home automation, the wiring of electrical cabinets and fiber-optic cabling and the installation of security lighting systems, and also provide training on current regulations and technical standards. Tailor-made courses are also available for professionals at each stage of their commercial development.

In 2018, more than 7,300 customers and more than 5,300 apprentices attended training courses at Innoval centers in France.

For more information on the Group's training strategy, see section 2.3.1.3. More information on training can be found on the website at *www.legrand.com*.

4.2.2.2 STIMULATING TECHNOLOGICAL INNOVATION

To encourage and drive innovation, Legrand works closely with industry and with the scientific and academic communities. For example, the Group is involved in collaborative research projects and works as part of business clusters and technology transfer centers. It also works with startups and SMEs in various forms (collaborative research projects, co-development of products and services, investee companies). This acts as a catalyst for the industry, particularly in disruptive or growth areas such as the Silver Economy, personal comfort and well-being, energy efficiency, building security, electric vehicles, connected objects, digital networks and access to electricity. The Group is also extensively involved in education through its partnerships with training establishments, regular discussions with engineering schools, and support for the creation of new, specialist courses.

By sharing innovation, it can expedite its growth and drive progress throughout the entire electrical sector.

2014-2018 Group priority

To continue to develop university partnerships and collaborative research projects, and implement the resulting innovations.

Key performance indicator: number of new and significant collaborative research projects or partnerships embarked on during the year.

Annual targets:

	2014	2015	2016	2017	2018
Partnerships established (in total)	6	13	21	30	40

2018 achievement:

Legrand embarked on 12 major new collaborative research partnerships and projects in 2018. This brings the number of significant partnerships established since 2014 to 45 (versus a target of 40), which is testament to Legrand's commitment to accelerating the formation of new technology and research partnerships.

	2014	2015	2016	2017	2018
Target achievement rate*	83%	131%	114%	110%	113%

* *Calculated against annual targets.*

Collaborative projects

Legrand is a member of several business clusters, designed to bring local businesses, startups, training centers, research laboratories and universities together in partnerships to develop innovative collaborative projects. The Group is a founding member of ALPHA RLH, created in 2017 in the Nouvelle Aquitaine region in France, following the merger between ELOPSYS and Route des Lasers to form a high-tech cluster specializing in the fields of photonics and microwaves.

Legrand is also a founding member of the S2E2 (Science et Système de l'Énergie Électrique – Science and Electrical Power System) business cluster, focusing on electrical energy for the Centre-Val de Loire and Nouvelle-Aquitaine regions in France.

The Group is also involved in various collaborative projects.

- For example, Legrand is the lead participant in Cocaps, a collaborative research project certified by the S2E2 business cluster with French government funding from the single interministerial fund. It is aimed at developing low-cost sensors providing enhanced information on presence detection and activity inside buildings, information that is essential for the automation of assisted living, energy management, comfort and security functions. An innovative multi-criteria detector solution has also been developed specifically in partnership with Microsoft to meet space management and operational requirements in relation to tertiary buildings. The solution was presented at CES 2019.
- Legrand has continued its pioneering work on developing sensor networks in partnership with CEA-Tech, which it began in 2016. The aim of this collaboration is to develop autonomous power supply solutions. Other innovative research projects have been carried out with CEA Tech and its various laboratories in the materials, energy and digital fields.
- in 2015, Legrand took part in the funding round held by Netatmo, a specialist in connected objects for the home. Netatmo products (weather station for smartphone, thermostat for smartphone, security camera with facial recognition) have been successfully marketed in Europe and the United States. Legrand and Netatmo have cooperated very closely to develop new systems that add value for users, such as the "Céliane™ with Netatmo" user interface range, presented at CES 2017 in Las Vegas. This range was successfully brought to market in 2018, and new functions will be added to it from 2019. The cooperation between Legrand and Netatmo has delivered outstanding results, and culminated in Legrand acquiring Netatmo in November 2018.
- Legrand is a member of various alliances in the field of interoperability, such as the Open Connectivity Foundation, Zigbee Alliance, Thread Group and Open Charge Alliance, which seek to promote the worldwide adoption of Internet of Things products, systems and services, based on shared technology and open-source languages.

Cooperation with major international players is also a key pillar of Legrand's technological strategy:

- a partnership agreement has been signed with **Samsung** covering several aspects, including the development of comprehensive smart solutions for hotel rooms, where Legrand can provide its expertise in room controls and Samsung its smart TV range and related services. In 2018, this collaboration led to the launch of an innovative hotel room management offering;
- in 2018, Legrand North & Central America formed a partnership agreement with Lumileds, a world leader in LED lighting technology, to bring to market new, user-focused LED lighting applications for tertiary buildings;

- Legrand and **La Poste** have been working together since 2015 to integrate La Poste's Digital Hub with Legrand's connected offering (via the Legrand Cloud) through projects in eco-neighborhoods in France.

To open up its ecosystem to its partners, Legrand unveiled the **Works with Legrand** program at the Las Vegas CES in January 2018. This will allow third parties to connect to its solutions to offer new services and functionality, thereby creating added value for the end user. Works with Legrand is hosted on a website where all resources needed to interface with Legrand products are available.

Legrand and Artificial Intelligence

The vast new field of Artificial Intelligence (AI) will transform the user experience, particularly in building applications. Legrand has embarked on a program of partnerships with players specializing in AI, voice recognition, image recognition and self-learning. It is working on integrating the functions of prediction, action, dialogue and visualization into its solutions. Legrand's partners are major players in this area, such as Apple with Siri, Amazon with Alexa, and Google with Assistant. Legrand is also experimenting with artificial intelligence to assist professionals implementing Legrand solutions.

Focus: Legrand and startups

Legrand is a signatory of the "Open Innovation Alliance", aimed at fostering innovation between large corporations and startups and promoting the values of mutually beneficial collaboration. In 2017, the Group also took part in the first "French Tech Survey" to assess collaboration between startups and large corporations, and to share best practices in purchasing, co-development, commercial cooperation and investment. Legrand was named as one of the winners in the 2017 French Tech Survey.

In 2018, Legrand extended its startup partnerships and carried out POCs (proofs of concept), some of which led to innovative solutions being brought to market.

It is internationally renowned for its work with startups through major cooperation and investment initiatives, particularly in France and the United States. The Group is also involved in the French Tech program in France, particularly in the regions via the Energy, Health and Smart Buildings networks.

For more information on innovation management, please refer to section 2.2.2.1.1 of this registration document.

Engagement with the academic community

The Group is involved with the academic community, especially in innovative fields that represent opportunities for the electrical industry, such as access to electricity, energy consumption management, personal well-being, health and safety, as well as assisted living and electric vehicles. Legrand subsidiaries work with local universities in areas of interest to the Group, with a view to developing the skills of future electrical industry professionals.

For more information about innovation at Legrand, visit the website at *www.legrand.com*.

Involvement in legislative and regulatory developments

Legrand is involved in environmental standardization through the work of CENELEC's Technical Committee TC111X, which is in charge of environmental aspects for electrical and electronic products and systems. Its work mainly covers energy efficiency and resource efficiency. For example, Legrand's experts, members of the French and Italian mirror committees, were directly involved in drafting the future standard dealing with product category rules (PCRs) applicable to the Life Cycle Assessment (LCA) of electrical and electronic products and systems.

Through its membership of the Technical Secretariat (TS) for UPS systems, Legrand is also involved in the Product Environmental Footprint (PEF) project. The aim of this project, funded by the European Commission, is to draw up methodological guidelines for the definition of PCRs required for an LCA that reduces the environmental impact of products and services over their entire life cycle.

Legrand also supports various Green Building initiatives (e.g. LEED, Green Star, BREEAM, HQE, etc.). It is a member of the Green Building Council (GBC) in several countries, including the United States, United Arab Emirates, Vietnam, Singapore and China.

The Group is also involved with government authorities in the construction of the regulatory framework for energy efficiency in buildings, for example, in France (Effinergie label), the UK (Part L and Smart Home), and the USA (Ashrae). The Group takes part in the national debate in France regarding energy transition (nuclear, renewables, smart grids, etc.). In the United States, the Group is a partner of the Alliance to Save Energy. This organization brings together business leaders, policymakers and heads of environmental protection and consumer associations all over the world, who are committed to promoting energy efficiency through political, research, technological, communication and public awareness initiatives.

Focus: New sustainable building website of the EGBC (Emirates Green Building Council)

An active member of the Emirates Green Building Council since 2008, Legrand Dubai has worked alongside BASF in developing the "Green Building Tooltips" website. Launched in June 2017, the website offers a wide range of digital resources, information and guidance for establishing best practice in energy efficiency and sustainable development, both for users and building industry professionals.

http://emiratesgbc.org/green-building-tooltips/home/

Involvement with professional bodies

As a global player, Legrand works alongside other companies and civil society in various local and international bodies and organizations. Legrand is predominantly involved with professional bodies such as associations of electrical and electronical equipment manufacturers, as well as chambers of commerce.

In addition, Legrand participates in associations whose role is to advance climate change issues in civil society and push for the necessary adjustments to our environment, such as the Green Building Association and the Alliance to Save Energy.

The total number of commitments of this type paid to third parties is less than 0.1% of the Group's total sales.

4.2.2.3 ENSURING CUSTOMER SATISFACTION AND FEEDBACK

Monitoring customer satisfaction offers valuable insights for improving products and services and understanding customers' needs. This is why listening to customer feedback is one of Legrand's fundamental values. The Group intends to strengthen its image as a partner of choice by improving the way it handles any customer dissatisfaction, by delivering its products within industry-standard deadlines and by continuously improving its customer relationships. Customer relationship management is formalized through standard contracts that specify the general terms and conditions of sale and are adapted to the different geographical areas, under the responsibility of the Sales Managers in each country.

The four values and quality policy of the Legrand Group can be found at *www.legrand.com*.

2014-2018 Group priority

To provide feedback mechanisms and customer satisfaction measurement for 95% of Group sales.

Key performance indicators:

- percentage of Group sales covered by a customer service rate indicator;
- percentage of Group sales made by entities with a CRM (Customer Relationship Management) tool;
- percentage of Group sales made by entities with the SOLUTIO (customer dissatisfaction management) tool;
- percentage of Group sales made by entities using customer satisfaction surveys.

Annual targets:

	2014	2015	2016	2017	2018
Sales coverage rate achieved on at least 2 of the above 4 indicators	75%	80%	85%	90%	95%

2018 achievement:

The roll-out of CRM and customer feedback tools continued in 2018.

At the end of 2018, the principal indicators for this priority were as follows:

- customer service rate indicator: 97%;
- CRM tool deployed: 96%;
- SOLUTIO tool deployed: 97%;
- customer satisfaction surveys: 73%.

2019 will bring the launch of a Group program focused on improving the customer experience. For more information, refer to Chapter 3.6.1.1.

	2014	2015	2016	2017	2018
Target achievement rate*	109%	112%	104%	104%	102%

* *Calculated in relation to the average of the two highest achievement rates of the above four indicators, i.e. SOLUTIO and the service rate in 2014, the CRM and SOLUTIO in 2015, and the service rate and SOLUTIO in 2016, 2017 and 2018, compared with annual targets.*

4

Customer satisfaction

The availability of Group products is key to customer satisfaction. As a result, Legrand monitors the service rate of its various subsidiaries to measure the Group's ability to fill orders from its customers in the desired quantities and timeframes. This service rate is consolidated by the Group Supply Chain Department.

The Group has introduced a standard system for enhanced **customer relationship management**. This has boosted customer satisfaction and loyalty by continually exceeding customer expectations. For example, 96% of Group sales are covered by a CRM (Customer Relationship Management) tool such as Salesforce. This incorporates a corporate social network, Chatter, which allows projects and information to be shared more widely. From a marketing perspective, it facilitates the reporting of market data.

Subsidiaries' Customer Service Departments have local responsibility for ensuring the satisfaction of their customers. They send comments or requests for product improvements to SBUs to inform the debate on product developments. **Dissatisfaction monitoring** software SOLUTIO provides a direct connection between the after-sales departments of each subsidiary, the quality departments of the SBUs and the central product risk management department. Information is shared in real time, and technical issues or instances of customer dissatisfaction are registered immediately for optimized processing. At the end of 2018, 97% of Group sales due to have the SOLUTIO tool were already included within the reporting scope of the tool.

In addition, **satisfaction surveys** are carried out at different levels:

- multi-criteria surveys are carried out regularly by the Group's subsidiaries to measure aspects such as brand perception, quality, price and service among customer panels or focus groups. Subsidiaries are encouraged to carry out these surveys annually, which is the case for the majority of subsidiaries that have implemented them;
- every year, the Group's key distributors evaluate its performance and services (marketing, technical support, supply chain, distribution policy, cooperation). These assessments are carried out by independent service providers. The Strategy and Development Department analyzes these results and shares them with all countries. Meetings are held every two years with distributors to develop, monitor and discuss business relationships. Regular meetings are also held with product specifiers to discuss their expectations.

Collaborative innovation

The value and functional properties of the Group's products are essential for customer satisfaction. They form part of the Group's innovation processes through shared creativity workshops, for example through the UCD (User Centered Design) project, which includes the end user in the product development process. Based on ISO 13407, the project offers a design approach centered on the user and how the product is used.

Legrand has also introduced a "Future Home" program in which users participate in identifying major trends impacting on housing and its use, as well as emerging expectations around electrical products. The program has resulted in concrete innovative concepts which are now being analyzed by the Group's SBUs (strategic business units).

Responsible communication

The Group undertakes to comply with responsible communication principles and codes for all information communicated (advertising, direct marketing, public relations, promotional campaigns) and all its tools (digital, booklets, brochures, etc.).

The Director of Group External Communications, reporting to the Executive Vice-President Strategy and Development, is responsible for ensuring the implementation of these principles throughout the Group's subsidiaries. Local teams manage their own communications, in accordance with regulations and, where there is no self-regulation body locally, communications are systematically checked for compliance with Group values and the specific cultural requirements of some countries, and validated by the Group.

For each international product launch, and for all Corporate Communications activities, traditional and digital communication is handled by Group External Communications, in accordance with Group rules. All communication must be approved by the Director of Group External Communications and his/her team. Communication tools – particularly the source files – are held in a database accessible only to the department's communications officers and the communications officers of the Group's subsidiaries.

Compliance with Group rules is verified before these are distributed to subsidiaries, which are not authorized to make local adjustments to creative concepts. The directors of subsidiaries are also briefed so that they can apply these principles to their own media relations. The Group has been found to be compliant with these principles and ethics since their introduction, with no occurrences of non-compliance.

The Group is a member of associations that prepare principles for voluntary communication and codes of conduct, including the Union des Annonceurs (UDA) and the *Utenti Pubblicità Associati* Pubblicità Associati (UPA), which are the advertisers associations in France and Italy, respectively.

These associations comply with a range of European and national regulations, including:

- ICC Code no. 240-46/557 of February 3, 2010: Framework for responsible environmental marketing communications, and the consolidated ICC Code of advertising and marketing communication practice;
- the Charter of commitment and objectives for responsible advertising of the French Ministry of Ecology, Energy, Sustainable Development and Territorial Development, the Secretary of State for Industry and Consumption and the French Advertising Standards Authority (BVP);
- the Self-regulatory Commercial Advertising Code (*Codice di Autodisciplina della Comunicazione Commerciale*) of the IAP (*Istituto dell' Autodisciplina Pubblicitaria*) in Italy.

The UDA has also established an advertising self-regulatory authority, the ARPP, which is tasked with responding to cases of non-compliance with established principles and codes. The Group undertakes to respect the ARPP's decisions, for example with regard to advertising, which is submitted to it ahead of campaign launches. The UDA has published the Responsible Advertising Charter, a checklist for responsible communication aimed at marketers, as well as a charter setting out standards for the respectful portrayal of people in advertising, which is recognized by the French Ministry for Solidarity and Social Cohesion. The UDA has been a member of the Global Compact since 2004, but is also a member of the WFA (World Federation of Advertisers) and of two programs: "Responsible Advertising and Children Program" and the "Responsible Marketing Pact".

4.3 – ACTING ETHICALLY TOWARDS SOCIETY

Social responsibility applies to all partners with which the Legrand Group interacts. This interaction must take place with the utmost respect for ethical principles, particularly in terms of business practices and purchasing policy. As a socially responsible organization, the Group is also committed to helping as many people as possible gain sustainable access to electricity.

4.3.1 – Issue no. 3: Acting ethically

Risk of corruption and failure to respect business ethics

In most of the markets where it sells its products, Legrand is subject to local and international regulations in the areas of competition law, embargoes, export control and efforts to combat money laundering and terrorist financing. A dispute involving Legrand with regard to these regulations could have a material impact on the Group's business, reputation, results and financial position.

Because of its international exposure and the development of project-based activities (as opposed to sales flow activities), the Group faces a growing risk of being obstructed by these laws and regulations.

The Group's commitment

One of the basic tenets of Legrand's social responsibility is to abide by ethical principles. This approach covers the themes of compliance with competition rules, the application of business best practice (particularly in terms of combating corruption), the prevention of conflicts of interest and management of fraud risks, compliance with international embargoes and sanctions, and the prevention of money laundering and terrorist financing. These themes are reflected in the four pillars of the Group's compliance program.

Group General Management's Commitment

All of the Group's General Management is closely involved in ensuring respect for business ethics, which is a fundamental value of the Group. As a result, General Management plays an active role in enforcing the Group's Compliance program and works to ensure that it is properly applied through dedicated governance efforts.

General Management has also affirmed its strong commitment to business ethics by signing the Global Compact and by adhering to the main universal principles and the international reference documents, including: the guiding principles of the OECD on combating bribery of foreign public officials in international business transactions, along with the guiding principles of the OECD for multinational companies; the United Nations Convention against Corruption; all national anti-corruption legislation, European competition directives, all national competition legislation and the Universal Declaration of Human Rights and additional compacts.

General Management's commitment also covers all Group employees.

Focus: Every country director has signed a letter of commitment pledging support for the compliance program.

Since June 2015, the commitment of General Management has cascaded down to the Group's various departments and countries, which must sign a letter pledging compliance with the rules on business ethics. The letter is relayed by the countries, departments and SBUs at the highest level of their organization. Reflecting the two priorities of the CSR roadmap, the letter confirms the signatories' commitment to training local staff and effectively implementing the rules and procedures of the Group's compliance program. They reaffirm their deep commitment to deploying the program's initiatives at the local level, thus ensuring that the right messages are conveyed within the organization.

The ethical business rules also apply to the Group's suppliers and subcontractors. Legrand expects them to adhere to the sustainability standards contained in its Ethical Supplier Relations Code. Compliance with these rules is a major factor in supplier selection and management.

Organization of business ethics within the Group

Business ethics is the responsibility of the Group Legal and Compliance Department.

The Group Legal Department has a network of country Compliance Officers tasked with ensuring that the compliance program is properly implemented.

The Group's business ethics approach therefore closely involves General Management and the Group's various departments, which thus contribute to strengthening the established rules and to developing awareness, training and monitoring activities. The Group Compliance Committee reports annually on its work to the Group Risk Committee, which in turn reports to the Audit Committee and the Board of Directors. The Group's Compliance Officer works directly with these Committees.

Risk is managed by the Group Audit and Internal Control Department. Monitoring procedures and policies associated with compliance are also fully integrated within the Group's internal control program. Compliance risks are thus assessed according to an occurrence/impact matrix.

Group Compliance Program

One of the basic tenets of Legrand's social responsibility is to abide by ethical principles.

The Compliance program, set up in 2012, is based on the regulatory and legislative framework, the best practice rules defined by the Group, and an analysis of the risks relating to business ethics for the Group.

The program has four parts:

- compliance with competition rules;
- efforts to combat bribery and influence peddling;
- prevention of conflicts of interest and management of fraud risks;
- observation of international embargoes and sanctions and the prevention of money laundering and terrorist financing.

The Group's commitments and rules regarding business ethics are enshrined in its guidelines and charters.

- The Guide to Good Business Practices illustrates how the Group views and conducts business; it sets out the values shared by the Group's employees. It therefore reflects General Management's commitment to unreservedly and unequivocally involving the Legrand Group in the prevention and detection of corruption and fraud. Its aim is to foster a culture of compliance. The Guide defines and illustrates situations and behaviors that could constitute corruption or fraud and that must be prohibited. Behaviors that are contrary to the commitments and principles of the Guide may lead to penalties, as defined by the Group's internal procedures, or any other local measure.
- In terms of trade relations, Legrand's Competition Charter sets out the best practices to adopt and explains how to abide by competition rules.
- These documents supplement the Group's Charter of Fundamental Principles, which are annexed to its rules of procedure and enforceable against Group employees, which must comply with the rules they contain. The Charter of Fundamental Principles is supplemented by a system of sanctions if the rules are breached.

All Group guides and charters apply to all Group employees and are adopted wherever the Group operates, even abroad, without prejudicing the application of stricter laws where relevant. All Group employees must adhere to these rules, particularly if they are in contact with the Group's customers, suppliers or business partners. All these documents can be found at *www.legrand.com*.

The Compliance program is organized around five stages:

1. A strong commitment from the Group's General Management, supported by local Departments which sign a letter pledging to comply with the rules on business ethics. The program translates into local action plans based on the priorities set and a specific communication plan; the Country Compliance Officers are responsible for overseeing the program and report to the Country Compliance Committees on the achievement of targets.
2. The Group's compliance risk analysis methodology: Legrand has identified compliance risks within the four pillars of the program, namely competition, anti-corruption, fraud and embargoes and money laundering. The risks are the subject of an annual self-assessment by the Group's various countries and entities as part of the internal control process. The Legrand Group maps its compliance risks. This provides insights into the factors that

could affect the Group's business and performance, enabling it to better understand and control these risks, and to guard against the legal, human, economic and financial consequences that could result from a lack of vigilance. Its aim is to ensure that the Group's compliance program is effective and appropriate. Compliance risk mapping is evaluated annually and updated on the basis of changes in the business or in the regulatory or economic environment.

3. Clear policies and control mechanisms: these must be applied locally and meet the Group's requirements. They are supplemented by practical guides tailored to the local context and designed to define the Group's rules and tools (e.g. do's and don'ts).
4. Training and communication: a communication plan promotes the program, while the Group's messages and tools are translated into the local language and circulated among employees. The training offered by the Group, on e-learning, anti-corruption and webcasting for example, is received by the employees concerned (see section 4.3.1.1.).
5. The approach for internal audit, the implementation of action plans in response to the risks identified, and continuous progress: each Group subsidiary undergoes a self-assessment of its internal control system which includes checks on compliance with business ethics (for more information, see section 3.2.2.). In addition, business ethics are included in the internal audit programs.

Whistleblowing

Legrand has introduced a mechanism for receiving alerts from its employees, and from external and occasional employees and service providers, concerning the existence of conduct or situations contrary to the Group's charters and guides. The Group's whistleblowing mechanism is accompanied by procedures for the protection of whistleblowers. These are designed to protect the rights of whistleblowers and, more importantly, their identity, as well as the details of the alleged events and the people implicated.

Four cases of proven fraud were recorded in 2018, plus multiple attempts to commit fraud from outside the Group, all of which were foiled. None of these cases posed a significant threat to the subsidiary concerned or to the Group. Corrective action plans were implemented in all cases to address the risks identified. In accordance with the Group's governance principles, these cases were reported to the Group Audit Committee.

In 2018, fewer than 10 ethics alerts were reported to the Group. None of these alerts represented a significant risk. They were examined and handled in accordance with Group procedures as detailed in the Charter of Fundamental Principles and on *www.legrand.com*.

No legal action is pending against the Group for anti-competitive behavior, violations of antitrust laws or monopolistic practices. No legal action is pending against the Group for non-compliance with laws and regulations on business ethics, except for the case concerning the implementation of the UN Oil-for-Food program.

In that case, the Paris Appeal Court found against Legrand SNC on February 15, 2019, overturning the first-instance judgment, and found it guilty of active bribery of a foreign public official. A suspended fine of €30,000 was also levied on Legrand SNC. The Paris Appeal Court expressly stated that this judgment would not go on the criminal record of the company, and in accordance with French law, this means that it is not prohibited from bidding on public procurement contracts. As of the date on which this reference document was filed, Legrand SNC had, as a protective measure, lodged an appeal against that judgment with the Cour de Cassation.

The Group demonstrates its commitment in these areas through two priorities in its CSR roadmap: employee awareness and training, and efforts to check that its compliance program is properly implemented.

4.3.1.1 AWARENESS AND TRAINING IN BUSINESS ETHICS

Review of the 2014-2018 Group priority

Train an additional 3,000 employees in business ethics (anti-corruption, fraud prevention, compliance with competition rules, conflicts of interest, etc.).

Key performance indicator: the number of employees trained in business ethics during the year.

Annual targets:

	2014	2015	2016	2017	2018
Total number of employees trained in business ethics*	400	900	1,500	2,200	3,377

* *Over the roadmap period and thus not taking into account employees trained previously*

4

2018 achievement:

In 2018, a further 500 people received training via the Group's business ethics e-learning program, in addition to the 2,877 people trained between 2014 and 2017. This gives a total of 3,377 people, against a cumulative target of 3,377 at the end of 2018 (these 3,377 employees are added to the 2,500 employees who received training prior to 2014). As a result, the achievement rate for this priority is 113%. Since 2015, the Group's subsidiaries have also arranged local training – in addition to the online courses offered by the Group – to make the process of training in business ethics even more efficient.

	2014	2015	2016	2017	2018
Target achievement rate*	273%	198%	152%	131%	113%

* Calculated against annual targets.

Communication and training

In order to raise awareness of the behaviors to be adopted and to avoid improper internal and external solicitation, a specific communication and training plan is implemented locally by the Group's various entities.

The communication plan addresses the Group's commitments concerning the prevention and detection of corruption and fraud, the various aspects of the compliance program, and the risk training policy. It conveys the Group's position as set out in the various guides and charters. The information and materials are translated into official local language(s) to facilitate their comprehension and adoption by local teams in the various countries. Communication tools (practical guides, presentations, risk assessment questionnaires) are available on the Group intranet for employees and Compliance Officers to facilitate their work in the field of business ethics.

Some of these guides can be found on the website at *www.legrand.com*. Each year, the Group provides training for exposed staff in charge of at-risk processes: Company managers, Country heads, Departments and SBUs, Chief Financial Officers and other people dealing with third parties (sales, purchasing, etc.). They are the main contributors to efforts to prevent and detect corruption and fraud. It is therefore necessary that they clearly identify the behaviors to be adopted and their roles and responsibilities when faced with situations of non-compliance. They must encourage the broad dissemination of the commitments made by General Management, ensure that their staff embrace these, and establish a common knowledge base.

In addition to and regardless of their risk exposure, the Group educates all its employees on the rules of compliance. The Group's different areas set up their own training adapted to their particular environment and risks.

Training covers compliance in general, its challenges and forms, and the applicable legal requirements. It also highlights the commitment made by General Management and its application through the compliance program, and summarizes the Group's rules of conduct and best practices, the behaviors to be adopted, the role and responsibilities of each person when faced with corruption or fraud, and the applicable sanctions where appropriate. The content of the training is tailored to the type of corruption risk, the duties performed, and the geographical region concerned. It is revised regularly, as and when the risk map is updated.

Training is organized via an e-learning platform by a recognized service provider or on the basis of classroom-based or online training modules developed by the Group in the language of the employees concerned. In 2018, 500 people successfully completed the e-learning course on anti-corruption organized by the Group and around 11,000 employees received compliance training at the local level (usually classroom-based).

4.3.1.2 MONITORING THE APPLICATION OF THE GROUP COMPLIANCE PROGRAM

Review of the 2014-2018 Group priority

To cover 100% of Group sales through a compliance program monitoring system.

Key performance indicator: the rate of implementation of the compliance program.

Annual targets:

	2014	2015	2016	2017	2018
Compliance program implementation rate to be achieve:					
■ the most exposed subsidiaries and the most significant	70%	90%	90%	100%	100%
■ other subsidiaries	50%	70%	80%	90%	100%

2018 achievement:

At the end of 2018, the compliance program's implementation rate was 96% for all Group entities. The Group has integrated the regulatory framework of the Sapin II act into its controls since 2017. This has led to increased requirements over all key stages of implementation of the program and, in particular, highlighted the need for documentary evidence of the actual implementation of these practices, and achievement fell short of the initial target set. Deployment and monitoring will continue over the next few years to confirm that the compliance program is being implemented on schedule.

	2014	2015	2016	2017	2018
Target achievement rate*	110%	105%	107%	88%	96%

* *Calculated as the average achievement rates observed in Legrand's two groups of subsidiaries compared with annual targets.*

Evaluation of the compliance program

This covers the five areas of the compliance program as described at the start of section 4.3.1 on the "Group compliance program".

All of these checks are reviewed annually by the Internal Audit Department. Some of these controls are reviewed annually as part of a self-assessment exercise, and then checked by internal audit. In 2018, 36 subsidiaries were audited, seven of them recent acquisitions. In addition, a specific compliance audit was carried out within Legrand North and Central America (LNCA). Together with training, the internal control of these compliance practices is a crucial tool for Legrand's business ethics. It helps to disseminate and foster a solid understanding of and respect for business ethics.

Focus: Legrand Group compliance program recognized by Les Échos Business

The Legrand Group compliance program was hailed by Les Échos Business, the leading French financial newspaper, in 2015 and again in December 2016, when the Group's Executive VP Legal Affairs was quoted as saying that it is important to "remain focused and responsive in an area that is constantly changing, to keep pace with regulations and technological and social developments such as transparency and ethics". Education and communication are the key aspects of this program, which covers all Group employees. It owes much of its success to subsidiaries such as those in Chile with its communications policy and its motto "Transparency is our identity"; in Italy, with its "camera compliance" videos featuring some of the risks that employees may encounter; in Switzerland and New Zealand with compliance quizzes on conflicts of interest, gifts and hospitality; and in Colombia with its external communication campaign "Buzon Etico" about its whistleblowing system.

For more information on Group ethics, see our website *www.legrand.com*.

4.3.1.3 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG8 (Decent work and economic growth) and SDG10 (Reduced inequalities) Legrand is addressing the issue of acting ethically by adopting initiatives to:

- **continue training employees and raising their awareness regarding business ethics:** Before employees can respect business ethics, they must first be aware of them. As a result, staff training is essential. Legrand therefore works to ensure that employees likely to encounter risk situations have a sound knowledge of the rules on business ethics. It also means reducing the likelihood of an infringement of competition law or anti-corruption, anti-money laundering or export control laws.
- **monitoring the application of the Compliance Program:** Legrand intends to monitor the application of its Compliance Program – formalized since 2012 and covering all areas that make up Legrand's business ethics – more closely.

4.3.2 – Issue no. 4: Ensuring responsible purchasing

4.3.2.1 FUNDAMENTAL PRINCIPLES AND ORGANIZATION

Faced with the internationalization and globalization of its markets, Legrand – a signatory to the Global Compact – is committed to building the principles of sustainable development into its decision-making and its supplier relations, even though suppliers might potentially have a broad range of social and environmental practices.

The Group Purchasing Policy establishes the principles of sustainable, balanced and mutually beneficial relations with suppliers, in line with Legrand's values.

Legrand's responsible purchasing strategy is based on the principle that the Group's ethical, environmental and social rules also apply to its suppliers and subcontractors, who are selected and managed in accordance with those rules. Legrand therefore expects its suppliers to subscribe to the same standards of responsibility as it does. For example, because Legrand is a member of the Global Compact, the Group's suppliers are also encouraged to comply with the Global Compact's principles. 60% of purchases from the Group's panel are from suppliers that embrace these principles.

The responsible purchasing policy is overseen by a Purchasing Department that uses a matrix structure and is ISO 9001 certified (Quality Management System). A sustainable purchasing manager within the Purchasing Department is responsible for monitoring and implementing responsible purchasing rules.

The Group Purchasing Department produces reports on the amounts of purchases by supplier and by purchasing category. The Group's purchases of raw materials and components represent around 32% of its sales. All purchases are made with two main types of suppliers:

- Group suppliers, who, as major players in their market and key Legrand partners, support the Group in its international projects. Corporate buyers, Lead Quality Specialists and users establish a close, privileged and sustainable relationship with them. At the end of 2018, the Group was working with 450 Group suppliers satisfying multi-site and multi-country needs and accounting for around a quarter of the Group's total purchases;
- local suppliers that meet the specific needs of a site or Strategic Business Unit (SBU) and are managed by buyers at the sites or in the SBUs concerned.

Focus: Legrand France, with Responsible Supplier Relationships certification, listening closely to its suppliers.

In 2009, Legrand – through the CNA (French National Purchasing Council) – helped draft the "Responsible Supplier Relationships" Charter and was one of its first signatories. In 2012, Legrand was one of the first four companies in France to receive this certification, which was renewed in 2015 after an audit by ASEA, an approved consultancy. To factor in the commitments of its new 2019-2021 CSR roadmap and therefore maintain its proactive approach with respect to the new requirements of the "Responsible supplier relationships and purchasing" certification that has been part of the ISO 20400 process in France since 2017, Legrand will renew its commitment to this certification in spring 2019. The community of certified entities has created working groups that aim to make constant progress in terms of responsible practices with respect to suppliers. In 2018, Legrand took part in the "Actively listening to suppliers" working group and implemented its conclusions by carrying out a survey of 274 European suppliers with the help of the Wavestone consultancy. The aim was to gain an accurate picture of Legrand's supplier relations from the point of view of suppliers, across 10 themes including the overall relationship, quality, logistics, communication, CSR and innovation. The results showed that 69% of suppliers surveyed regard Legrand as a solid partner, with the average "overall relationship" score being 3.62 out of 4. As regards CSR, suppliers regard Legrand's commitments as robust and express a desire to do more work on common CSR issues.

Procedure

Formally, the Group manages its responsible purchasing strategy with its suppliers via its Purchasing Quality Management System (QMS), and specifically through:

- Purchasing Specifications: a contractual document containing Legrand's requirements for its suppliers, particularly in terms of compliance with the regulations and standards in force for both environmental and social matters. The document includes the Ten Principles of the Global Compact;
- General Purchasing Conditions, which include a supplier mediation process in the event of a dispute;

- a supplier selection procedure, the scope of which depends on the issue, the risk, the purchasing group and type of supplier, regardless of location. Each of these stages (approval, contracting, visits and audits, and risk and incident management) thus include Group rules on responsible procurement:
  - **approval** ensures that the supplier meets all the required criteria, such as technical capability, quality, logistics, organization, financial assessment, and observance of the Group's compliance and social responsibility criteria. The approach includes a supplier's self-assessment questionnaire which contains a section on principles and policies for environmental management, health/safety and fundamental human rights, followed by a documentary audit for the required elements, and an on-site audit (if necessary). Non-negotiable rules are established very early on in the approval process, such as not employing children under the age of 15 (in accordance with ILO conventions), risks to employee safety, and measures to prevent risks of fraud or conflicts of interest. Documentary evidence relating to regulations such as RoHS and REACH, for example, are also required for the approval of suppliers subject to these types of regulations. A document management tool is used to compile the supplier's documents and certificates thus collected,
  - **contract formation**: the rules concerning the drafting and approval of Group and local contracts concern all Group units and form part of financial procedures; in addition, supplier contracts contain a paragraph on the supplier's corporate social responsibility,
  - **visits and audits**: suppliers are visited regularly to review technical questions, to monitor the quality of the manufacturing processes and products, and in the context of partnerships or to examine the environmental, social or logistical aspects according to a predefined matrix. In order to be approved, the Group's accredited suppliers for raw materials and components are systematically audited on site, by corporate buyers and quality professionals based on criteria incorporating aspects relating to the organization, ethics, the environment and social risk management,
  - a procedure for **controlling operational risks**: these are mainly the risks of supply disruption, single-source supply, supplier dependence, supplier failure, quality, etc. A comprehensive risk analysis is carried out each year. The analysis grid contains a dozen criteria and is reviewed annually. The action plans are monitored by buyers under the supervision of the purchasing quality manager. The results are presented every six months to the Group Risk Committee (for more information on the Risk Committee, see section 3.3.2 of this registration document). This long-established approach has been applied since 2009. In 2018, this analysis was carried out by 52 entities in around 30 countries. In addition, a central report on supplier failures is prepared every year jointly by the purchasing performance controller and the purchasing quality manager.

Identification, monitoring and support of suppliers exposed to CSR risks

In 2014, Legrand decided to map its CSR risks in order to take a more in-depth approach to evaluating and supporting suppliers on CSR aspects. It was initially assumed that the Group's suppliers posed no CSR risk, largely due to the close and longstanding relationship that Legrand has with them and with indirect suppliers, the aim being to focus on the purchasing categories involved in the manufacture of Legrand's products. From among the 4,500 suppliers representing this field, accounting for 50% of the Group's purchases, the purchasing categories or types of suppliers that could pose CSR risks, from an environmental or social perspective, were singled out. It emerged that the risks at this stage mainly lay with suppliers using chemicals (for example, subcontracting surface treatment) and suppliers based in countries exposed to CSR risks (particularly social risks) and economically dependent on Legrand.

The suppliers identified are referred to as "higher-risk suppliers" and are systematically managed within the following risk management system:

- **documentary audit**: this takes the form of a detailed questionnaire containing around 20 questions on employee health and safety (including the assessment of occupational risks, the identification of personal and collective protective equipment and their use by employees), the management of environmental issues (e.g. effluent treatment), and respect for human rights and fundamental freedoms (including respect for the eight fundamental conventions of the ILO). Documentary evidence must be provided to substantiate the answers given and state whether CSR audits need to be carried out on site and, if so, their priority;
- **on-site audit**: this is carried out on the basis of evidence provided by the supplier. To consolidate its CSR audit methodology, Legrand prefers the CSR audit to be conducted jointly by the buyer and a QSE expert, following a model questionnaire prepared by the Group. Each country arranges its own CSR audits with local buyers and QSE experts, providing the sustainable purchasing manager with the audit schedule. To calibrate its CSR audit methodology, a pilot initiative was carried out in 2017 with Bureau

Veritas, covering four suppliers in India and three in China. The suppliers, previously audited by Legrand's local teams, were audited again by Bureau Veritas according to the SMETA social audit methodology. This experiment revealed that Legrand's local teams (purchasing/QSE experts) were mature enough to support suppliers on health and safety and environmental aspects, and familiarized them with the principle of social audits;

- **formal action plan**: this is drawn up and sent to the supplier in question if one or more deviations from Legrand's standards are identified. It requires suppliers to implement the improvement plan to meet the Group's standards. This is largely a case of maintaining the relationship with the supplier concerned, but as part of a progress and monitoring program devised by the stakeholders concerned (buyers, internal customers, QSE experts, etc.). In extreme cases, particularly where a supplier has not sought to make any improvements, it may be phased out of the supplier portfolio. The progress of the action plan is monitored in the centralized Group Purchasing database. Legrand sought to make this a priority in its own right in the CSR roadmap for the period 2014-2018. Accordingly, each year, it publishes the number of suppliers under review and the progress of the action plans as detailed below in the results of the CSR roadmap;
- **centralized monitoring**: in 2017, this supplier CSR risk management system became a purchasing quality system procedure. To monitor its implementation, each step of the procedure has been defined as follows: documentary audit – 25%; on-site audit – 50%; monitoring the progress of the action plan – between 50 and 75%; risk removed when the action plan is 100% complete. The monitoring of higher-risk suppliers is thus centralized in a common database under the supervision of the Group's sustainable purchasing manager;
- **reporting**: progress with action plans and critical situations is shared periodically between the Group's country purchasing managers and sustainable purchasing managers. A quarterly review is carried out by the Purchasing Management Committee and CSR Purchasing Steering Committee.

Focus: Legrand India training suppliers exposed to CSR risks at the Jalgaon site

To explain the aforementioned risk management system to suppliers exposed to CSR risks, the Indian purchasing team organized a training day at Legrand's site in Jalgaon. Nine suppliers to Legrand India received training regarding Legrand's environmental and social expectations by sharing best practice applied at this ISO 14001-certified production site.

2014-2018 Group priority

To support 100% of higher-risk suppliers in implementing an improvement plan for environmental issues, fundamental rights in the workplace and business ethics.

Key performance indicator: the completion of overall risk analyses (2014); the percentage of higher-risk suppliers (in CSR terms) covered by adequate action plans (from 2015 onwards).

Annual targets:

	2014	2015	2016	2017	2018
Support for higher-risk suppliers	100% identified	25%	50%	75%	100%

2018 achievements:

The CSR risk analysis carried out in 2014 made it possible to establish the baseline and list of action plans to be implemented. It is being refined as the procedure is rolled out. At the end of 2018, 100% of higher-risk suppliers were covered by an action plan.

	2014	2015	2016	2017	2018
Target achievement rate*	100%	124%	131%	116%	100%

* *Calculated against annual targets.*

For 2018, the results of this higher-risk supplier analysis were as follows:

- 202 suppliers regarded as higher-risk in CSR terms were identified for the Group;
- All are being monitored by an action plan, i.e. as a minimum the documentary audit has been carried out;
- action plans were introduced for around 20 countries (including Australia, Brazil, China, Colombia, Egypt, France, Germany, Hungary, India, Italy, Mexico, Netherlands, Poland, Portugal, Russia, Thailand, Turkey, United Kingdom and United States), representing more than 97% of the Group's purchases. Each one has appointed a local representative to monitor actions relating to the responsible purchasing policy, in line with the Group's strategy;
- of the 202 suppliers detected, 105 (52%) have completed action plans and 43 (21%) have almost completed action plans, and so more than 70% of higher-risk suppliers have reduced risks to zero or a non-material level;
- of the 54 suppliers currently being analyzed, around 20 have been audited on site and have set up action plans, around 10 have an on-site audit planned for 2019, and all others have been subject to document-based audits that have mainly revealed the need to update certain documents;

- on-site audit results: no serious discrepancies were detected during the audits. The action plans mainly highlight the need to produce periodically the necessary documentary information (environmental certificates, for example) and to formalize health and safety procedures (for example, hazard warning notices in factories, reminders to wear safety masks, gloves and footwear, preparation of an evacuation plan and associated drills, better chemicals storage, etc.);
- since 2015, five cases have resulted in a plan to withdraw and remove a supplier from the Group's list of suppliers.

Focus: Legrand acknowledged for the support it provides to higher-risk suppliers in terms of CSR

In March 2018, the Legrand Group was awarded the bronze medal in the CSR category of the "Trophées Décisions Achats" purchasing awards. This event, which takes place every year in Paris, is intended to highlight outstanding initiatives and players in the world of purchasing, while facilitating discussion between professionals.

Legrand's 2014-2018 CSR roadmap led to the creation, across more than 25 countries, of a community of trained purchasers, supported by environmental and health and safety specialists applying a common methodology to assess and help suppliers exposed to CSR risks to achieve progress "in the field".

The 2019-2021 CSR roadmap will follow on from those efforts, with improved detection of exposed suppliers via the CSR risk mapping method that the Group adopted with the support of Ecovadis in January 2019.

Involving and training buyers

Parties involved in supplier relations, buyers, quality controllers, designers and experts apply the principles of the CSR strategy through purchasing procedures. One of the commitments of the purchasing policy is skills development for all stakeholders within the purchasing function. The induction module for new buyers includes a specific section on CSR with, in particular, an introduction to the code of ethics and procedures. In 2018, 10 new buyers and people on work/study programs received training. Since 2015, under the CSR roadmap, people in 25 countries have been trained in the methodology for detecting and monitoring higher-risk suppliers in terms of CSR and in the management of the corresponding action plans. Of those 25 countries, training was provided in three in 2018, and mainly in Southeast Asian entities. The other 22 countries where training had previously been provided continued to roll out their training programs and other actions. In total, around 120 people across the Group have received training in the management of higher-risk suppliers in CSR terms. In addition, buyers take part in specific themes, such as the Science Based Targets initiative (SBTi) (see section 4.5.1.3).

To continue the involvement of Legrand employees in responsible purchasing efforts, one of the priorities of the 2019-2021 roadmap addresses this theme (see section 4.3.2.2).

Management of hazardous substances

Questions relating to hazardous substances and the ecodesign capability of suppliers are covered in the supplier approval phase. The Registration, Evaluation, Authorization and restriction of Chemicals Regulation (or REACH Regulation) and Directive 2002/95/EC on the Restriction of Hazardous Substances (or the RoHS Directive) are specifically mentioned during the supplier evaluation operational stages referred to above; suppliers must, for example, disclose whether the substances regulated by the RoHS Directive are present in the products that they supply to the Group.

Suppliers of raw materials, particularly plastics, are also encouraged to send their Material Safety Data Sheets (MSDSs) to Legrand. A panel of experts from the central materials laboratory works with designers and buyers to identify the types of materials and items purchased with a high probability of containing REACH substances. The aim is to prioritize the constructive consultation of the suppliers concerned. To comply with this regulation, a REACH process has been put in place.

Conflict minerals

In a number of countries around the world but especially in the Democratic Republic of Congo and neighboring countries, the extraction and trade of certain minerals funds armed groups, conflicts and crimes against the population. The main minerals concerned, known as "conflict minerals", are cassiterite (tin ore), coltan (tantalum ore), wolframite (tungsten ore) and gold.

Given the nature of its business, Legrand is never in a position where it has to purchase directly any minerals in their primary form, so these minerals have little impact on it. However, as a responsible player, Legrand supports OECD initiatives by following the guidance contained in the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas", and is developing a strategy to identify and assess the risks associated with its supply chain. It has also carried out a risk analysis to identify the suppliers involved. This position was confirmed in November 2015 with the publication of Legrand's Conflict Minerals Policy, signed by the Group Procurement Director.

The Group is conscious of the amount of information to be processed, but has undertaken to question the relevant suppliers. At the same time, Legrand is endeavoring to respond to customer demands in this respect. As a downstream company, Legrand therefore works with its most exposed suppliers to ensure that the metals used originate from sources that are free from conflict minerals. To date, the investigations carried out have confirmed that conflict-free sources are used. However, if Legrand were to identify a supplier that uses metals derived from conflict minerals, the Group would immediately take the necessary action to address this.

All of the Group's relevant suppliers have been consulted and in 2018, a campaign to raise awareness of Legrand's conflict minerals policy was carried out among the purchasing managers of Legrand entities around the world. To continue making progress, the Group purchasing department also organized a pilot in 2018 with the Building Systems SBU to define the most suitable processes for assessing suppliers of finished goods, particularly electronics products. Five key suppliers took part in the pilot, along with Legrand's purchasing, quality and development teams. Recommendations were made, particularly in terms of internal organization and supplier support.

Depending on the complexity of the supplier's upstream supply chain, the information received ranged from the supplier's policy on Conflict Minerals to a duly completed CFSI CMRT template. Legrand is aware of the difficulty and complexity in obtaining this information, but is committed to pursuing this approach in the interests of disclosure and transparency. In addition, the Legrand North and Central America subsidiary (LNCA) is committed to respecting the "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" and the applicable requirements of section 1502 of the Dodd-Frank Act, which seeks to prevent the use of minerals that directly or indirectly finance armed groups in the Democratic Republic of Congo or in neighboring countries ("Conflict Minerals"). As a consequence, LNCA requires its suppliers to pledge to be, or become, "conflict-free" (which means that this type of supplier does not source minerals from conflict zones) and to use only guaranteed "conflict-free" foundries wherever possible. LNCA requires each supplier to issue comprehensive statements based on the EICC-GeSI format by highlighting the commitment of the supplier concerned to become "conflict-free" and to learn about the country of origin of the tin, tantalum, tungsten and gold that it purchases.

For more information on responsible purchasing within the Group, see the section on our website *www.legrand.com*.

4.3.2.2 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG8 (Decent work and economic growth) Legrand is addressing the issue of ensuring responsible purchasing by adopting initiatives to:

- **raise awareness and provide training to embed CSR further within purchasing practices**. Legrand is continuing to integrate social responsibility into its purchasing processes, particularly by taking into account "life cycle costs" in line with the recommendations of ISO 20400 on responsible purchasing. This requires awareness and training efforts covering all employees involved in purchasing decisions and processes worldwide;
- **measuring the progress of suppliers exposed to CSR risks**. The responsible purchasing strategy is based on the principle that the ethical, environmental and social rules that Legrand applies also concern its suppliers and subcontractors. Legrand is expanding the analysis of its suppliers exposed to CSR risks and is continuing to monitor those suppliers using methods introduced as part of the 2014-2018 roadmap, in order to continue helping them to improve their practices.

4.3.3 – Issue no. 5: Enabling access to electricity for all

Because electricity is a crucial factor in a country's development, Legrand considers it its duty to ensure to enable as many people as possible to have sustainable access to electricity.

This responsibility is reflected in its corporate philanthropy policy, aimed at reducing energy inequalities around the world, in line with Sustainable Development Goal (SDG) 7: ensure access to affordable, reliable, sustainable and modern energy for all. The aim is both to enable universal access to electricity and to combat electricity poverty. The policy is deployed on three levels:

- a preferred partnership between the Group and the NGO Électriciens Sans Frontières regarding development aid and emergency aid;
- the Legrand Foundation for independent living, under the aegis of the Fondation Agir Contre l'Exclusion (FACE), a registered non-profit organization;
- local initiatives by Group subsidiaries, tailored according to local needs.

The total budget allocated to charitable activities amounted to more than €1.25 million in 2018, consisting of donations of funds, equipment, premises and skills. These initiatives are accompanied by voluntary work by Group employees.

4.3.3.1 ENABLING THE GREATEST POSSIBLE NUMBER OF PEOPLE TO HAVE ACCESS TO ELECTRICITY

Since 2007, the Group has been a partner of Électriciens Sans Frontières, an international NGO campaigning for wider access to energy for people in developing countries.

Legrand's support for Électriciens Sans Frontières takes the form of financial aid, the supply of equipment, the provision of premises, and by the involvement of Group employees who offer their personal or professional skills and become directly involved on the ground, or by providing training or technical support.

2014-2018 Group priority

Aim to enable 800,000 additional people to benefit from access to electricity, whether directly or indirectly.

Key performance indicator: the number of people with direct or indirect access to electricity under the partnership with Électriciens Sans Frontières.

Annual targets:

	2014	2015	2016	2017	2018
Total beneficiaries of electricity supply projects*	160,000	320,000	480,000	640,000	800,000

* *During the period of the roadmap and therefore not taking into account beneficiaries prior to 2014.*

2018 achievements:

In 2018, joint action with **Électriciens Sans Frontières** enabled 182,000(1) people to benefit directly or indirectly from access to power, which takes the number of beneficiaries to 2.3 million since 2007.

	2014	2015	2016	2017	2018
Target achievement rate*	141%	167%	153%	165%	155%

* *Calculated against annual targets.*

Results of partnership initiatives

Legrand supports **Électriciens Sans Frontières**, which is an international aid organization and a recognized public charity. It organizes projects for people whose development or even survival is under threat without secure and sustainable access to electricity. It also offers its expertise to international aid organizations to improve the safety of electrical installations around the world, particularly in healthcare and teaching facilities. Finally, it is deployed in emergency missions during humanitarian disasters. To find out more, visit www.electriciens-sans-frontieres.org.

Legrand offers long-term support for development projects, and occasionally donates aid to emergency humanitarian actions. This concerns three major types of electrification project:

- educational establishments, for example to enable the use of multimedia technologies for inter-college communication, or the installation of security lighting to enhance site safety;
- hospitals, to ensure safe surgical procedures, refrigerated storage of vaccines, and medical consultations at night;
- entire villages, to improve the daily lives of families through sustainable access to electricity using renewable energy.

Since 2007, Legrand has contributed to the action by Électriciens Sans Frontières in more than 200 projects for access to electricity or emergency aid in Africa, Asia and Latin America, in roughly 38 countries (including Argentina, Benin, Bolivia, Burkina Faso, Cambodia, Central African Republic, Chad, Congo, Ethiopia, Haiti, India, Indonesia, Laos, Madagascar, Mali, Mauritania, Nepal, Niger, Pakistan, Peru, Senegal and Vietnam).

In 2018, Legrand continued its support for Électriciens Sans Frontières through 25 projects across 15 countries in Africa, Asia and South America, including help developing vocational education for electricians working in the installation and maintenance of domestic and industrial equipment at the Diofior vocational training center in Senegal, providing electricity to a primary school, clinic, ice-cube production facility and mobile phone recharging unit in Nazoumé, Bénin, and providing electricity to the health center in Fégui, Mali.

In December 2017, Legrand signed a partnership agreement at the French Ministry of Europe and Foreign Affairs, in the presence of the Minister, Chairman of Électriciens Sans Frontières Hervé Gouyet and nine other companies, for the management of humanitarian emergencies in association with the French Crisis and Support Center. The involvement of the 10 industrial partners, whose financial, logistical, material and human resources will be mobilized by Électriciens Sans Frontières, will make it possible to conduct emergency relief operations in the best conditions and to strengthen emergency response capabilities.

The Group's partnership with Électriciens Sans Frontières relies particularly on the sales teams of the Group's French brands, who take action to raise money for the "Electricity for Health and Education in Africa" program. Since 2011, no fewer than 73 initiatives have been organized by the teams in support of these programs, including the sale of products where a percentage of the proceeds go to the NGO, promoting Électriciens Sans Frontières at trade fairs, sporting events (tournaments, marathons) and gala dinners, as well as concerts and a Haitian craft fair. All the proceeds go to Électriciens Sans Frontières. This has helped to pay for electrification projects in schools and clinics, mainly in Burkina Faso, Togo, Senegal and Madagascar. In 2018, three operations were organized involving some 450 people from Legrand's sales teams and from the Group's distributors and installers.

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(1) Figures provided by Électriciens Sans Frontières indicating the number of people potentially affected by projects supported by Legrand.

Électriciens Sans Frontières has exported its model across Europe with the aim of empowering people to fight global energy poverty and to galvanize the European energy sector. Legrand's Italian subsidiary signed a partnership agreement with new NGO Elettrici Senza Frontiere when it was set up in November 2015. Through that partnership, various initiatives were carried out in 2018 and preparations were carried out for initiatives to be carried out in 2019. In November 2018, for example, the third and final phase of the initiative in the "Bimbi del Meriggio" village, alongside the Aïna charity, saw the main distribution board upgraded to supply power to all structures of the initiative and thereby help provide lighting in all classrooms. In 2019, Bticino will support Elettrici Senza Frontiere in a project to electrify the village of Napongxangkaw in Laos, with the participation of one Bticino employee, and a project to electrify the hospital in Chiulo, Angola, which covers the needs of 300,000 people in its region.

Group subsidiaries provide logistical and organizational support to volunteers working for Électriciens Sans Frontières whenever possible. This may take the form of delivering equipment or loaning premises for training. For example, in 2013 Legrand's subsidiary in the Philippines provided equipment and logistical support to Électriciens Sans Frontières to support its efforts following typhoon Haiyan, which devastated the archipelago. In 2015, after cyclone Pam, Legrand's teams in Australia, New Zealand and New Caledonia arranged for a team of three volunteers from Électriciens Sans Frontières to visit Vanuatu, and particularly Tanna Island. They assisted them with choosing equipment, arranging transportation and completing administrative procedures, as well as putting them in touch with local electricians. In 2017, in the aftermath of hurricanes Irma and Maria, Legrand's teams helped volunteers from Électriciens Sans Frontières liaise with local distributors. In 2018, after the earthquake in Indonesia, Legrand provided logistical support and equipment to allow Électriciens Sans Frontières volunteers to respond to that natural disaster as quickly as possible.

More information about the partnership with Électriciens Sans Frontières can be found on our website (*www.legrand.com*).

Focus: The "electricity well", a community project for areas with limited access to electricity

The "electricity well" is the result of Legrand's collaboration with the École des Mines at Albi in France, designed to meet the needs of local communities that have limited access to electricity. It makes it possible to cover basic needs in terms of energy distribution by enabling up to 30 mobile phones to be charged simultaneously from an electricity generator, photovoltaic installation or network connection. Legrand supplied prototypes to Électriciens Sans Frontières to test the solution on the ground.

4.3.3.2 COMBATING EXCLUSION AND ALLOWING PEOPLE TO LIVE MORE INDEPENDENTLY

For Legrand, reducing inequalities means supporting those who are excluded, disadvantaged or discriminated against. This long-term commitment led in 2014 to the creation of the Fondation Legrand – Générateur d'autonomies (Legrand Foundation – Generating independence) under the aegis of the Fondation Agir Contre l'Exclusion (FACE), a registered non-profit organization.

The Legrand Foundation aims to combat exclusion linked with a loss of independence and electricity poverty, and to promote education and access to employment, particularly in the electrical sector. The contribution of the Legrand Foundation takes the form of material assistance, voluntary work, skills sponsorship and financial support.

A registered non-profit organization, FACE encourages local industry to make social and workforce-related commitments. Thanks to its network of local associations, it now involves more than 6,150 companies, both large corporations and SMEs, and has become the leading network of companies in France to focus on CSR, integration, education and access to services.

In keeping with its local approach, the FACE Foundation is opening new offices every year (154 in France and worldwide) and extending the scope of its action. Its aim is to create centers of expertise based on its five areas of action: within companies, for employment, for education and culture, in daily life, and within communities. Within each of these areas, actions and training courses are administered by Clubs, with active participation from the partner companies and their employees. To find out more, visit www.fondationface.org.

2014-2018 Group priority

To ensure the widest possible access to the initiatives of the Legrand Foundation

Key performance indicator: the number and type of projects carried out by the Legrand Foundation.

Annual targets:

To implement at least one project in each of the Foundation's four action areas during the whole time-span of the roadmap.

2018 achievements:

In 2018, eight new projects began, some of which consisted of extending existing projects into new territories. Since the Legrand Foundation was first established in 2014, 42 projects have therefore been completed in France.

	2014	2015	2016	2017	2018
Target achievement rate*	100%	100%	100%	100%	100%

* *Calculated against annual targets.*

The Legrand Foundation operates in four fields: loss of independence, electricity poverty, education and employment.

In each of these areas, the Legrand Foundation seeks to create or recreate social links for all those who are excluded, disadvantaged or discriminated against. It initiates or supports simple, local initiatives, giving priority to grass-roots solutions rooted in the fabric of French communities. These initiatives are all consistent with Legrand's business activity and geographical footprint. Some are duplicated in new regions, allowing more widespread action and enabling new beneficiaries to take advantage of initiatives that have proved their effectiveness.

Loss of independence: housing that allows people to continue living at home

Assistance for independent living and allowing people to continue living at home represents a major issue in society. There are 1.6 million dependent people in France. The country has an ageing population: by 2040, 31% of French people will be over 60 and 6.5% will be over 85. Moreover, 80% of French people want to stay in their own home for as long as possible but not everyone has the means to adapt their home to compensate for a loss of independence (sources: INSEE, Demographic Studies and Surveys division).

Mindful of this, the Legrand Foundation is keen to assist ageing or dependent people who are financially insecure, particularly those living in social housing. The Foundation relies on the Group's expertise and its wide range of solutions as a pioneer in the field of assisted living.

Electricity poverty: combating electrical risk and improving energy efficiency

Electricity poverty is becoming a major issue for society. According to the latest estimates in 2016, about 5 million French households are now living in energy poverty in France, and 3.8 million households (or 14%) spend more than 10% of their budget on energy. On the other hand, ageing and malfunctioning electrical systems in individual or collective housing present safety risks, with 7.3 million homes estimated to be at risk in France. Two thirds of electrical installations more than 15 years old have at least one electrical safety defect and 25% of fires are electrical in origin (source: ONPE, Promotelec and ONSE).

The Legrand Foundation aims to bring a fresh perspective to this problem using the Group's know-how and its solutions to improve energy efficiency and electrical safety in the home. It intends to promote awareness among builders, social housing authorities, electrical installers, and the most underprivileged occupants.

Education: building a career plan in the electrical sector

Every year, the electrical sector in France has more than 100,000 students and apprentices training for electrical trades, whether at vocational colleges or engineering schools. Many young people leaving vocational colleges, Apprentice Training Centers, technical colleges, AFPA centers and engineering schools are professionally qualified and are preparing to enter the electrical sector's job market.

The Legrand Foundation is keen to help these young people and make them more employable.

The Foundation relies on Legrand's knowledge of the training curriculum for electrical trades, and on the special relationships between the Group and the relevant training establishments. It also benefits from the Group's close ties with numerous companies, particularly local firms and small businesses, via its network of installers and specifiers.

Employment: supporting access to jobs

Access to employment is becoming a concern for the whole of society. For all sections of the population, the average time taken to find a job or return to employment in France is 418 days (source: Pôle Emploi, Research and Studies Department). The issue is even more crucial for certain groups, for example for those embarking on a career or for those who are discriminated against when looking for work. The unemployment rate among under-25s is approximately 24%. The level of temporary or casual employment among under-25s is higher than 50% (source: OECD and Observatoire des inégalités).

Based on this fact, the Legrand Foundation supports access to employment for those sections of the population that suffer the most discrimination. In particular, it wants to support young people, older workers and women in their job search. The aim is to facilitate their social and professional integration within the electrical sector.

Organization

The Legrand Foundation is structured around an Executive Committee, made up of three members from Legrand, one person from the FACE Foundation and one external qualified person, a Steering Committee, which identifies and coordinates the Foundation's projects, and a dedicated team responsible for the day-to-day tracking of projects.

For more information about the Legrand Foundation, visit the website www.fondationlegrand.org.

4.3.3.3 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG7 (Affordable and clean energy) and SDG10 (Reduced inequalities) Legrand is addressing the issue of **respecting human rights and communities** by adopting initiatives to:

- contribute to communities: The Group believes that it has a responsibility to contribute to the life of the communities in which it operates, not just through its business activities, but also in areas where there is unmet need and where the Group has credibility. Through corporate philanthropy, Legrand takes action against exclusion linked with a loss of independence and electricity poverty and, at the local level, promotes education and access to employment for people struggling to find work.

4.4 – BEING COMMITTED TO OUR EMPLOYEES

With almost 34,400 employees[1] worldwide, and sales and production sites in some 90 countries, Legrand pursues its business development while paying particular attention to the working conditions of its employees and its social responsibilities.

Legrand seeks to guarantee the observance of human rights all over the world. It is also committed to safeguarding the health and safety of all employees. Legrand strives to develop the skills of each individual and to foster diversity. Only by helping its employees to grow can Legrand progress and help move its business sector forward.

Legrand's human resources management is based on five fundamental aspects:

- attracting, developing and retaining talent, and thus matching the Group's human resources with its future needs;
- encouraging diversity by encouraging greater female representation in its workforce and making its teams more international, and ensuring that the Group's HR processes comply with the principle of non-discrimination and equal opportunities;
- getting the best from employees by implementing tailored talent development and performance recognition strategies, thereby fostering employee engagement;
- managing the human resources of the various entities, taking into account the issues and priorities linked to the business, and ensuring the best possible match between needs and resources;
- supporting organizational change to allow ongoing dialogue within the company, and thus constantly adapting the organization and its people to the issues facing the Group.

The human resources policy is the responsibility of the Head of Human Resources. It is managed horizontally, with centralized management targeting key positions and resources. It is deployed in subsidiaries and managed by local human resources departments. In addition, an HR manager responsible for social issues is given specific responsibility for:

- implementing the HR initiatives and priorities contained in the CSR roadmap;
- providing a functional link with the CSR Department;
- being the sole point of contact for all HR departments within the subsidiaries with the Group on HR topics associated with Legrand's CSR commitments.

The Group's commitment to its employees is reflected in the priorities of the roadmap, as described below, and it aims to be agile in its approach.

For more information on the Group's human resources policy, visit the Careers section of our website *www.legrand.com*.

4.4.1 – Issue 6: Respecting human rights

4.4.1.1 GUARANTEEING GROUP-WIDE APPLICATION OF THE UNIVERSAL PRINCIPLES OF HUMAN RIGHTS AT WORK

The Group complies with regulations in force in the countries in which it operates. Regardless of the local context, Legrand abides by voluntary principles and standards of responsible behavior with regard to human rights and, in particular with:

- the Universal Declaration of Human Rights;
- the International Labour Organization (ILO) Declaration, particularly the eight conventions on the fundamental principles and rights at work;
- the Global Compact's principles for Human Rights and labor standards;
- the UN Guiding Principles on Business and Human Rights (the John Ruggie Report), which recommends a three-pronged approach: protect, respect and remedy;
- the United Nations Sustainable Development Goals (SDGs).

All of the above rules provide a structural framework for Legrand's policy.

In all its host countries, Legrand is committed to ensuring the progress of rights and lawful, humane working conditions, especially in terms of freedom of association, recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor, elimination of discrimination in respect of employment and occupation and the safeguarding of health and safety. Where necessary, the Group undertakes to:

- remedy rights violations against employees on its sites;
- eliminate all forms of forced or compulsory labor and child labor;

(1) Headcount at December 31, 2018.

- eliminate employment- and profession-related discrimination;
- safeguard health and safety at work.

The Group also operates a responsible procurement policy that takes into account the rights of the employees of the Group's suppliers. This is included in the supplier approval procedure. Rule 1 of the Group's Sustainable Purchasing Code relates to child labor (ILO convention no. 138 on the minimum age).

For more information on the Group's responsible purchasing policy, see section 4.3.2 of this registration document.

Human rights aspects are overseen jointly by the CSR Department and the Human Resources Department.

Legrand is also a member of the "Entreprises pour les Droits de l'Homme" (companies for human rights or EDH) association in France since 2016. EDH acts as a forum for discussion, initiatives and proposals for international firms, making human rights an integral part of business policies and practices.

Focus: Publication of Legrand's Charter of Human Rights

In 2017, Legrand drew up a Charter of Human Rights based on the principles and standards previously detailed and approved by the Chief Executive Officer. It sets out, in operational terms, the Group's commitments to comply with the aforementioned texts. It seeks to inform all internal and external stakeholders about the principles and commitments that the Group has adopted for itself and its partners in connection with its activities. In 2018, the Charter was rolled out to those in charge of subsidiaries and local purchasing and human-resource managers. Almost 140 people underwent awareness-raising relating to human rights themes. The Charter of Human Rights is available on the legrand.com website.

2014-2018 Group priority

To map and annually assess workforce exposure to the risk of human rights violations in the workplace and deploy measures for improvement as appropriate.

Key performance indicators:

- coverage of Group employees assessed for potential Human Rights violations;
- ongoing remedial action.

Annual targets:

	2014	2015	2016	2017	2018
Evaluation of the exposed workforce	50%	75%	100%	100%	100%
Progress actions identified and taken		100%	100%	100%	100%

2014-2018 achievements:

During the period 2014-2018, 100% of the workforce deemed to be exposed to these risks underwent one or two assessments, including new geographical regions compared with the scope originally defined in 2013 (see below). In addition, all selected remedial actions were effectively undertaken in line with the target.

	2014	2015	2016	2017	2018
Target achievement rate*	100%	108%	100%	100%	100%

* *Calculated against annual targets.*

Procedure and management

Risk assessment

The system for assessing risks of human rights failures, both among Legrand employees around the world but also those working in its supply chain and for its level 1 suppliers, is described in the duty of care plan in chapter 4.6 of this registration document.

Union representation and management-employee dialogue

Legrand fosters the development of labor relations and management-employee dialogue, and takes into account laws and practices in its various host countries. These initiatives consist of promoting optimal working conditions and driving the changes required for the Group's expansion.

Labor relations management relies on employee representatives. Managers receive training on labor relations to help them fulfill their role as local labor-relations contacts. For example, in particular in France and Italy, regular "Labor Relations Management" meetings are held with key managers and HR.

At the European level, as part of the Legrand Group's European Works Council (EWC), an amendment to the EWC agreement of 2013 was signed in 2016 by the representatives of the different countries. The purpose of the amendment is to improve how the institution functions, notably by developing relations with the Council's bureau and by providing it with additional resources.

Improving management-employee dialogue involves creating bonds and trust within employee-representative bodies both at the country level, through information meetings, consultations or negotiations that might lead to the signature of a national agreement, and at the regional level, through the European Works Council, for example. As a result, in 2018:

- 88% of the workforce was employed in entities in which there was an employee representative body and/or a union;
- 48% of employees were covered by collective agreements or agreements applicable to their entity;
- 1,249 information or consultation meetings with employee representative bodies or unions were held during the year;
- 189 new collective agreements were signed in 2018, covering 14,479 people within the Group in both mature countries and the new economies. The agreements essentially cover pay and working conditions, health and the organization of management-employee dialogue and the operating procedures of staff representative bodies.

In terms of health and safety, further to the agreement on managerial best practice in France, an agreement on quality of life at work has been signed by all the unions. In Italy, an agreement was signed in 2016 on workplace harassment and abuse.

For further information about respect for human rights, see *www.legrand.com*.

4.4.1.2 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG10 (Reduced inequalities) Legrand is addressing the issue of respecting human rights and communities by adopting initiatives to:

- **comply with the Group's commitment to human rights**: Legrand is committed to respecting human rights in all countries in which it operates and to addressing any breaches of employees' rights. Legrand's approach is based on its Charter of Human Rights, which is itself inspired by a set of global rules that form a framework for its efforts in this area. It concerns all countries in which Legrand operates, including in regions not regarded as risky.

4.4.2 – Issue no. 7: Guaranteeing health and safety at work

Legrand's prevention policy pertaining to employee health and safety is designed in accordance with the International Labor Office's ILO-OSH 2001 benchmark. It applies to all Group subsidiaries and sites. It encompasses occupational risk management and improvements to health and safety at work and is based on three principles:

- compliance with national legislation and regulations;
- incorporation of safety into operational policies in all functions and at all levels;
- standardization of prevention strategies.

The prevention policy is coordinated and implemented by the head of Occupational Health & Safety (SST), who reports to the Operational Performance Department. He/she is supported by a network of Occupational Health & Safety officers at the various sites and by prevention managers within the Group's SBUs (Strategic Business Units). Delegations of authority, or equivalent mechanisms, are established to formalize the responsibility of the managers of each entity, especially when it comes to the prevention of occupational risks. Job descriptions are worded to ensure that occupational health and safety is recognized as the responsibility of all employees, whatever their rank and position.

In addition, occupational health and safety and the associated metrics are included in the measurement of the operational performance of industrial sites, countries and SBUs. They are the subject of a quarterly review with General Management. This topic is also routinely covered in annual budget presentations of the various subsidiaries and SBUs.

Legrand establishes directives and benchmarks appropriate to its business and applicable to everyone everywhere. For example, in 2017, four "must-haves" were drafted on the following topics: safety instructions, communication, dealing with accidents, and dealing with near-accidents. These have been widely communicated and presented in more detail by an online academy. These must-haves supplement the existing management system. For example, the principle of not introducing new substances classified as CMR (carcinogenic, mutagenic or toxic to reproduction) into the manufacturing process, insofar as an alternative technical solution exists, was added to the Group Purchasing Specifications. Another example is the Group directive on workplace equipment (deployed only in France), which requires that purchasing contracts contain clauses to ensure that newly acquired machinery complies with all applicable legal provisions, and that a compliance inspection be conducted each time equipment is moved. The directive also defines rules that must be respected to ensure proper maintenance of machinery in use.

In 2018, two new academies were set up, in Colombia and France. The resources available to subsidiaries and sites were enhanced, including a system for analyzing the root causes of accidents at work.

4.4.2.1 OCCUPATIONAL RISK MANAGEMENT

Occupational risk management is assessed on the basis of eight prevention criteria according to the following Occupational Health & Safety reporting process:

- promoting the Prevention Charter;
- managing occupational health and safety;
- ensuring staff representation on health and safety committees;
- assessing occupational risk;
- managing emergencies;
- providing health and safety training;
- providing first-aid and fire-prevention training;
- preventing risks in situations where independent companies are working on site.

Subsidiaries must fulfill at least six of the eight of the above-listed criteria in order to claim a level of implementation deemed to be satisfactory.

2014-2018 Group priority

To extend and maintain an occupational risk management plan covering 90% of the Group's workforce.

Key performance indicator: the percentage of employees covered by the occupational risk management plan based on the key principles of ILO-OSH 2001.

Annual targets:

To ensure that 90% of the Group's workforce are covered by the occupational risk management plan for the entire duration of the roadmap.

2018 achievements:

At the end of 2018, the occupational risk management plan covered 98% of the workforce included in the Occupational Health & Safety report, slightly higher than the target set at the end of 2018. These results are mainly due to close supervision of Group entities, their increased engagement with CSR, and reliability of the associated actions and indicators.

	2014	2015	2016	2017	2018
Target achievement rate*	106%	100%	100%	102%	109%

* *Calculated against annual targets and based on figures reported as of end September 2018.*

The Prevention Charter, signed by the Chief Executive Officer and aligned with the guiding principles of ILO-OSH 2001, formalizes Legrand's commitment to employees' health and safety at work. The Charter is promoted by the managers of each entity. It has been widely circulated to employees and is available on the intranet in six languages. It is also available on the *www.legrand.com* website.

Depending on the country and size of the sites, **occupational health and safety management** is the responsibility of HR or another designated department.

Many countries have **health and safety committees** (employee representative bodies) on the initiative of Senior Management in each country and in accordance with local laws. Legrand is gradually broadening this principle of employee representation to countries where it is not required under local law. Employees and their representatives belonging to these committees have the time and resources to play an active role in their entity's health and safety processes and initiatives, specifically through discussion on all relevant aspects of occupational health and safety, including emergency measures.

Occupational risk assessment (periodic analysis of hazardous situations and levels of risk) enables appropriate and effective prevention measures to be established. In 2018, 74% of employees (including production, administrative and logistics workers) underwent a formal risk assessment, either using tools specific to the entity in question, or using a shared tool offered by the Group and tailored to its line of business.

Emergency management enables potential accidents and emergency situations to be identified and the risks that result from them to be prevented, as well as the implementation of appropriate measures to safeguard people and property (information, training, coordination, communication with the relevant authorities, local responders and emergency services, first aid and medical assistance, fire-fighting and evacuation methods, and so on).

Health and safety training concerns the prevention of risks in the workplace. It may be supplemented by **first-aid and fire-prevention training**. This training improves staff preparedness against risks to their health and safety, particularly by identifying hazardous situations, assessing risk levels and implementing measures to prevent risk, safeguard people and property, and respond to emergencies. More than 132,000 hours of training were devoted to these subjects in 2018.

Formal and procedures have been implemented and are updated to ensure that risks are prevented when independent companies are working on site (communication, coordination, information, training, and supervision before and during the work). Workplace health and safety criteria are included in subcontractor evaluation and selection procedures. Any work-related accidents on site involving contractors' workers are recorded.

Focus: Preventing road-related risks in France

In September 2018, the Group signed up to the "7 commitments for safer roads" road safety initiative in France. Although we have relatively few road accidents, road-related risks are one of the main causes of fatal accidents at work and it is crucial to have a suitable prevention plan. After signing the commitments, the Group communicated broadly on this theme, and the related messages were also disseminated internationally via social media (Yammer). For example, short videos were shot with staff members to promote each of the seven commitments (a country manager for France, SBU managers, a regional manager but also heads of sales, a travelling technician and a driver).

4.4.2.2 MONITORING AND IMPROVING HEALTH AND SAFETY AT WORK

The purpose of monitoring the effectiveness of prevention measures and implementing a progress process is to improve the health and safety data (workplace accidents and work-related illnesses).

This monitoring is assessed on the basis of six prevention criteria, which are evaluated through the Health & Safety at Work reporting process:

- consolidation and monitoring of indicators;
- systematic analysis after an accident at work;
- periodic professional (para)medical interviews to monitor health;
- legal and regulatory framework monitoring;
- implementation of a strategy to prevent the risk of musculoskeletal disorders;
- sharing of feedback and best practices on risk prevention at the Group level.

Each subsidiary has an objective to fulfill at least four of the above-listed six criteria before being able to claim that it has reached a satisfactory level of prevention.

2014-2018 Group priority

To implement the health and safety monitoring and improvement process and maintain coverage of at least 90% of the workforce, with the objective of reducing the Group's workplace accident frequency rate by 20%.

Key performance indicators:

- the percentage of the workforce covered by the health and safety monitoring and improvement process based on ILO-OSH 2001;
- the frequency of workplace accidents.

Annual targets:

	2014	2015	2016	2017	2018
Protect the Group's workforce by monitoring the workplace and improving health and safety at work	80%	90%	90%	90%	90%
Reduce the frequency of accidents in the workplace	8.3	7.7	7.2	6.7	6.7

2018 achievements:

At the end of 2018, the health and safety monitoring and improvement process covered 97% of the workforce included in the Occupational Health & Safety report, exceeding the target set. During the roadmap period, the frequency of accidents at work fell substantially, by 50%, from 8.37 at end 2013 to 4.21 at end 2018, as opposed to the target of 6.70. These positive results are mainly due to closer supervision of Group entities and their increased engagement with CSR, thus ensuring the reliability of the associated actions and indicators. It should be noted that the accident frequency rate rose slightly in 2018, mainly because of accident levels in France, where special arrangements have been put in place to address the situation. At the same time, the accident frequency rate improved significantly in the rest of Europe (including Italy), Asia and Africa.

	2014	2015	2016	2017	2018
Target achievement rate*	211%	235%	184%	182%	178%

* *Calculated against annual targets and based on figures reported as of end September 2018.*

Focus: Real-time accident reporting

Legrand has introduced real-time reporting of workplace accidents, which are reported directly to the Group Chief Executive Officer. A monthly report for each geographical region and SBU is circulated. Each quarter, this presents results by type of equipment, nature of the injury and injured body part. The report enables the Group's General Management and local management to monitor accident indicators more closely. This in turn helps to raise awareness of accident trend rates and coordinate action plans more effectively.

The consolidation and monitoring of health and safety indicators demonstrates the commitment of the entire Group to improving the process of occupational risk prevention. It also seeks to guarantee the representative nature of the results reported.

Systematic analysis after an accident at work enables occupational risk prevention measures to be improved by identifying the causes of the accident and proposing what needs to be done to prevent a similar incident occurring in the future.

Periodic professional (para)medical interviews to monitor health are key to ensuring that the work does not have an adverse effect on the health of employees. It is also a requirement of ILO-OSH 2001. Some subsidiaries are carrying out specific initiatives in this regard. In Colombia, for example, the Group's subsidiary is actively committed to the health of its employees. It has set up a program and a joint committee on occupational health (COPASO). It has introduced preventive occupational medicine and committees for health and industrial safety. Periodic health checks are carried out, as well as health awareness-raising and promotional campaigns.

Monitoring the legal and regulatory framework and strict compliance with applicable regulations are a requirement of the Group's prevention strategy. Regulatory monitoring is carried out by every country in which the Group has industrial operations.

A Group directive acts as the framework for implementation of an initiative to prevent musculoskeletal disorders (MSDs), the leading cause of occupational injury at Legrand. Crafted by a multidisciplinary working group composed of company doctors and Legrand employees representing a variety of positions (HR, production, manufacturing, accident prevention), the directive provides a screening method to identify situations that could potentially lead to MSDs. It contains explanatory information on MSDs that are specific to Legrand's activities. The directive formalizes the Group's intention to focus on the ergonomics of work stations, and in general all risk factors that increase the likelihood of MSDs, from the development phase of new production or methods of working.

Sharing feedback and best accident-prevention practices at Group level is an effective part of Legrand's overall strategy to help prevent occupational risk in Group entities on an ongoing basis. This includes audits of, and/or improvements to, equipment, internal investigations or working groups focusing on occupational risk prevention, participation in exchange forums or other prevention-related conferences, measures to prevent emergency situations, and initiatives to reduce or eliminate risks.

For further information about occupational health and safety within the Group, please visit *www.legrand.com*.

4.4.2.3 EMPLOYEE WELL-BEING AND SATISFACTION

As part of its efforts to improve the quality of life at work, in 2015 all members of the Group Executive Committee ratified a charter comprising 15 commitments for work/life balance. The charter was launched in October 2013 by the French Ministry of Women's Rights, City Affairs, Youth and Sport and the Observatory for Work/Life Balance and Parenthood. Its mission is to develop a flexible and open management culture, which is essential to adapt to the technological and sociological changes that regulate the life of the company. The main goal is to balance the private and professional life of all employees.

Focus: the Serenity On program, ensuring a minimum level of welfare benefits for all staff

Legrand set up the "Serenity On" program to ensure that employees have minimum welfare benefits in three key areas: parenthood (setting a minimum standard for maternity and paternity leave); health (coverage of hospital and treatment costs in case of serious event); and death and disability (minimum benefit equivalent to at least one year's salary in the event of death or total and permanent disability following illness or accident).

The Serenity On program will be effectively rolled out to all Group entities by 2021.

Legrand is also a member of the French-speaking Platform for Social Protection Floors launched in 2016 by the International Labour Organization (ILO) and the École Supérieure de Sécurité Sociale (EN3S). This platform was initiated as part of the Global Business Network for Social Protection Floors (GBN) created in 2015 by the ILO to enable multinationals with an active global employee strategy to share best practice and discuss the development and implementation of social protection floors.

The well-being and satisfaction of the Group's employees are addressed through different processes:

- the CAPP interview (see section below), during which quality of life at work is discussed;
- internal audits in which labor relations are assessed (for example, absence of labor disputes or claims);
- Legrand carried out a global employee engagement survey for the first time in 2017. Conducted by an external service provider, the fully online survey offered all employees an opportunity to talk about their commitment. It had a 78% participation rate. In 2018, almost 300 action plans were commenced to respond to the employee expectations expressed in the survey;
- surveys on specific projects, for example a poll to assess the level of employee satisfaction with communications sent on their smartphones, or a survey in Italy to measure participants' satisfaction with annual communication seminars.

Focus: Bticino, the "best place to work" in Italy

In 2018, for the second straight year, Bticino, Legrand's Italian subsidiary, was named among the best companies to work for, and was the winner in the electronics and electrotechnical category. The ranking, published in Panorama magazine, was compiled following a survey by the Statista Institute of 15,000 employees from more than 2,000 industrial companies.

4.4.2.4 2019-2021 CSR ROADMAP

For its fourth CSR roadmap due to be published in 2019, in connection with SDG3 (Good health and well-being) and SDG8 (Decent work and economic growth) Legrand is addressing the issue of promoting health, safety and well-being at work by adopting initiatives to:

- **deploy best practice regarding health and safety at work**: Ensuring the safety and maintaining the health of each staff member are priority targets of Legrand's workforce-related policy. It includes occupational risk management, monitoring the effectiveness of prevention measures and implementing a continuous improvement approach. The Group is committed to its employees and keen to ensure the satisfaction and well-being at work of each staff member;
- **strengthen the commitment of Group employees**: Staff commitment and satisfaction at work have always been priorities for Legrand. International surveys covering its entire workforce enable all employees to air their views on key matters involved in their day-to-day work. To enable all employees to work with peace of mind, Legrand in 2018 adopted a global system named Serenity On, which aims to give them a minimum level of welfare benefits, wherever they are located.

4.4.3 – Issue no. 8: Developing skills and promoting diversity

Legrand pays special attention to managing the talent of its employees. The Group is also committed to combating any form of discrimination by championing equal opportunities, representation of cultural differences, and the integration of people with disabilities.

4.4.3.1 SUPPORTING EMPLOYEE DEVELOPMENT BY TAKING INTO ACCOUNT THE GROUP'S CHALLENGES AND DEVELOPMENT

Human resources management has to take into account the Group's operational challenges and priorities so that it can match its needs to its resources as closely as possible. The goal is to advance the careers of Legrand's employees, foster their commitment, attract talent and build loyalty. This will ensure that the Group will have the appropriate human resources to meet its future needs.

The HR management policy focuses on four key areas of action:

- rolling out training programs;
- rolling out talent management processes;
- holding meetings between managers and employees, known as CAPP (Competency Appraisal Performance and Perspectives) meetings;
- retaining managers within the Group.

It is managed by the Human Resources Department, which ensures cross-functional talent management, particularly targeting key positions and resources and relying on the local management in each country.

2014-2018 Group priority

Maintain a proactive approach to managing skills and talent.

Key performance indicators:

- the percentage of employees attending one or more training courses;
- the proportion of the Group's high-potential employees and specialists covered by a talent management process;
- the completion rate of CAPP (Competency Appraisal Performance and Perspectives) meetings for managers;
- the manager retention rate.

Annual targets:

For the entire duration of the roadmap: to train 75% of Group employees; to ensure that 90% of the Group's high-potential and specialist employees are covered by a talent-management process; to complete CAPP meetings for 90% of managers; to maintain the manager retention rate at 95%.

2018 achievements:

- 94% of employees attended one or more training courses during the year;
- 96% of staff were covered by a review of high potential and specialist employees through the Organization and Staffing Review (OSR) process;
- 90% of managers' CAPP meetings were completed;
- the manager retention rate was 95% for the year.

	2014	2015	2016	2017	2018
Target achievement rate	71%	90%	104%	107%	108%

Calculated in relation to the average achievement rate for the above four indicators, determined in relation to the annual targets. For both the CAPP achievement rate and the training rate, actions taken with people who left the company during the year are taken into account. The rates are calculated for the workforce registered at the end of the period.

Roll-out of training programs

The Group's training commitments and policies are as follows:

- to pursue and maintain training programs that guarantee health, safety and well-being in the workplace and are proven to raise performance levels;
- to continue with and maintain training/awareness programs for managers and employees to foster diversity and combat all forms of discrimination;
- to introduce formal individual training courses for talented employees in order to support them in new roles, increase their responsibilities and manage change;
- to continue orientation programs for key personnel at various entities in order to help them succeed and acclimatize them swiftly to the business culture;
- to continue management training in order to equip new managers with core management skills and strengthen the leadership skills of more experienced managers;
- to train sales teams on new solutions, products and systems to increase sales and boost market share.

Cross-functional management is steered either centrally or locally within the subsidiaries, and allows training needs to be more clearly identified and customized approaches developed. In 2018, more than 476,000 hours of training were provided.

Training is provided every year to managers, who play a vital role in identifying priority needs, recommending the development of core competencies, and maintaining and developing the commitment of their employees. In addition, coaching programs help employees settle into their new roles and contribute to their personal development.

Management and leadership

Based on the annual appraisal, behavioral competency matrix and talent review, targeted training for different categories is put in place at Group level and in some entities. The training is sometimes combined with external potential assessment tools, as in North America for example.

For the experts identified in organizational reviews, other types of training are arranged, such as 2DI (innovation development).

Corporate training

The Group has a specific talent training program with the aim of developing and retaining key employees at all subsidiaries. It concerns employees in key operational areas who need to play a role as intermediary in their respective geographic regions.

The aims of this program, designed in partnership with IMD Lausanne, are to develop leadership skills and improve ownership of Legrand's strategy, as well as create an international talent pool. The program includes modules on self-knowledge, teamwork from a leadership perspective (with plenary sessions and practical workshops), and an introduction to new collaborative working methods. Trainees also have an opportunity to meet the Group leadership.

The program cascades down into local programs, such as the Effective Leadership program in Mexico and Emerging Leaders program in the United States, illustrating the complementary nature of the various arrangements.

In 2018, more than 3,000 people received training on digital themes across several countries (France, Italy, India, Northern and Central Europe and the United States). The aim of the training was to provide employees with a basic understanding of digital themes such as smart homes, big data and e-commerce.

Induction process

To help new hires reach the required competency level as quickly as possible, some countries (Mexico, USA) have implemented local induction programs. In some cases, Early-in-Career development programs are in place. These consist of assigning a talented young employee to different functions in turn, or to major projects within the same business line.

Roll-out of a talent management process

The management of talent, i.e. high-potential employees who are capable of taking on responsibilities within Legrand, is a major challenge for the Group. It is currently deployed in larger countries, and relies on various processes and tools such as:

- the Organization and Staffing Review (OSR) process;
- the Prospective Employment and Skills Management (known as GPEC in France) or its equivalent in the other countries;
- staff mobility management.

In an ever-changing environment, the aim is to maintain these processes optimally in major subsidiaries, as well as deploying them in other countries, with entities that in most cases have no local HR structure.

To make it easier to harmonize practices, HR teams use the same HR IT platform. This application helps to identify and develop talent, in particular by managing employee data such as CVs.

The OSR process is designed to match the Company's organizational needs to its resources as closely as possible and on an ongoing basis. In particular, it handles:

- career development plans (prepared by employees and discussed with their managers);
- the identification of possible successors for certain key positions;
- development or mobility action plans;
- the impact of changes in strategy on jobs and on the organization;
- certain specific situations, such as employees with high potential or particular expertise.

Having redefined and implemented the new process during the early years of the roadmap, in 2018 the OSR process was applied across almost the entire workforce (95%).

Focus: France - prospective employment and skills management

The implementation of Prospective Employment and Skills Management (GPEC) and its guidelines on standard duties allows gaps to be identified between the skills required for each position and those of the person holding that position, and defines priority training needs. In France, GPEC is an integral part of the CAPP process. Internationally, subsidiaries use a simplified system for complying with local laws and practices.

The GPEC agreement signed with all trade unions represented in France in 2009 formalizes an employment policy designed to underpin competitiveness, while at the same time enabling employees to better manage their own careers in a rapidly changing environment. The agreement also offers support to employees interested in external mobility – either to start their own business, take over an existing one, or switch careers – through business startup leave, flexible working hours, financing and advice. It has been renewed a number of times with supplemental agreements, most recently on September 15, 2017. Legrand is also a partner of the Réseau Entreprendre Limousin et Haute-Vienne Initiatives (Limousin and Haute-Vienne entrepreneurship network), which provides support for startups. As part of the Group's support for entrepreneurship, Legrand is a partner of APEC (the Association pour l'Emploi des Cadres – executive employment association).

Mobility management promotes employability and is a way of developing skills. It contributes to both personal progress and business performance. The Legrand Group has a wide range of professional positions, business sectors and geographical locations, creating multiple opportunities and possibilities for career development. Employee mobility platforms allow Group-wide management of talented staff in key positions, helping them to achieve ongoing professional development. Vacancies are posted on the Group intranet, which helps to drive professional and geographical mobility. Talented Group employees identified during the OSR process as ready for mobility are systematically taken into account in the various Group Mobility Committees.

Legrand is keen to promote and facilitate the geographic mobility of its employees.

To that end, Legrand launched an intranet platform in 2017 that allows all employees to learn about global job opportunities for international resources and to apply online.

This platform meets two expectations:

- employees' ambitions to develop their skills internationally; and
- the Group's willingness to offer development opportunities and promote career paths.

Since July 2017, around 80 vacancies from all business lines and spanning four continents have been advertised. These have attracted applications from many countries.

Legrand encourages staff members' mobility plans with support including visits to host sites, training that can cover intercultural skills in the case of a move to another country, and financial incentives. Thus, people in the *Volontariat International en Entreprise* (Volunteer for International Experience or VIE) program who work at the Group's subsidiaries are regularly monitored at various stages of their mission. When their contract ends, a full assessment is conducted and a detailed analysis of employment opportunities is performed by the Mobility Committee.

Individual appraisal reviews for Group managers

Individual appraisal reviews, now known as CAPP (Competency Appraisal Performance and Perspectives) meetings are an important part of management and are essential for driving business performance. They enable Human Resources to focus on annual budgetary targets and to increase personal commitment by assessing performance, setting development action plans and taking into account wishes regarding functional or geographical mobility. These individual appraisal reviews are an opportunity for dialogue between the manager and the employee.

In 2018, 90% of the managers had a CAPP meeting, which involves a standard approach to the concepts of targets, performance, competencies and mobility. Countries are encouraged to develop this practice and the Group helps them set up, deploy or adapt the process. For example, countries deviating significantly from the Group standard have received specific assistance. More information about the process has been featured in internal communications.

The launch of the Tohm project (the roll-out of a single HR IT system) three years ago has enabled the Group to turn the spotlight on this major HR process. At the end of 2018, the system had been rolled out in 40 countries for the purpose of conducting these meetings.

As a result, the process has been revised to include several aspects:

- the close involvement of employees, who are asked to perform a self-assessment on the attainment of their goals and their business and behavioral competencies, and who may offer suggestions when the following year's targets are being set;
- the definition of a Group-wide, cross-functional skills framework linked to the type of role involved (manager, individual contributor, manager of managers).

The system roll-out was accompanied by numerous training courses on the process for managers, and tutorials for managers and employees.

Manager retention

In addition to talent management programs and a strong bias towards internal promotion, Legrand also relies on its compensation policy to retain management. Legrand has had retention plans in place for 10 years. Under these plans, performance shares or bonuses are distributed, depending on the year. These are among the tools used to motivate and retain staff. A selection process approved by senior management seeks to identify the best-performing employees within all of the Group's subsidiaries who help to create value across the organization. The process covered more than 5% of the Group's workforce (about 2,000 people) in 2018.

More than three quarters of awards are currently made to employees of international subsidiaries. It should be noted that, starting in 2016, one third of the performance criteria for performance shares has been indexed to overall CSR performance, in connection with the CSR roadmap.

In France, for example, these arrangements are supplemented by profit sharing and incentive mechanisms, the Employee Savings Plan and the Company Investment Fund.

The Group also seeks to increase information-sharing and communication between employees through various internal tools:

- the intranet, which provides real-time information for all employees with access to a computer;
- the in-house magazine Legrand Info, which has a circulation of 8,400, is published in five different languages and is distributed digitally in all countries;
- the creation of an international network of Internal Communications correspondents in all subsidiaries and sales offices, to relay Group information;
- the internal corporate social network Yammer, which was launched in 2015 and has numerous community groups. This network is designed to facilitate knowledge transfer across the various entities. Terminals have been set up in the manufacturing facilities to enable people without a computer workstation to keep track of the Group's news;

- social media ("Legrand" on Twitter and "YouTube Legrand") and communities specializing in areas such as Marketing, Purchasing, and Communication. More cross-functional communities also allow employees to share their opinions and ideas on products;
- shared databases allowing the pooling of data and files;
- internal webcasts for staff training and the sharing of information;
- specific workshops to allow various departments to present their activities to other employees.

Focus: Change management

Adapting to markets involves making organizational changes and therefore adjusting the resources and funding allocated. These organizational changes take place within the framework of local labor relationships. Management-employee dialogue is particularly important when it involves discussing possible changes and reorganizations inside the Company. Employee representatives are kept closely informed and are regularly consulted about new projects. Once changes have been decided upon, the Group puts in place measures to support those affected (e.g. redeployment, training, coaching, help with setting up or taking over a business, etc.).

4.4.3.2 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG4 (Quality education) Legrand is addressing the issue of **developing skills** by adopting initiatives to:

- **develop the skills and talents of all staff members**. In a context of digitalization and the need for employees to adapt to new roles, human resources must take into account the issues and priorities arising from Legrand's business activities. The Group works hard to attract and retain talent, so that it can meet its future requirements. Legrand's skills management approach also seeks to ensure the well-being at work and satisfaction of employees.

4.4.3.3 PROMOTING DIVERSITY, ESPECIALLY BY PLACING MORE WOMEN IN MANAGEMENT POSITIONS

The Group is deeply committed to combating discrimination and promoting diversity. In 2004, it published its first Ethics Charter and in 2009 formalized the guidelines in a Charter of Fundamental Principles. Another sign of its commitment in this regard is the fact that Legrand is also a signatory to the UN Global Compact.

General Management believes that diversity, i.e. having people with a range of profiles within the Group, contributes to innovation, performance and quality of life within the company. There are twenty nationalities at the Group's headquarters today. Employees benefiting from geographical mobility not only come from head office but also from subsidiaries in all geographical zones. The Human Resources Department is thus seeking to diversify the profiles of the talented people who support the Group's growth. Legrand is also encouraging the recruitment of more women managers and intends to ensure that working conditions are the same for women as for men.

2014-2018 Group priority

To increase the number of women in key roles by 25%.

Key performance indicator: the number of women in key roles in the Group.

Annual targets:

	2014	2015	2016	2017	2018
Percentage of women in key roles	12.6%	13%	13.5%	13.9%	14.4%

2018 achievements:

At the end of 2018, 15.2% of the Group's key roles were held by women, an increase of 32% versus the end of 2013.

	2014	2015	2016	2017	2018
Target achievement rate*	127%	125%	113%	136%	129%

* *Calculated against the percentage at end of 2013 (11.5%).*

Key roles are those considered to have a significant impact on the strategic objectives and performance of the relevant entities. The goal of increasing the percentage of women in key roles applies worldwide.

The Group's aim was to increase this percentage by 25% between the end of 2013 and the end of 2018 unadjusted for changes in scope, i.e. including employees joining the Group as a result of acquisitions (which, in terms of diversity, can sometimes dilute the Group's performance, often for cultural reasons). The percentage actually increased by 32% during the period.

Promoting women to the Group's key roles is part of an ongoing action plan that follows on from measures already implemented by the Group in recent years:

- **non-discrimination awareness and training for managers**: initiatives include presentations by independent experts to HR employees and workforce representatives involved in negotiating

Professional Equality and Sustainable Development agreements; raising awareness among new hires during orientation sessions; using dedicated tools (webcasts, testimonials, quizzes and posters); incorporating the promotion of diversity into internal communication campaigns, and organizing a gender equality week. Countries that have been involved in these initiatives include Australia, the United Arab Emirates, the United States, Germany, Italy and Canada;

- **guarantee that HR processes comply with the principles of non-discrimination**: production of a recruitment guide consistent with the principle of non-discrimination, written by an international working group composed of human resource managers from four countries (France, Italy, Turkey and the United States); signature of agreements on employment parity and equality, particularly in France in 2012 and 2014 with renewal of these agreements in 2018, and in Italy; guidelines sent to Group managers in France during the annual pay review;
- **establishment of a network of gender equality guarantors**: appointed to cover France, these guarantors have a mediation and advisory role and participate in the sharing of best practice. They must ensure that no discriminatory situations occur in terms of hiring, vocational training, career paths and development, access for women to positions of responsibility, compensation policy, work/life balance, or the organization of working hours. The gender equality guarantors reviewed 13 potential cases of discrimination in 2018 (versus 26 in 2017), seven of which resulted in salary adjustments being made (versus 12 in 2017);
- **training program**: since 2013, nearly 900 of the Group's French managers have received training in combating stereotypes. In 2018, the initiative was supplemented in France with efforts to raise awareness of everyday sexism among 150 managers;
- **the elle@legrand gender equality network**: created on the initiative of Group employees, this network is run by an independent firm and is funded by General Management. The network discusses skills development, career progression and work/life balance, arranges programs such as mentoring and organizes presentations and exchanges of views with other networks. By the end of 2018, the network covered 21 countries including the United States through the Elle at Legrand NA (North America) network, and Italy with Lei@Bticino.

Focus: Legrand's contribution to the Green Paper by the Observatoire de la Mixité: six concrete measures to improve diversity in business

Since 2017, the Observatoire de la Mixité – part of the Institut du Capitalisme Responsable, to which Legrand is affiliated – has proposed a Green Paper on the six measures it considers most valuable for effective development of diversity in business. The Green Paper was co-produced following 18 months of discussion between seven pioneer partners – including Legrand – assisted by 17 diversity experts.

4.4.3.4 2019-2021 CSR ROADMAP

With its fourth CSR roadmap due to be published in 2019, in connection with SDG5 (Gender equality) and SDG10 (Reduced inequalities) Legrand is addressing the issue of **promoting equal opportunities and diversity** by adopting initiatives to:

- **encourage diversity at work**: this includes promoting gender balance and diversity in the workplace, representation of cultural differences and the integration of disabled people. Each Legrand entity encourages diversity, and in particular the promotion of women into managerial positions. The Human Resources Department also works to attract a more diverse range of talent to support the Group's growth.

4.4.3.5 REDUCING THE PAY GAP BETWEEN MEN AND WOMEN

Legrand champions gender equality and works to reduce the pay gap between the Group's male and female employees wherever it is found to exist. The aim of this priority is to improve diversity within the "non-manager" category, for example by increasing the number of women in skilled roles.

2014-2018 Group priority

Reduce by 15% the pay gap between men and women in non-managerial positions as a whole within the Group.

Key performance indicator: the pay gap between men and women in non-managerial positions as a whole within the Group.

Annual targets:

	2014	2015	2016	2017	2018
To reduce the pay gap to:	16.4%	15.9%	15.4%	14.9%	14.4%

2018 achievements:

This priority applies to the entire non-managerial population and does not address the gender pay gap for a particular role. At the end of 2018, the pay gap between men and women in non-managerial positions was 12.9%, better than the target initially set.

	2014	2015	2016	2017	2018
Target achievement rate*	274%	94%	142%	184%	161%

* *Calculated on the basis of the percentage reduction recorded relative to the baseline (17% in 2013) and compared against annual targets. The 2018 gap was calculated on the basis of 99.63% of the Group's non-managerial employees.*

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This commitment applies to the non-managerial population, and perfectly complements the commitment described above. Although measures to promote women to more senior positions will reduce the pay gap between men and women within the managerial population (as a result of the gender mix within the population concerned), they will not, by their nature, reduce pay gaps within the non-managerial population. Therefore, Legrand has chosen to apply this commitment to non-managerial positions.

Focus: Legrand's gender equality index

As required by the French act of September 5, 2018 and the related implementing decree of January 8, 2019 aiming to eliminate gender pay gaps within companies, Legrand has published its gender equality index, showing a score of 85 out of 100.

The score is calculated using the following five criteria:

- eliminating gender pay gaps for people in similar roles and of similar ages;
- ensuring that women have the same opportunities for pay rises as men;
- ensuring that women have the same opportunities for promotions as men;
- ensuring that all women receive pay rises when returning from maternity leave if pay rises have been granted in their absence;
- ensuring that at least four of the top ten people in terms of remuneration are women.

The index is the result of an HR policy in place for more than seven years: the first gender balance agreement was signed by all relevant parties in 2012, and it was renewed most recently, again unanimously, on January 30, 2018.

4.4.3.6 DISABILITY MISSION FOR GREATER DIVERSITY

Legrand has special initiatives for people with disabilities, an area in which it has been actively involved for many years. This approach is a natural fit with the Group's commitment to disability: "Promote equal opportunities through an improved awareness of diversity in Human Resources management". Overall, people with a disability make up 2.30% of the Group's workforce included in HR reporting.

In France, a new agreement on preventing discrimination and integrating people with disabilities has been signed for the 2018-2020 period. It comprises a hiring plan, an integration and training plan with adapted work stations, and a plan for retaining disabled employees.

The Group has close relationships with sheltered employment centers (*Établissements de Service et d'Aide par le Travail* or ESATs) in the Nouvelle-Aquitaine region of France, and particularly with the French association for the blind and disabled (APSAH – *Association pour la Promotion Sociale des Aveugles et autres Handicapés*). Annual contracts for the provision of services as well as production work are signed every year. Moreover, Legrand offers free training to the personnel of ESATs in safety rules and the use of firefighting resources. Trainees with disabilities are also integrated into the different establishments. ESATs have been set up in-house at two of our sites in France. The system offers ESAT members experience of professional life in a less sheltered work environment, leading to greater personal development. The Group's various subsidiaries adopt these commitments locally and support charities that promote access to employment for people with disabilities.

Under this agreement, Legrand allocates a budget for donating disability-related electrical equipment to refurbishment or new-build projects.

In France, Legrand also has a disability unit to manage the initiatives contained in the anti-discrimination and integration agreement, and to raise awareness of the issues faced by disabled people both inside and outside the company. Each year, to mark the European Disabled Employment Week, events are organized at head office and elsewhere to change the perception of disability. During European Disabled Employment Week in 2018, as in every year since 2010 and under the partnership agreement signed in 2014, the Limoges site welcomed visually impaired students from APSAH's physiotherapy massage training institute (IFMK), who offered stretching sessions to prevent musculoskeletal disorders. The Montbard site organized a site visit for jobseekers with disabilities, working with entities such as Greta 21, Cap Emploi and UIMM. The Malaunay site in Normandy and the Sillé-Le-Guillaume site in the Sarthe region also arranged events on the theme of disabilities. The aim of these various events is to change attitudes towards disability.

Initiatives of this kind are also carried out in other countries, particularly to raise awareness of different disabilities. Various subsidiaries adopt these commitments locally and support charities promoting access to employment for people with disabilities.

Group sites in Brazil are also committed to employing disabled people, either directly or through institutions. Persons with disabilities can thus participate in remunerated industrial projects, which enables them to be employed. In Italy, since the "International Year of the Disabled" in 1981, the Bticino subsidiary has partnered with CFPIL (Varese Center for Vocational Training and Integration through Work) and the Italian province of Varese to facilitate the integration into the workplace of young people with mental and motor disabilities. Governed by an agreement, this commitment results in trainees being integrated into the Group's Italian teams. The objectives of the partnership were mainly to promote their integration into working life.

Since the end of 2016, Legrand has been part of the ILO Global Business and Disability Network, which brings together companies to promote the inclusion of disability by highlighting the benefits of recruiting people with disabilities and facilitating the sharing of knowledge and best practice between companies, business networks and the ILO. Legrand has ratified the network's Global Business and Disability Charter. The Charter covers areas ranging from protecting staff with disabilities against all forms of discrimination, to making company premises and internal communication more accessible for disabled employees. As a signatory, Legrand intends to pursue its efforts to promote the inclusion and integration of people with disabilities in the workplace.

4.5 – LIMITING OUR ENVIRONMENTAL IMPACT

Legrand has long been committed to safeguarding the environment. This responsibility applies not only to the Group's sites but also the design of its products. The challenge is to innovate in order to limit the environmental impact of Legrand's operations. This includes promoting the development of a circular economy.

To achieve this objective, Legrand encourages grassroots action at its production and R&D sites, which is overseen by the SBUs (Strategic Business Units). At the same time, the Group Environment Department manages the Group's environmental policy within the Strategy and Development Department and contributes to environmental reporting by providing data analysis.

More than 140 people worldwide work on environmental issues.

For example, environmental representatives at the various production sites ensure that the Group's environmental policy is implemented. They are responsible in particular for implementing environmental diagnostics. As part of Legrand's operational organization, they also help implement improvement plans, in most cases as part of an Environmental Management System (EMS).

Similarly, ecodesign specialists at R&D centers are involved in implementing tools and best practices.

All these environmental representatives work closely with each of SBU quality, environment and safety managers, and with the Group Environment team.

Industrial sites as well as the major administrative and logistics sites contribute to Group environmental reports by producing some 30 indicators, such as energy and water consumption, VOC (volatile organic compound) emissions and waste production.

A selection of the data from these reports can be found in section 4.7.3. of this registration document.

In addition, by actively contributing to the industry CSR guide published by GIMELEC (the French association for the electrical industry), Legrand has sought to provide specific information about the sector, and in particular to identify the environmental impacts that apply to its businesses. This is particularly the case with noise pollution: as a manufacturing industry, noise pollution is limited to the noise of machinery located inside buildings; this is controlled so as not to generate any particular problem to neighborhoods around the Group's sites. The subject of food waste is not directly related to Legrand's business. Consequently, Legrand does not consider that the topic materially concerns its operations and therefore has not specifically covered it in this registration document (consistent with the "comply or explain" approach).

4.5.1 – Issue no. 9: Reducing the Group's environmental footprint

Legrand deploys its environmental policy on its sites through ISO 14001 certification. This has led to an EMS (Environmental Management System) being set up, accompanied by an ISO 50001-compliant energy management system at some European sites. This process, along with a host of local EMS initiatives that have proven effective in the Group entities that are most advanced in terms of environmental management, has led to a reduction in the company's environmental footprint.

4.5.1.1 SYSTEMATICALLY OBTAINING ISO 14001 CERTIFICATION FOR GROUP SITES

Legrand's approach is to prevent environmental risks and improve the performance of its sites. The management systems of industrial and logistics sites are assessed regularly and appropriate action plans are implemented as part of a continuous improvement process. This has resulted in third-party ISO 14001 certification of sites covered by the Group's environmental reporting.

2014-2018 Group priority

To achieve ISO 14001 certification at more than 90% of the Group's industrial and logistics sites.

Key performance indicator: the percentage of the Group's sites with ISO 14001 certification.

Annual targets:

	2014	2015	2016	2017	2018
Certification rate of sites*	87%	88%	89%	90%	90%

* *Belonging to the Group for more than five years.*

2018 achievements:

At the end of 2018, 90% of the industrial and logistics sites that had been part of the Group for more than five years had been ISO 14001 certified.

	2014	2015	2016	2017	2018
Target achievement rate*	102%	104%	102%	102%	100%

* *Calculated against annual targets.*

Procedure

Sites of companies that the Group has recently acquired must be certified within five years. New sites joining Legrand are therefore assisted in their efforts to reach the required performance level through continuous improvement plans incorporating the Group's best practices and environmental techniques. This commitment represents a major ongoing effort, especially in countries where regulations and standards fall short of the criteria for ISO 14001 certification.

The introduction of an ISO 14001-compliant environmental management system (EMS) has two main consequences:

- it determines the site's significant environmental aspects (SEAs). The site's management and personnel will put measures in place in accordance with the site's environment, activities and local culture in order to prevent pollution and environmental risks in general;
- it establishes a continual improvement process, often symbolized by the Deming Cycle (Plan-Do-Check-Act), involving the implementation of concrete improvements. For example: improvements to energy efficiency in compressed air circuits and industrial cooling systems; reductions in water consumption in industrial processes; reductions in waste production at source and the installation of recovery processes.

4.5.1.2 CONTROLLING WATER CONSUMPTION

The Legrand Group monitors its water use separately and takes the scarcity of the local water supply into consideration. It measures its impact by taking account of the water consumption at industrial sites (using environmental reporting data) and the local value of water, which is estimated based on its natural availability and the conditions for accessing it.

For this reason, the Group uses public benchmarks to assess its exposure and dependency on water. By combining the consumption reported by the sites and the WSI (Water Stress Index) mapping data published by the UNEP (United Nations Environment Programme), the Environment Department has identified the 20 sites that account for 80% of the Group's water stress worldwide. This analysis has revealed that approximately 73% of the Group's water consumption occurs at industrial sites situated in zones where there is low or moderate water consumption (WSI index less than or equal to 0.7). This approach enables the SBUs (Strategic Business Units) to focus their actions on the most sensitive sites in terms of their environmental impact on local water resources.

Legrand uses water of standard sanitary quality. It is not required to comply with any restrictions such as those relating to physico-chemical, microbiological or organoleptic parameters. Most of Legrand's water consumption is for sanitary use by staff in the workplace. The treatment of waste water is therefore similar to the treatment of water used by the local community.

In addition, the few Legrand facilities that use water for industrial purposes are carefully monitored to avoid any risk of pollution. For example, surface treatment workshops with effluent treatment plants are strictly maintained and regularly upgraded. More generally, the ISO 14001 certification policy of Group sites as described above entails responsible industrial processes and practices for water management.

In 2018, the Group's water consumption amounted to 855,000 m^3, down 4.5% unadjusted for changes in scope, compared with the figures reported in 2017. As a percentage of Group sales, water consumption amounted to an average water consumption intensity of 142 m^3 per million euros of sales at the end of 2018, against 173 m^3 per million euros of sales at the end of 2017, down 18% (unadjusted for changes in scope). In the medium term, the trend is significantly better than the 2% reduction per year that the Group has set itself. Since 2013, the baseline year for the CSR roadmap, there has been a decrease in water consumption of more than 20%. This decrease demonstrates the continued effectiveness of the actions introduced.

Just as with greenhouse gas emissions under the GHG protocol (see section 4.5.1.3), the main water consumption indicators relating to accommodation and catering for employees at industrial sites are not taken into account, when this is technically possible.

In addition, the Group's surface treatment subcontractors are in general historic local suppliers, for which the same regulatory constraints are applied. Logistical proximity enables Group buyers to verify easily that these subcontractors implement a compliant and optimal effluent treatment system.

4.5.1.3 REDUCING THE ENERGY INTENSITY OF THE GROUP'S OPERATIONS AND REDUCING THE CARBON FOOTPRINT

Legrand regards reducing the energy intensity of its operations and reducing its carbon footprint as a priority.

To achieve this, the Group – taking advantage of its privileged position as a supplier of energy-efficient solutions that it can use at its own sites – has committed to a policy of continuous improvement of its energy performance. In 2015, this commitment resulted in the publication of the Group's energy policy, which is available for all Group employees on the Legrand intranet. All subsidiaries and industrial, logistics and commercial sites are affected by this continuous improvement process and are responsible for monitoring their energy performance. Areas of progress are identified at each site and action plans implemented to reduce energy consumption. Furthermore, compliance with the legal requirements for energy is ensured by the site management system within the framework of ISO 14001 certification.

Legrand intends to pool best energy practices within the Group by focusing on workforce training and information-sharing. As part of its investment policy, Legrand's General Management also provides the resources required for the implementation of initiatives to reduce energy consumption, involving suppliers and service providers in improving the Group's energy performance. The Group thus encourages its subsidiaries to present investment projects dedicated to improving energy performance, with specific return on investment periods (longer than the periods required for other investment plans). Site renovations allowing a general improvement of buildings are generally accompanied by energy optimization efforts.

Energy management certification for the Group's sites

To build on this continuous improvement process, Legrand's management has decided to introduce an Energy Management System (EMS) according to the ISO 50001 standard. In 2015, Legrand obtained ISO 50001 certification for its energy management system covering Legrand's headquarters, 21 production sites and three logistics sites located in Spain, France, United Kingdom, Hungary, Italy, Netherlands and Poland. Legrand is the first French industrial group to obtain ISO 50001 certification for multiple sites across a broad European platform. The certification demonstrates the Group's commitment to tackling major energy transition challenges by promoting solutions and services to improve energy efficiency in buildings. Legrand's European Energy Management System (EMS) is supported by the Group's energy policy, existing ISO 14001 environmental management systems, and actions and information from the sites.

The scope of the EMS corresponds to more than 40% of the Group's global energy consumption and covers all industrial, logistics and administrative operations of the European sites concerned.

As part of the roll-out of the EMS, large-scale training was carried out in 2016 and 2017 with more than 250 employees identified as playing a direct role in the energy performance of their home site. This training was offered in the local language in seven European countries.

In 2018, the decision was taken to roll out certain EMS tools more broadly across the whole Group. Since the elements form part of an environmental management system certified as ISO 140001 compliant by a third party, there are no plans to extend the scope of third-party ISO 50001 certification. The previous certificate, which was valid until November 2018, will not be renewed.

2014-2018 Group priority

To reduce energy intensity by 10%.

Key performance indicator: the Group's energy intensity.

Annual targets:

	2014	2015	2016	2017	2018
To reduce total energy intensity, compared with 2013, by:	2%	4%	6%	8%	10%

2018 achievements:

For 2018, energy consumption at the Group's sites was 451 GWh, down slightly compared to 2017 (454 GWh). As a percentage of Group sales, energy consumption amounted to an average intensity of 77.8 MWh per million euros of sales at the end of 2018, against 105.8 MWh per million euros of sales at the end of 2013, down more than 26.4% (unadjusted for changes in scope). This decrease exceeds the reduction target of 2% per year, due to the energy-saving initiatives introduced by the Group (some of which are detailed below) and to more favorable weather conditions in some regions.

	2014	2015	2016	2017	2018
Target achievement rate*	315%	175%	247%	213%	264%

* *Calculated against annual targets.*

Energy practices and greenhouse gas reduction strategies

Group sites

The Group automatically incorporates energy efficiency into its operations when building, refurbishing and maintaining its premises. Presence detectors are routinely installed during building renovations to reduce power consumption from lighting.

Energy-efficient solutions developed by the Group are also installed at its industrial and service sites. For example, systems and sub-systems for measuring power consumption have been installed at several Group sites in China, helping to obtain LEED certification for three of the Group's Chinese sites.

As part of the "Better Building, Better Plants" initiative backed by the White House, North American entities have pledged to undertake energy renovations and improve the energy efficiency of their office buildings and industrial sites with the aim of reducing energy intensity by 20% by 2022. In this context, Legrand has commissioned a fuel cell device at West Hardford, one of its main industrial sites in the U.S. In principle, this will allow electricity to be generated from oxygen and natural gas, with no fuel being burnt. Calculated over a 20-year period, the fuel cell will deliver up to a 40% reduction in greenhouse gas emissions and eliminate 100% of NO_x and SO_x type gases. It has already led to a saving of more than 50%, based on local electricity costs. As a result, Legrand North America is ahead of the target.

LED lighting has been rolled out more extensively across Group sites.

For building refurbishments, athermic glazing/shading solutions are preferred to air conditioning, which is only installed if there is no other option. Similarly, when ventilation systems need to be replaced, the Group opts for double-flow ventilation with recycled fresh air in summer, saving on heating in winter and preventing the entry of warm air in summer, thereby reducing the use of air conditioning.

Industrial processes

The Group also keeps track of best available techniques and is committed to replacing obsolete equipment with less energy-intensive processes. In 2018, electric thermoplastic injection molding machines were deployed at numerous sites to replace hydraulic machines. At some sites, more than three quarters of their equipment uses this new technology, which cuts electricity consumption by around 50%. Energy recovery systems have been installed on cooling units and compressed air production units.

Vehicles

In France, the Group has partially replaced its fleet of company vehicles with electric vehicles. Charging stations continue to be installed in the parking areas of several industrial sites. These stations are used for cross-site shuttles and travel within the local area.

Capital expenditure

As regards its capital expenditure strategy and for the development of new products, Legrand has since early 2016 gradually been taking into account the carbon dioxide price per ton into its operational considerations.

Logistics

As regards its logistics operations, the Group constantly strives to:

- simplify its logistics flows to reduce the distances traveled by products and components between production and storage sites in sales areas; it also analyzes the "overall cost", which takes environmental criteria into account;
- consolidate the various manufacturing stages into a single location, thus reducing transportation between sites.

The Group also consistently encourages initiatives to make logistics more efficient, such as:

- optimizing the loading of trucks leaving the Group's international distribution center for the main subsidiaries;
- increasing the proportion of goods shipped by sea, especially between France and Turkey;
- using rail transport, particularly between Paris and Italy (Milan), and between Antibes and Paris;
- using river transport between the port of Le Havre and the Paris region, particularly to supply the Group's international distribution center;
- using, wherever possible, the same mode of transport for incoming and outgoing shipments at the Group's international distribution center, thus reducing the number of empty journeys;
- limiting the use of air freight.

The Group's carbon footprint

Every year, Legrand carries out a carbon audit, following the Carbon Footprint methodology developed by the Carbon Disclosure Project (CDP), a non-profit organization whose objective is to measure, publish and share environmental information and provide a framework for actions to combat global warming. The main aspects of the approach are as follows:

- scope 1 emissions: these are Group emissions related to the consumption of fossil fuels (almost entirely natural gas) used for heating buildings, and to a lesser degree for some industrial processes. Consumption by company cars, which are used overwhelmingly by sales forces in the various countries where the Group operates, is also taken into account. Lastly, the contribution of refrigerant leakage is evaluated and taken into account;
- scope 2 emissions: these are indirect greenhouse gas emissions related to electricity and heating consumption, mainly for industrial processes and marginally for heating and lighting buildings. The specific carbon content of electricity in each country is taken into account[(1)].

In all, scope 1 and 2 emissions amounted to 178,000 metric tons in 2018, the same as in 2017. The unchanged amount means that greenhouse gas (GHG) emissions directly controlled by the Group are stabilizing at a time of significant growth.

It is important to note that the extrapolation from sites covered by environmental reporting to estimate the GHG emissions of administrative sites (particularly offices and sales branches) covers all of the Group's GHG emissions.

For scope 3, Legrand regularly assesses all of its relevant emissions sources. The assessment produces a total of around 2.5 million metric tons. The largest sources are purchases of goods and services (particularly raw materials), the ways in which sold products are used – for which the estimation method is currently being defined and raises complex problems – and upstream and downstream logistics sources. Other sources make up no more than 3% of the total individually and 8% of the total together.

In 2018, the Group obtained an A- rating (as opposed to B in 2017) under the CDP rating system.

Focus: Legrand is committed and has reaffirmed its desire to reduce its energy footprint via its commitment to Science Based Targets

Legrand has signed up to numerous international initiatives to combat global warming:

- in 2015, Legrand was closely involved in the United Nations Climate Change Conference in Paris (COP21), signing the climate manifesto and joining 39 other major French companies which are resolutely committed to the fight against climate change and to helping limit global warming to 2° C. The Group also signed the "Business for COP21" charter of commitments and its initiatives are listed on the United Nations' official "International Climate Action" website;
- since 2016, Legrand has been part of the "Global Alliance for Energy Productivity", an international alliance aiming to improve energy efficiency;
- in 2017, the French Climate Business Pledge signaled the ongoing commitment of French companies to develop low-carbon solutions two years after the Paris agreement, thus emphasizing how serious those companies are about following through with the 2015 declaration;
- also in 2017, Legrand signed the declaration of support for the Task Force on Climate-related Financial Disclosures (TCFD);
- in 2018, Legrand made a commitment to the Science Based Targets Initiative backed by the WWF, the United Nations Global Compact, the World Resources Institute and the CDP, which calls on companies to commit to reducing CO_2 emissions in accordance with the GIEC's scientific approach in order to limit global warming to 2° C.

Legrand has committed to reducing its greenhouse gas emissions arising from its energy consumption by 30% by 2030. The Group has therefore moved from an energy performance target to a target of decarbonizing its business activities.

4

(1) As well as these specific emission factors, the emission factors of the French environment and energy management agency (ADEME) are taken into account for France.

4.5.1.4 AIR POLLUTION

Air pollution arising from the Group's activities consists mainly of volatile organic compounds (VOCs) produced by certain processes in production units, such as depositing paint or ink on the surface of products, metal forming, the soldering of electronic components and the molding of unsaturated polyesters. In the last few years, the Group has worked hard to identify its VOC emissions more accurately and exhaustively. As a result, the figure resulting from the data collected has increased significantly, but that does not necessary mean that emissions have increased.

VOC emissions thus amounted to 127 metric tons in 2018 as opposed to 118 metric tons in 2017.

However, Legrand intends to manage VOC emissions more effectively and above all to limit the amount released into the environment.

4.5.1.5 USE OF SOILS AND BIODIVERSITY PROTECTION

Legrand's activities have no direct impact on soil or biodiversity. The vast majority of the Group's production sites are located inside business or industrial zones that are subject to specific regulations. Furthermore, the Group considers that the focus on reducing water consumption, particularly in areas subject to water restrictions, helps to ease human pressure on ecosystems. Finally, the manufacturing nature of the Group's activities allows its sites to be multi-storied, thus limiting their footprint.

In addition, Legrand factors in the concept of embodied biodiversity. By analogy with embodied energy, embodied biodiversity is understood as the cumulative impact on ecosystems and biodiversity over the entire lifecycle of a material or product (e.g. equipment, energy): raw materials extraction, manufacturing, transportation, implementation, use and end-of-life. Each of these stages has a greater or lesser impact on the environment (destruction of species or habitats, consumption of natural resources, various forms of pollution, GHG emissions, etc.).

Grey biodiversity can be assessed based on PEPs (Product Environmental Profiles), for which there are numerous impact indicators (intermediate indicators), such as air or water toxicity or eutrophication, which enable an estimate to be made of the potential harm to ecosystem diversity (damage indicators). The Group therefore has a relatively broad base for indirectly assessing its impact on biodiversity.

For more information on PEPs, please refer to section 4.2.1.3. of this registration document.

For more information about our environmental actions, please visit our website at *www.legrand.com*.

4.5.1.6 2019-2021 CSR ROADMAP

With its fourth CSR roadmap starting in 2019 and in connection with SDG12 (Responsible consumption and production) and SDG13 (Climate action), Legrand is addressing the issue of **limiting greenhouse gas emissions** by adopting initiatives to:

- **reduce the Group's carbon footprint**. Legrand has long been committed to limiting the environmental impact of its activities and to reducing CO_2 emissions. The Group has strengthened this long-standing commitment by signing up to two international initiatives against global warming: the Science Based Targets initiative and the Global Alliance for Energy Productivity. Legrand also takes into account the CO_2 price per ton into its operational considerations, particularly in its investment decision-making processes;
- **avoiding CO_2 emissions through our energy efficiency offering**. Because buildings are responsible for 35% of energy consumption and 20% of CO_2 emissions, reducing the energy consumption of buildings is a major part of the fight against global warming. The installation of equipment helping customers to consume energy more responsibly and to improve the energy efficiency of buildings plays a part in hitting targets to reduce CO_2 emissions and limit global warming.

In connection with SDG11 (Sustainable cities and communities) and SDG12 (Responsible consumption and production), Legrand is addressing the issue of **combating pollution** by adopting initiatives to:

- **reduce emissions of volatile organic compounds (VOCs)**. Legrand is measuring VOC emissions from the industrial processes it uses at its sites increasingly accurately. Molding, stamping and machining activities, the assembly of plastic, metal and electronic components, and painting, marking or surface treatment activities can produce VOC emissions. Although the quantities involved are relatively small, Legrand is committed to limiting them even further.

4.5.2 – Issue no. 10: Innovating for a circular economy

Safeguarding the environment also means implementing circular economy principles within the Legrand Group. This consists of moving from a linear consumption pattern (resource exploitation, manufacturing, use, end-of-life and waste management) to a circular approach, like natural cycles in ecosystems.

At the Legrand Group, circular economy principles are divided into three key categories:

- ongoing improvements in environmental performance at the Group's research and development (R&D) centers;
- the traceability and disposal of hazardous substances in Group products;
- the management of waste from its manufacturing processes, in line with the Group's ecodesign approach.

It should also be noted that the Group's products, usually associated with construction infrastructure, have long life spans (typically several decades), thus contributing to the rational use of non-renewable resources. Moreover, electrical equipment also changes over the lifetime of a building and the Group's new products and systems enable new functionality to be added within the existing infrastructure, thereby avoiding (or delaying) their obsolescence. Finally, the role of standards and regulations is fundamental, especially for safety products, which make up a significant part of the Group's offering. The continual changes to these standards and regulations, coupled with the long lifetime of products, mean that they cannot generally be reconditioned for the second-hand market in equipment components.

2014-2018 Group priority

To deploy circular economy principles from the product design phase through to end-of-life recovery.

Key performance indicators:

- percentage of waste sent to recovery facilities;
- percentage of Group sales(1) compliant with RoHS regulatory requirements;
- introduction of ecodesign principles to all Group R&D centers.

Annual targets:

	2014	2015	2016	2017	2018
Waste recovery	> 80%	> 80%	> 80%	> 80%	> 80%
Percentage of sales compliant with RoHS regulation(1)	92%	94%	96%	98%	100%
Introduction of eco-design principles to all Group R&D centers	Priority 1: 80%	Priority 1: 100%	Priority 1: 100% Priority 2: 30%	Priority 1: 100% Priority 2: 65%	Priorities 1 & 2: 100%

2018 achievements:

During 2018, 91% of waste was sent for recycling, maintaining the positive performance achieved in previous years. At the end of 2018, 98% of the Group's sales(1) were generated from products complying with restrictions on the use of substances under RoHS regulations, an improvement of 5 points on 2017.

The Group's recent acquisitions have affected performance in this area because some of them are not subject to this regulation. This largely explains the delay relative to the target for 2018.

In 2018, 97% (versus 94% at the end of 2017) of R&D centers implemented the Group's systems for analyzing the risk of hazardous substances being present in their products and for monitoring the integration of Group environmental requirements. The focus is on continuing to raise the level of expertise of all centers.

	2014	2015	2016	2017	2018
Target achievement rate*	100%	87%	118%	103%	103%

* *Calculated as the average achievement rates for the above three indicators compared to annual targets.*

(1) *Including Group products outside the scope of RoHS regulations, excluding acquisitions in 2018 and sales of services.*

4.5.2.1 WASTE MANAGEMENT

The Group endeavors to limit the amount of waste generated by its industrial operations and is working on a waste treatment process that mitigates their negative externalities. The proportion of waste sent for recycling is thus a key indicator of Legrand's performance in this field.

From an operational perspective, Legrand is seeking to reduce its waste in four main ways:

- product design and industrialization, to minimize production waste and scrap. When scrap is generated, this is preferably reused directly in the manufacturing process. In addition, injection mold sprues are ground down and reincorporated with virgin material in the thermoplastic injection process, while scrap from the metal cutting process is legally classified as production waste and is systematically recycled outside the company;
- sharing best practices and identifying local improvement initiatives to limit the amount of waste at source;
- waste identification and the definition of sorting guidelines to facilitate recycling. The identification of hazardous waste in particular is essential to ensure that it is correctly handled;
- choosing service providers that offer the best waste recycling while minimizing landfill and incineration without energy recovery.

As an example of good practice, the Group has introduced the "3 Rs" approach at its sites: Reduce, Reuse, Recycle. Several initiatives have been set up in production workshops with the active participation of all employees: weekly meetings including analysis of indicators, improvement proposals, brainstorming and suggestions. This initiative has resulted in several noteworthy actions, including: detection of energy losses in machines, switching off machines during breaks, reusing consumables such as gloves, and increased use of selective sorting.

Another example of best practice can be found in the Limousin production workshops in France, where the initial parts for thermoplastic molding are collected, sorted by type of material, ground down and reincorporated with virgin material for the standard production of plastic parts.

Contacts established with players involved in waste recovery and the treatment of waste electrical and electronic equipment (WEEE) have prompted discussions about the incorporation of post-consumer recycled raw materials. There are already some good examples of this, such as the use of transparent polycarbonate from non-specification manufacturing for the automotive industry in the manufacture of opaque technical parts, or polystyrene from the WEEE process for molding flush-mounting boxes.

Focus: Zero landfill waste by 2022 for Legrand North and Central America

Legrand North and Central America (LNCA), which generates nearly 28% of the Group's non-hazardous waste, has pledged to send 0% of its waste to landfill by 2022. To that end, LNCA has established a waste policy to educate sites on their waste management processes.

In terms of results, environmental reporting has revealed that the gross amount of waste generated in 2018 was 54 thousand metric tons, stabled compared with 2017 unadjusted for changes in scope.

The waste recycling rate has reached a record 90.6%. The Group's goal is to maintain this at a minimum of 80% for the entire duration of the roadmap.

Legrand makes every effort to collect and recycle its products at the end of their lives. Historically, the Group is a pioneer as, for over 20 years, it has organized the recovery and recycling of self-contained emergency lighting units. This has enabled more than 200 metric tons of products to be recycled every year (including about 70 metric tons of nickel-cadmium batteries). At the national level (for all industrial players combined), around 30% of all self-contained emergency lighting units in the market are collected at the end of their life.

The WEEE Directive has structured and regulated such initiatives in Europe. Under its leadership, eco-organizations have established systems to collect and process products that have reached the end of their lives. In response to its obligations, Legrand has joined in these efforts by funding recycling facilities that process products placed on the market through retail channels.

Since 2010, recycling processes have been set up that are specifically tailored to the construction industry, such as the "WEEE Pro" process in France with the eco-organization Récylum. Legrand participated as a founding member in the launch of this professional process, which recovers end-of-life electrical and electronic equipment. The Group's sales forces are trained to promote membership of the Récylum network among their customers. Most participants in the recycling industry are equipped with special containers to collect products under the scope of the WEEE Directive. The recycling rate for "WEEE Pro" waste handled by Récylum is more than 75%.

The aforementioned self-contained emergency lighting units segment, which is a pioneer in the industry, has already created market habits that are now benefiting the French "WEEE Pro" sector. Similar initiatives have been implemented in European countries affected by the directive.

Legrand regularly takes part in one-day forums organized by Récylum to discuss best practices in ecodesign for future recycling purposes. These forums are typically attended by stakeholders in the electrical, medical and climate engineering industries, end-of-life product disposal organizations, and the French environment and energy management agency (ADEME).

Récylum and Legrand hold regular meetings with R&D engineers and technicians, ecodesign experts and WEEE players. The aim is to raise awareness among participants of the constraints and opportunities of the WEEE recycling process. As a result, good design practices with a view to the dismantling of end-of-life products have been established at Legrand's R&D centers.

Finally, the Product Environmental Profiles (PEPs) developed by the Group (covering 70% of the Group's total sales at the end of 2018 – see section 4.2.1.3. of this document) are information tools specifically designed for recycling centers, showing for example the potential for recycling and recovery and the location of sub-assemblies requiring specific treatment. They also facilitate the recovery of Legrand products at the end of their lives.

Use of recycled materials

Legrand is committed to using recycled materials whenever possible.

Contacts established with players in the recycling industry (particularly Récylum in France) have led to new opportunities being identified for the use of recycled post-consumer plastics (see examples given in the section on waste management). This practice is specifically recognized and promoted as part of the "Legrand Way eco-design", which frames the Group's global ecodesign approach. Note that the use of recycled plastics generally raises technical issues and requires specific R&D work: in 2018, Legrand rolled out the project selected through the ORPLAST call for proposals aimed at including a high percentage (up to 50%) of recycled polyolefins (post-consumer waste) in some of its cable management products. ORPLAST is a program run by the French environment and energy management agency (ADEME) to encourage the use of recycled plastics.

The incorporation of recycled material in metals is a more common practice. For example, ordinary steels generally contain between 30% and 50% of recycled material. The technical constraints adopted by Legrand in its specifications do not specifically limit the use of steel from the electrical sector containing the highest levels of recycled steel. The same applies to aluminum and copper alloys, which the Group uses in large quantities and which in some regions may contain up to 50% and 80% recycled metal respectively.

4.5.2.2 TRACEABILITY AND DISPOSAL OF HAZARDOUS SUBSTANCES

RoHS Directive

The RoHS (Restriction of Hazardous Substances) Directive lays down rules restricting the use of hazardous substances for electrical and electronic products. Originally adopted in 2003 ahead of its implementation in 2006 it was revised in 2012 (Directive 2011/65/EU), and the list of target substances was extended in 2015.

Nevertheless, since 2004, Legrand has made it a goal to eliminate RoHS substances from all of its solutions, starting with those marketed in Europe, whether they are covered by the scope of application of Directive 2002/95/EC or not. This includes Legrand products which are not considered as WEEE under the Directive. As a result, in 2007 the Group adopted lead-free welding processes, opted for the use of lead-free PVC from 2009 (mainly in the manufacture of cable management profiles), and gradually extended Cr(VI)-free passivation of surface coatings of metal parts.

The Group is therefore already prepared for the RoHS open scope scheduled for 2019.

Furthermore, the Group has added to its CSR roadmap the target of complying with the RoHS Directive's restrictions on the use of hazardous substances for its entire global offering by the end of 2018 (including products outside the scope of the RoHS Directive). At the end of 2018, 98% of sales were generated from products compliant with the regulatory restrictions on the use of substances defined by the RoHS Directive. New acquisitions have affected performance, since some are not subject to this regulation and sell products potentially containing substances in excess of the regulatory restrictions under the RoHS Directive.

REACH Regulation

Legrand takes into account the requirements of the European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation 1907/2006 and takes all necessary measures to be in compliance. As a proactive player in this process, Legrand goes beyond regulatory requirements. For example, when developing its products, it has undertaken to exclude any substances included in the REACH "candidate list" whenever a technically and economically viable alternative is available.

Legrand is therefore also involved in applying the European REACH regulations, in particular by facilitating the transmission of data on the relevant substances used in its economic chain (upstream and downstream). This includes:

- arranging the collection from strategic suppliers of Material Safety Data Sheets on substances and preparations, such sheets being key components of REACH for transmitting product information;
- providing the Group's European customer service departments with a response system connected to the Group's intranet site covering all brands. This ensures transmission of the most up-to-date information;
- posting a full page dedicated to REACH on the Legrand website for the use of all stakeholders.

To bolster and maintain this proactive approach, a REACH expert committee, including the Group's materials and processes experts, supported by the purchasing organization, was set up in 2011. Its role is to seek, upon publication of the lists of candidate substances, alternatives to be promoted among R&D teams for product design and the development of their manufacturing process.

4.5.2.3 THE ENVIRONMENTAL PERFORMANCE OF GROUP R&D CENTERS

As part of its 2014-2018 CSR roadmap, Legrand has set up a process to assess the practices of its R&D centers and manage their progress in acquiring ecodesign know-how (the "Legrand Way eco-design"). Legrand's ecodesign policy is built around seven practices which will be phased in at all its R&D centers:

- analysis of the risk of hazardous substances being present (priority 1 practice): to apply voluntarily to all its products the regulatory restrictions on the use of hazardous substances under the RoHS Directive and the level of information described in article 33 of the REACH Regulation, Legrand has introduced a tool for analyzing the risk of substances of concern being present, developed from the Group's experience in this area and customized for the needs of the Group's designers and buyers. With this tool, the critical design elements relating to the risk of substances of concern are systematically mapped, and targeted questionnaires are sent to suppliers (mainly of raw materials and components). This approach allows decision-making to be guided towards technical solutions that guarantee the absence of substances of concern from the product design phase;
- monitoring environmental requirements (priority 1 practice): based on regulatory and market requirements, as well as the Group's commitments through its ecodesign approach, a tool containing all these requirements in the form of a checklist customized for the needs of staff is used to identify the key points for each R&D project;
- use of LCA (life cycle assessment) in the concept-definition phase (priority 2 practice): during the upstream phase of product development, the R&D unit systematically uses an LCA tool (recognized by the Group) when defining concepts to estimate and/or compare their environmental impacts and thus improve the product's environmental footprint over its entire life cycle;
- ecodesigned products derived from the R&D process (priority 2 practice): Legrand's aim is to have products whose ecodesign is scientifically proven on the basis of objective criteria. A product whose environmental impact is less than that of the reference product is said to be ecodesigned. The comparison is based on the previous generation of the product, a target product from a competitor, the industry standard (established by a professional body), or a recognized product environmental performance standard (such as NF Environnement). Calculated for different indicators over the entire product life cycle, it must demonstrate that the product evaluated at the end of the R&D process has a lower environmental impact;
- implementation of an EMS (Environmental Management System) by the R&D unit (ISO 14062 or equivalent) (priority 2 practice): the Group regards the use of an environmental management system as a solid framework for ensuring continuous improvement of the R&D process. The EMS must conform to a recognized standard such as ISO 14062 or ISO 14001;
- integration of the upstream supply chain into the LCA (priority 3 practice): ecodesign can only be fully realized and the benefits maximized for the Group's customers and users by working in collaboration with suppliers of materials and components in particular. The focus is therefore on R&D teams developing ways to involve the supply chain in their ecodesign approach. In practice, this means demonstrating how a significant environmental aspect of a product has improved due to a partnership approach with a supplier;
- integration of materials from the circular economy (priority 3 practice): Legrand looks for circularity in all its processes. It has therefore committed to systematically demonstrating its willingness to include materials from the circular economy when developing new products or improving existing products. Apart from the Group's natural and sustained use of sources of materials that usually include recycled materials (e.g. steel, cardboard, etc.), the validation of this practice is based on the integration of materials from the circular economy that demonstrate a real step forward. For example, as an illustration of this practice, the Group's designers and buyers are gradually integrating recycled plastics into their portfolio of solutions. Several examples can be mentioned, such as the inclusion in cable management products of up to 20% of "post-consumer" recycled plastic (from the collection and processing of end-of-life products). Since 2016, the Brazilian subsidiaries have used "post-consumer" recycled polypropylene (PP) for the injection of plastic parts. In 2017, Legrand's work with a major European producer of recycled polystyrene (PS) led to the use of post-industrial recycled PS in the production of the flush-mounting box for the Practicbox range, as well as various parts for the XL3 125 and Drivia product ranges. Finally, many of Legrand's global product ranges are delivered with on-site protective packaging made from 100% recycled polyethylene terephthalate (PET).

Dedicated tools for each of the priorities ensure that the practices introduced are effective and consistent. Each year, the R&D centers have to provide evidence that they have adopted the practices resulting from the Legrand Way eco-design. The results are systematically reviewed, consolidated and analyzed by the Group's Environmental Department and a performance rating is assigned to each R&D center.

By the end of 2018, priority 1 practices had been implemented by 100% of the Group's R&D centers, in line with the target, and 94% of these teams had adopted priority 2 practices, against an end-2018 target of 100%.

Life cycle assessment (LCA) techniques that establish product environmental profiles (PEPs) are a powerful tool for designing better products. By challenging the usual technical solutions in the design and industrialization phases, the analysis of environmental impacts is also an excellent tool for innovation.

The following are some examples of ecodesigned products launched by Legrand:

- the Mosaic and Céliane user interface range: mechanisms used in the Mosaic and Céliane ranges of switches were reviewed in order to reduce the use of materials with high potential for depleting non-renewable natural resources. The resulting reduction was around 75%. This initiative also led to a significant reduction of some 15% in the amount of energy lost through heating when current is passed, which was achieved by changing the latching inside the switch. This reduction, extrapolated for all future production of these items, is expected to reduce environmental impact by some 57 metric tons of CO_2 equivalent;
- the EDM range of transformers: a reduction in power dissipation resulted in a decrease in environmental impacts of approximately 30% compared with the previous generation of products. The PEP ecopassport® issued for this series provides details of their environmental impacts. Moreover, the transformer generates less noise with this new design;
- RX3 circuit breakers: the adoption of the ecodesign approach by the R&D team in India resulted in a range of circuit breakers that reduce the use of non-renewable natural resources and mitigate the impact of their manufacture and distribution;
- "KALANK CS" recessed lights for drywall: the use of more efficient components with 40% less energy consumption and a new compact aluminum shell design made from 50% recycled aluminum have resulted in a more compact product that is easier to recycle. Overall, the environmental footprint has been reduced by around 40% for almost all environmental indicators;
- the ecodesign approach also applies to packaging. It enables the ratio of packaging volume to product volume to be lowered. For instance, packaging experts have defined best practices that are implemented by all R&D teams. These include using cardboard containing a high percentage of recycled material, printing with water-based inks, and using acrylic adhesives that emit fewer VOCs. In 2018, "Wrapeasy Universal Packaging" developed by Bticino won the "Oscar de l'emballage" award: improved use of materials sharply reduced the environmental impact of packaging used for the P31 cable tray range by more than 70% on average.

4.5.2.4 2019-2021 CSR ROADMAP

For its fourth CSR roadmap, due to be published in 2019, in connection with SDG9 (Industry, innovation and infrastructure) and SDG12 (Responsible consumption and production) Legrand is addressing the issue of innovating for a circular economy by adopting initiatives to:

- **integrate circular economy principles into the development of new products**: To reduce the environmental impact of its products, Legrand integrates circular economy principles into its new product development. This ecodesign approach concerns all stages of the product life cycle. The Group also works to deal with waste arising from its manufacturing activities as effectively as possible. In 2004, Legrand also took early action to eliminate all substances covered by European directive no. 2002/95/EC on the Restriction of Hazardous Substances (RoHS).
- **provide environmental information on our products**: Reducing the environmental impact of buildings also requires careful design choices. As a result, being able to inform users of the environmental impact of the products they are using is critical. The PEP ecopassport® program, developed in France with Legrand's support, provides a benchmark for measuring the environmental impact of electrical products. Product environmental profiles are now being supplemented by new environmental information programs.
- **make the most of our waste**: Legrand also endeavors to limit the amount of waste generated by its industrial operations and is working on a waste treatment process that mitigates their negative externalities. This partly involves reusing waste in its production, and partly sharing best practice. It also involves identifying waste more accurately in order to sort it more effectively and eventually to make it easier to recycle or to give it a second life.

4.6 – DUTY OF CARE

In accordance with its existing CSR strategy and with France's 2017 act on the duty of care of parent companies and ordering companies, Legrand has set up a duty of care plan.

The plan applies to all of the Group's consolidated entities, without exception. New acquisitions are included within the system as quickly as possible, as part of their integration process. Entities are included in extra-financial performance reporting at the end of the first full year of reporting.

The table below summarizes Legrand's duty of care plan to ensure respect for human rights, the environment and personal health and safety, in its own activities and those of its suppliers. It has three dimensions:

- five stages of implementing a duty of care plan under the act;
- three types of issues: human rights, personal health and safety and the environment;
- and two business scopes: the activities of Legrand and its subsidiaries, and the activities of its suppliers and subcontractors with which it has commercial relationships.

As part of its commercial activities, Legrand has historically operated mainly a "flow" business, particularly with its distributor clients, which resell the Group's solutions (products and services) to end-users. However, there is an upward trend in project-related sales. Accordingly, Legrand is planning to extend its duty of care plan to cover its projects business. The aim of these new measures is to ensure that our partners are also committed to meeting our standards in terms of working practices, business ethics, the environment and health and safety.

4.6.1 – Governance

The CSR Department is in charge of the duty of care plan. A working group involving the purchasing, operations, health and safety at work, human resources, environment and legal functions has been set up. It meets regularly to co-ordinate the duty of care plan.

The working group reports on its work to the Risk Committee (as regards the system, action plan and results), since the duty of care plan has been identified as a way of mitigating risk for the Group and its stakeholders.

Members of the Executive Committee attend the Risk Committee meetings.

4.6.2 – Overview of the duty of care plan

	Human rights and fundamental freedoms	Occupational health and safety (OHS)	Environment
RISK MAPPING			
Legrand	■ Mapping of human rights risks by country since 2014, methodology adjusted in 2018	■ Mapping of human rights risks by country in 2018 covering OHS issues OHS reporting ■ Real-time OHS incident reporting	■ Annual environmental reporting (water, energy, VOCs etc.) ■ ISO 14001certified local environment management system
Suppliers	■ CSR risk mapping with targeting of the most exposed purchasing categories and supplier types, historically covering environmental impacts and since 2018 OHS and human rights aspects		
REGULAR ASSESSMENT PROCEDURE (WITH RESPECT TO RISK MAPPING)			
Legrand	■ Regular assessment of countries exposed to human *rights* risks via a questionnaire (Danish Institute until 2018) - 22 countries ■ Implementation of a new analysis matrix in 2019 (all countries)	■ Annual assessment of occupational risk management ■ Monthly/quarterly/annual monitoring of OHS reporting results	■ Annual environmental reporting (water, CO_2, pollutants, waste etc.) ■ Local continuous improvement loop as part of the *ISO 14001* environmental management system
Suppliers	■ Approval process adjusted for "higher-risk suppliers" ■ Procedure for managing "higher-risk suppliers in CSR terms" ■ Physical or document-based audits when required ■ Involvement of local purchasing teams + local Quality, Safety and Environment specialists ■ Environmental risks treated as systematic, human rights and OHS approach to be enhanced		
PREVENTION OF SERIOUS BREACHES AND RISK MITIGATION			
Legrand	■ Action plan adopted by the Group in the event of an identified discrepancy or area for improvement	■ Application of best practice through the Legrand Way (procedures, training, self-assessment) and the CSR roadmap	■ Local risk mitigation action plans as part of sites' ISO 14001 approach ■ As part of the Group's environmental policy and the deployment of the CSR roadmap, centralized monitoring of action plans aimed at reducing energy consumption and industrial waste recovery
Suppliers	■ Disqualifying criteria as part of the supplier approval procedure (e.g. child labor) ■ Specifications stipulating compliance with regulations and the ILO's fundamental conventions ■ Risk mitigation: Action plans for higher-risk suppliers monitored centrally		
ALERT OR WHISTLEBLOWING MECHANISMS			
Legrand	Group whistleblowing mechanism – See section 4.3.1		
Suppliers	Group whistleblowing mechanism		
METHODS FOR MONITORING MEASURES TAKEN AND ASSESSING THEIR EFFECTIVENESS			
Legrand	■ Annual assessment of achievement of CSR roadmap targets, "Respecting human rights" issue Progress audited by an independent third party and published	■ Annual assessment of achievement of CSR roadmap targets, "Guaranteeing health and safety at work" issue ■ Progress audited by an independent third party and published	■ Annual assessment of achievement of CSR roadmap targets, issue no. 9 "Reducing the Group's environmental footprint" ■ Progress audited by an independent third party and published
Suppliers	■ CSR roadmap issue no. 4 "Ensuring responsible purchasing" ■ Centralized monitoring of all risky suppliers in a common database ■ Co-ordination and oversight by the Group's head of sustainable purchasing: quarterly monitoring with each country/quarterly reporting to the Group's purchasing management committee		

4.6.3 – Duty of care plan concerning suppliers' activities

Regular risk mapping and assessment

The first risk-mapping initiative relating to suppliers' activities took place in 2014 as part of the 2014-2018 CSR roadmap. The method used is described in section 4.3.2.1 "Identification, monitoring and support of suppliers exposed to CSR risks".

Higher-risk suppliers are suppliers that may not comply with Group standards in terms of human rights, health and safety at work and the environment.

As a result of the initiative, the following supplier categories have been targeted:

- those carrying out surface treatment and battery production activities;
- those based in countries exposed to CSR risks, particularly workforce-related risks;
- and those economically dependent on Legrand.

Primarily, therefore, Legrand uses theoretical targeting instead of identifying actual risks. Once identified, higher-risk suppliers are subject to a specific approach described below.

The 2019-2021 CSR roadmap will follow on from those efforts, with improved detection of higher-risk suppliers via the CSR risk mapping method that the Group adopted with the support of Ecovadis in January 2019.

Risk prevention and mitigation measures

Monitoring and supporting higher-risk suppliers detected in this way was one of the priorities of the 2014-2018 CSR roadmap. A risk management system was defined and rolled out across 25 countries in which the Group operates. The principle is detailed in section 4.3.2.1 "Identification, monitoring and support of suppliers exposed to CSR risks". It involves a document-based audit, an on-site audit and a formal plan of action, progress with which is overseen locally by the country purchasing manager or by a responsible purchasing correspondent (India, China and the United States). Overall monitoring of this approach takes place at the Group level by the head of sustainable purchasing, to address the priority set out in the 2014-2018 CSR roadmap: "To support 100% of risky suppliers in implementing an improvement plan for environmental issues, fundamental rights in the workplace, and business ethics".

4.6.4 – Whistleblowing system

The whistleblowing system can be accessed internally and externally, and covers alerts relating to suppliers' duty of care. For more information about the whistleblowing mechanism, see section 4.3.1 – Issue no. 3: acting ethically.

4.6.5 – Duty of care plan concerning the Group's activities

4.6.5.1 HUMAN RIGHTS

Regular risk mapping and assessment

Theoretical risk mapping

Since 2012, Legrand has mapped risks regarding Human Rights at Work. It classifies the countries where the Group operates, based on the ratification of the eight ILO conventions on fundamental principles and rights at work and the Freedom in the World index. This revealed that in 2018, 69% of the Group's workforce was based in "free" countries. A total of 31% of employees are based in countries that are either "not free" or "partially free". This analysis makes it possible to prioritise these countries in discussions and work done.

- In 2018, Legrand developed its approach by mapping theoretical risks relating to six main issues: child labor, forced labor, health and safety, working conditions, freedom of association and discrimination.
- These theoretical risks have been ranked according to the following criteria:
  - potential severity of the breach measured through its potential extent (size of workforce), difficulty of remedial measures and scale.
  - Probability of occurrence.

This ranking exercise was carried out using external resources such as ITUC's Global Rights Index and the US Department of State reports on forced labor, child labor and the human rights situation worldwide (classified by country). Legrand also took into account whether or not ILO conventions had been ratified and whether or not local legislative provisions existed. Based on these resources, Legrand ranked theoretical risks in order to find the most relevant ones in each country.

Inherent risk mapping

The countries identified as theoretically presenting the greatest risks are: Algeria, China, Colombia, Egypt, Hong Kong, India, Indonesia, Kazakhstan, Malaysia, Morocco, Mexico, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Thailand, Turkey, Ukraine, United Arab Emirates and Venezuela.

Until 2018, Legrand based its due diligence within these countries on the Danish Institute for Human Rights methodology. The subsidiary self-assessment process was accompanied by a meeting with the person responsible for social human-resource issues. After that assessment, certain inherent risks were identified. An action plan to address them was then defined with the local HR manager.

Starting in 2019, Legrand is deploying a new investigation matrix, inspired by the Danish Institute questionnaire and, using that tool, will regularly assess how closely its subsidiaries' practices comply with its human rights charter.

Risk prevention and mitigation measures

In 2017, Legrand drew up a Charter on Human Rights based on the principles and standards previously detailed and approved by the Chief Executive Officer. It sets out, in operational terms, the Group's commitments to comply with the aforementioned texts. It seeks to inform all internal and external stakeholders about the principles and commitments that the Group has adopted for itself and its partners in connection with its activities. In 2018, the Charter was rolled out to those in charge of subsidiaries and local purchasing and human-resource managers. Almost 140 people underwent awareness-raising relating to human rights themes.

The aim of these self-assessments carried out by subsidiaries is to estimate compliance with fundamental rights at work in the countries identified. The questionnaires sent out confirmed that neither forced labor nor child labor situations, as defined by ILO conventions, were present within the Group entities analyzed.

Grievance mechanism

The grievance mechanism highlighted in internal and external communications on the subject of human rights is the whistleblowing mechanism for ethical infringements and fraud. For more information on the system and planned changes to it in 2019, please refer to section 4.3.1 of this document.

4.6.5.2 OCCUPATIONAL HEALTH AND SAFETY

Regular risk mapping and assessment

The methodology used is that described in the previous section on human rights. The risk level is "high" in terms of both scale and remedial measures adopted in relation to the Occupational Health and Safety (OHS) theme.

The method produces a score related to the environment in which the Group carries out its activities. Our analysis is supplemented by identifying the scopes in which accidents are most common based on actual accident frequency rates with and without lost time.

This gives us a list ranked according to country risk criteria (country rating) and criteria related to site activity (accident data).

Based on the country risk criteria, the analysis shows that the following Group scopes are the riskiest: Brazil, China and India.

As regards accident data, the countries with the highest lost-time accident frequency rates are France, Colombia and Italy. The countries with the highest accident frequency rates with and without lost time are the United States, Australia and Turkey. Specific action plans are underway in each of those countries.

Risk prevention and mitigation measures

As part of Legrand's approach to human rights, the questionnaire to be sent to all Group subsidiaries in 2019 also addresses the OHS theme. Action taken on the basis of results will be prioritized according to the aforementioned country ranking.

The Group has also defined overriding OHS initiatives. They relate to four themes: safety guidelines formalized on the basis of the risk assessment; communication (management, awareness-raising campaigns and results); treatment of accidents (systematic analysis of root causes and definition of an action plan, use of "totems" to mark incident locations and real-time reporting) and treatment of near-misses (reporting and treatment system extended to hazardous situations).

These overriding initiatives are supplemented by the OHS criteria of the Group's CSR roadmap. These include occupational risk management (assessed using eight criteria) and monitoring and improvement (assessed using six criteria). For more details about these criteria, please refer to section 4.4.2 of this document.

In France, a specific system is in place taking into account accident data. The aim is to deploy tools intended to enhance the safety culture among all our staff members. For example, the units experiencing the most accidents are being supported by an external consultancy.

4.6.5.3 ENVIRONMENT

Regular risk mapping and assessment

For more than 15 years, Legrand has ensured that each major site reports data that allows its environmental impact to be assessed in terms of energy consumption, water consumption, emissions of pollutants (VOCs) into the air, and waste production and management (see section 4.7.3 regarding the environmental reporting system). On the basis of energy consumption, the Group's greenhouse gas emission inventory is calculated each year, particularly for scopes 1 and 2.

Each site's environmental impacts are identified, measured and managed using the ISO 14001 environmental management system (EMS), which defines a continuous improvement loop: identification and management of each site's significant environmental aspects (SEAs) allow a risk map to be produced for that site.

Through centralized monitoring, the Group checks that this continuous improvement is reflected in its consolidated indicators. The most important issues (energy consumption, waste recovery, VOCs) are subject to reduction targets as part of CSR roadmaps.

Risk prevention and mitigation measures

ISO 14001 is used as a common reference for all sites. Each Group site must have an Energy Management System, and its compliance with ISO 14001 is certified by a third party. That compliance is declared each year in environmental reporting.

To meet ISO 14001 targets as well as targets set by the CSR roadmap, each site is encouraged to produce an ambitious plan of action that is monitored locally as part of the EMS. This decentralized way of defining initiatives ensures that they are suited to local conditions, which vary widely from site to site depending on location, the environment and the production processes used.

Industrial best practice as set out in the Legrand Way forms a benchmark to guide sites in their improvement plans.

The effectiveness of measures taken is monitored as part of the ISO 14001 EMS. Results are consolidated, and this shows progress towards targets at the Group level and allows it to define remedial action targeting some or all sites, particularly those where results are not satisfactory.

4.6.6 – Report on the duty of care plan: monitoring of measures and effectiveness

REPORT ON THE DUTY OF CARE PLAN REGARDING SUPPLIER ACTIVITIES

The way in which higher-risk suppliers are monitored is detailed in the "2014-2018 Group priority" part of section 4.3.2.1.

To summarize, during the roadmap period, Legrand discontinued relations with five higher-risk suppliers because of major discrepancies regarding aspects under review or for failure to engage with the improvement plan. Out of 202 higher-risk suppliers monitored, more than 70% completed or nearly completed their action plan, while all others were assessed, and action plans are currently being implemented. No serious discrepancies such as those involving child labor were detected during the on-site audits. The action plans mainly highlight the need to produce periodically the necessary documentary information (environmental certificates, for example) and to formalize health and safety procedures (for example, hazard warning notices in factories, reminders to wear safety masks, gloves and footwear, preparation of an evacuation plan and associated drills, better chemicals storage, etc.).

As well as operational initiatives carried out with suppliers, Legrand's 2014-2018 CSR roadmap led to the creation, across more than 25 countries, of a community of trained purchasers, supported by environmental and health and safety specialists, applying a common methodology to assess and help higher-risk suppliers in CSR terms to achieve progress "in the field".

Legrand will work with this community to continue making progress in this area as part of its 2019-2021 roadmap (see section 4.3.2.2 "2019-2021 CSR roadmap").

REPORT ON THE DUTY OF CARE PLAN REGARDING GROUP ACTIVITIES

Occupational health and safety

Legrand has a three-level reporting process: real-time reporting of workplace accidents (with the Group's Senior Management being informed immediately), monthly reporting of accident data (accidents, days of lost time, occupational illnesses) and annual reporting of accident data but also of CSR roadmap criteria.

At the end of the 2014-2018 roadmap period, there was a significant reduction in the lost-time accident frequency rate indicator, from 8.37 to 4.22. As regards the roadmap's other OHS criteria, 98% of the workforce is covered by an occupational risk management plan and 97% by a monitoring and improvement plan. We attained and exceeded all of our OHS targets. For more details about these criteria, please refer to section 4.4.2 of this document.

Human rights

Questionnaire results have identified areas of potential progress, relating to practices that already exist within the Group but are insufficiently deployed. Action plans are therefore being implemented as part of a continuous improvement process. The improvements monitored mainly consisted of non-discrimination awareness (40% of cases), improvements in employment conditions (22%), the deployment of health and safety initiatives (20%) and communication on the existence of a whistleblowing mechanism (12.5%). For each point raised, an action plan is put in place.

For example, to prevent any risk of forced labor, Malaysia has improved its process for the administrative management of foreign workers' passports.

As regards discrimination risks, Thailand has overhauled its job application form in order to limit any risk of discrimination during recruitment. Russia, India and Saudi Arabia have increased their use of job descriptions.

A large number of countries have taken advantage of compliance training to discuss discrimination risks with staff members and remind them of the Group's whistleblowing system.

As regards working conditions, multi-year action plans are underway in certain countries to reduce the use of overtime.

Since 2014, following self-assessment work, more than 100 actions have been identified, of which 80 have been completed and 20 are underway. Those action plans are monitored in relation to priority targets relating to human rights in the 2014-2018 CSR roadmap (see section 4.4.1.1).

Environment

The process for issuing immediate alerts in the event of an accident or environmental alerts did not reveal any incidents in 2018.

Indicators regarding the Group's environmental indicators (energy consumption, water consumption, emissions of VOCs into the air and waste production and management) show a decrease in line with stated targets.

The Group also sets aside financial reserves for environmental risks. They relate to past pollution resulting from industrial activities prior to Legrand's arrival at the relevant sites, and are subject to analysis and treatment plans.

4.6.7 – Future development of the duty of care plan

Although the duty of care plan is already up and running, the Legrand Group aims to improve it each year through a continuous improvement loop.

The following areas for improvement have been identified:

- consultation with stakeholders. Consulting more broadly with staff representative bodies outside of Europe. For other stakeholders, particularly through multi-party industry or regional initiatives;
- the publication of a report that is independent of other communication documents.

4.7 – OVERVIEW OF INDICATORS AND ADDITIONAL INFORMATION

4.7.1 – Reporting procedures

Reporting enables the various units to capitalize on best practices and share them within the Group. It should be noted, as regards the various reporting tools, that:

- **Occupational Health and Safety** reports periodically consolidate statistical data on occupational risk prevention. They covered 100% of the Group's workforce (excluding acquisitions under three years) in 2018, with 50 entities included in the scope of reporting (new breakdown). New acquisitions receive training on the rules and standards of reporting in the first year of their consolidation into the Group. Their prevention indicators are taken into account within the aggregates provided by the Group only after the third year following their consolidation because of the time needed to conform to the Group's methods and standards. In 2018, seven entities joined the scope of reporting. They were entities that joined the Group in 2015 (Qmotion in the United States, Raritan in the United States, Europe and Asia-Pacific, Valrack in India, IME in Italy and IMESYS in France);
- **Human Resources reporting** periodically consolidates statistical data on human resources management. It covered 98.8% of the Group's workforce in 2018; Minkels UK and the Vietnamese entities did not report their data. New acquisitions are integrated the year following their entry into the Group's scope of consolidation. The following entities, in particular, entered the scope of reporting in 2018: Milestone, Server Technology Inc and Finelite;
- **Environment reports** allow periodic consolidation of environmental data. They concern production sites with more than 25 employees, administrative or commercial sites with more than 200 employees, and logistics sites larger than 15,000 m^2. New acquisitions are integrated at the latest three years after they join the Group. Two units were integrated in 2018: the Corsico site in Italy and the Somerset site in Taiwan. Five sites in India, China, the United Kingdom and France left the reporting scope because of local business combinations.

All reporting tools include documents giving an overview of the reporting process plus a user guide. Online help, data consistency checks and mandatory comments are integrated into these applications to help with inputting the entities' qualitative data.

4.7.2 – Overview of social indicators

4.7.2.1 HEALTH AND SAFETY INDICATORS

The table below summarizes the main health and safety indicators for the Group. The data presented correspond to the Occupational Health & Safety scope of reporting, which covers all Group employees excluding acquisitions under three years (i.e. 31,783 people at the end of 2018). This is consistent with the integration rules described in section 4.7.1 of this registration document.

	2016	2017	2018
Occupational risk management plan (% of Group workforce covered by this plan)	90%	92%	98%
Health/safety monitoring and improvement process (% of Group workforce covered by this process)	94%	96%	97%
Health and Safety Committees (% of Group workforce represented by a Health and Safety Committee)	86%	91%	97%
Workplace health (Number of people who have had a (para)medical review within the last 5 years)	70%	70%	77%
Frequency of lost-time accidents at work (Number of accidents × 1,000,000)/(Hours worked)	5.29	4.07	4.21
Severity of accidents at work (Number of days of lost time × 1,000)/(Hours worked)	0.17	0.17	0.15
Subcontractor accident frequency (Number of subcontractor accidents occurring on a Group site × 1,000)/ (Number of employees on the Legrand site in question)	3.23	3.20	3.65
Training Number of health and safety training hours per person	2.9	4.0	4.1
Occupational illnesses (Number of occupational illnesses recognized)	51	44	39
Number of fatal accidents	0	0	0

Additional comments:

- the proportion of the workforce for which risk indicators are consolidated corresponds to all employees covered by health and safety reporting, with the exception of a few cases of isolated or seconded employees;
- the lost-time accident frequency rate worsened slightly, mainly because of results in France and the United States and despite major improvements in Africa, the rest of Europe, Asia and Italy. Targeted action plans have started in France and North America;
- for reasons related to the reporting process, the above results (excluding accident data) were calculated on the basis of end-September 2018 headcount, i.e. 31,926;
- the subcontractor accident frequency indicator is undergoing work to improve its reliability and should be analyzed with caution.

4.7.2.2 INDICATORS ON EMPLOYMENT, ORGANIZATION OF LABOR, LABOR RELATIONS AND TRAINING

Group workforce at the end of 2018

The table below shows the average headcount, including temporary workers, employed by the Group between 2016 and 2018. The table gives a breakdown of the workforce by geographical location and main business sector.

The Group specifically applies the concept of "registered workforce", which includes employees with both fixed-term and open-ended employment contracts. The total registered workforce at the end of 2018 consisted of 34,384 people.

	2016	2017	2018
TOTAL NUMBER OF EMPLOYEES (ANNUAL AVERAGE)	**35,902**	**37,356**	**38,379**
By geographical location:			
France	5,600	5,544	5,718
Italy	2,828	2,882	2,927
Rest of Europe	5,351	5,479	5,755
North and Central America	4,715	6,298	6,385
Rest of the world	17,408	17,153	17,593

	2016 of *which Back Office*	2016 of which Front Office	2017 of *which Back Office*	2017 of which Front Office	2018 of *which Back Office*	2018 of which Front Office
TOTAL NUMBER OF EMPLOYEES (ANNUAL AVERAGE)	**80%**	**20%**	**81%**	**19%**	**81%**	**19%**
By geographical location:						
France	83%	17%	84%	16%	84%	16%
Italy	83%	17%	83%	17%	83%	17%
Rest of Europe	74%	26%	73%	27%	73%	27%
North and Central America	76%	24%	77%	23%	77%	23%
Rest of the world	83%	17%	83%	17%	83%	17%

The tables below summarize the main indicators for the Group in terms of registered workforce. All data correspond to the HR scope of reporting, which covers 98.8% of the overall workforce, or 33,986 people. Note that HR reporting does not include acquisitions completed in 2018.

Organization of working hours – Worldwide

	2016	2017	2018
% of employees working full-time	97.5%	97.5%	97.4%
% of employees working part-time	2.5%	2.5%	2.6%

N.B. The definition of full time and part time is given in the HR reporting user guide.

Absenteeism – Worldwide

	2016	2017	2018
All job categories	4.20%	3.18%	2.90%

N.B. The following are excluded: days of temporary layoff, disciplinary suspension, strikes, maternity leave, absence for family events (statutory or under agreements), statutory holidays and unpaid leave. Days of long-term sickness leave, i.e. days when the employee is no longer compensated by the company, are excluded from the calculation.

The absenteeism indicator covered 84.8% of the year-end workforce in HR reporting.

Employee-management dialogue and freedom of association – Worldwide

	2016	2017	2018
% of employees covered by a collective bargaining agreement and/or convention	52%	50%	48%

N.B. The percentage of employees covered by a collective bargaining agreement is the percentage of the total year-end workforce in the HR reporting scope.

Restructuring and reorganization – Worldwide

	2016	2017	2018
% of reporting scopes with consultation rules	22%	32%	34%

Compensation – Worldwide

	2016	2017	2018
% of non-managers on minimum wage	1.6%	2.7%	3.0%

N.B.

- *the minimum wage is the legal minimum wage of the country;*
- *13 reporting areas have employees on the minimum wage;*
- *the indicator above covers 99% of the Group's non managerial employees.*

Compensation by gender and occupational category – Worldwide

	2016	2017	2018
Gender pay gap: managers	13.6%	11.7%	12.3%
Gender pay gap: non-managers	14.7%	13.0%	12.9%

N.B. The calculation of the gender pay gap, for both non-managers and managers, is based on the weighted workforce in each reporting scope. It covers 99.3% of the Group's non-managerial employees.

With respect to the pay gap for non-managers, Legrand's industrial operations are assembly-intensive. Workshops are essentially staffed by women and the qualification level required is low. Concerning the pay gap for managers, note that these roles are essentially filled by men, the explanation for which lies in the nature of the Group's engineering businesses (electronic, electrotechnical and electromechanical fields) and sales and marketing activities (sales engineers). Pay for those jobs is above the Group average for managers.

Geographical breakdown of workforce

	2016	2017	2018
Mature countries	43%	44%	47%
New economies	57%	56%	53%
TOTAL	**100%**	**100%**	**100%**

N.B. The breakdown covers 100% of employees on permanent or fixed-term contracts.

Breakdown by occupational category – Worldwide

	2016	2017	2018
Managers	27%	26%	27%
Non-managers	73%	74%	73%

N.B. Definitions of occupational categories are included in the HR reporting user guide.

Breakdown by age – Worldwide

	2016	2017	2018
Employees < 26 years	8%	8%	7%
Employees ≥ 26 years and < 36 years	28%	27%	26%
Employees ≥ 36 years and < 46 years	31%	31%	31%
Employees ≥ 46 years and < 56 years	24%	24%	25%
Employees ≥ 56 years	9%	10%	11%

N.B. The age pyramid takes into account employees with fixed-term or open-ended employment contracts.

Breakdown by type of contract

	2016	2017	2018
Open-ended worldwide	84%	84%	85%
Fixed-term worldwide	16%	16%	15%

N.B. It should be noted that the proportion of fixed-term contracts is inherently affected by the large number of temporary contracts in China, a common local practice.

Hirings and departures – Worldwide

	2016	2017	2018
Proportion of open-ended contracts in hiring of employees on open-ended and fixed-term contracts (excluding fixed-term contracts converted into open-ended contracts)	49%	37%	38%
Proportion of fixed-term converted into open-ended contracts in hiring of employees on open-ended contracts	17%	23%	20%
Open-ended contract turnover	11.5%	11.1%	12.9%

In 2018:

- *the total number of hires was 7,326;*
- *the number of open-ended contracts among new hires on open-ended and fixed-term contracts totaled 2,755;*
- *the number of fixed-term contracts converted into open-ended contracts was 697.*

“Open-ended contract turnover” takes into account resignations, retirements, layoffs for personal reasons, layoffs for economic reasons, departures by stipulated agreement, employees with an open-ended contract not remaining in the company at the end of their probationary period, and other reasons (according to the methodology recommended by the GRI). This “open-ended contract turnover” indicator is calculated by taking the total number of terminated open-ended contracts and dividing it by the open-ended contract workforce at the beginning of the financial year.

Moreover, it should be noted that the proportion of fixed-term contracts is inherently affected by the large number of temporary contracts in China, a common local practice.

*Departures**	2016	2017	2018
Of which resignations	41%	50%	50%
Of which retirement	7%	11%	10%
Of which other departures	52%	39%	40%
TOTAL	**100%**	**100%**	**100%**

* *N.B.: Data relating to departures include open-ended contracts. The "other departures" indicator takes into account collective agreements, layoffs for personal and economic reasons, employees with an open-ended contract not remaining in the Company at the end of their trial period, and various other reasons.*

For 2018, the total number of departures was 7,540 for all reasons and for all types of contracts combined (of which 15.21% were departures for personal reasons, layoffs for economic reasons, and fixed-term contracts terminated early by the employer). Out of that total, 3,532 departures concerned employees on open-ended contracts; 4,008 departures concerned employees on fixed-term contracts, of which 71% were in the Group's Chinese entities on account of the high proportion of fixed-term contracts in China. Note that 78% of departures of employees on fixed-term contracts took place at the employee's initiative.

Hirings by gender – Worldwide

	2016	2017	2018
Percentage of women among persons hired	48%	50%	45%
Percentage of men among persons hired	52%	50%	55%

N.B.: These figures take into account open-ended and fixed-term contracts and exclude fixed-term contracts converted into open-ended contracts.

Employee training (fixed-term and open-ended contracts)

	2016	2017	2018
Number of training hours per employee (Worldwide)	15 h	17 h	14 h
Number of training hours per employee – Managers	18 h	26 h	20 h
Number of training hours per employee – Non-managers	14 h	14 h	12 h
Percentage of the Group's workforce receiving training during the year	87%	90%	94%

Talent management – Worldwide

	2016	2017	2018
Rate of Individual Appraisal Reviews (CAPPs) – Managers	88%	92%	90%
Percentage of experts and talent managed by the OSR (*Organization and Staffing Review*) system	93%	95%	96%
Manager retention rate	95%	96%	95%

4.7.2.3 DIVERSITY INDICATORS

The tables below summarize the main Group indicators in terms of diversity. All data are reported unadjusted for changes in scope of consolidation.

Breakdown of employees by gender – Worldwide – Open-ended and fixed-term contracts

	2016	2017	2018
Women	36%	36%	36%
Men	64%	64%	64%

Breakdown of employees by gender and age – Worldwide – Open-ended and fixed-term contracts

	2016	2017	2018
Female employees < 26 years	4%	3.5%	3%
Male employees < 26 years	4%	4%	4.3%
Female employees ≥ 26 years and < 36 years	10%	10.5%	9.7%
Male employees ≥ 26 years and < 36 years	18%	17%	16.5%
Female employees ≥ 36 years and < 46 years	11%	11.5%	11.6%
Male employees ≥ 36 years and < 46 years	20%	19.5%	19.4%
Female employees ≥ 46 years and < 56 years	8%	8%	8.1%
Male employees ≥ 46 years and < 56 years	16%	16.5%	16.6%
Female employees ≥ 56 years	3%	3.5%	3.7%
Male employees ≥ 56 years	6%	6%	7.1%

N.B. At the end of 2018, the average age of male employees was 41.85 years, compared with 40.88 years for women.

Breakdown of employees by gender and occupational categories – Worldwide – Open-ended and fixed-term contracts

	2016	2017	2018
Percentage of female managers	22%	22%	23%
Percentage of male managers	78%	78%	77%
Percentage of female non-managers	41%	42%	41%
Percentage of male non-managers	59%	58%	59%
Percentage of women in key positions	13.8%	14.8%	15.2%

Percentage of disabled workers – Worldwide

	2016	2017	2018
Percentage of disabled workers	2.36%	2.37%	2.30%

N.B. This indicator is calculated for entities that have been with the Group for more than three years.

For France, the rate for disabled workers was 7.29% at the end of 2018, above the legal minimum of 6% (as provided for by law, including subcontracting to the protected sector). This rate is based on 99% of the Group's workforce in France.

4.7.3 – Overview of environmental indicators

The tables below show the main Group environmental indicators. All data correspond to the Environment reporting scope, with the exception of GHG emissions expressed in metric tons of CO_2 equivalent, which cover 100% of the Group's activities.

For more information on the rules for including newly merged acquisitions in the reporting process, please refer to section 4.7.1. of this registration document.

4.7.3.1 ENVIRONMENTAL INDICATORS – SITES

The table below shows the main indicators monitored by the Group as regards impacts related to site activities. The data are unadjusted for changes in scope of consolidation.

Comments on the data presented can be found in section 4.7.1 of this registration document.

	2016	2017	2018
Energy consumption *(GWh)*	441	454	451
Direct energy consumption (mainly gas) *(GWh)*	176	189	187
Indirect energy consumption (mainly electricity) *(GWh)*	265	265	264
Total CO_2 emissions for scopes 1 and 2 of the carbon audit *(in thousands of metric tons of CO_2 equivalent)*	179*	178*	178
Emissions from product transportation *(in thousands of metric tons of CO_2 equivalent)*	98.2	99.8	115
CO_2 emissions linked to energy consumption *(thousands of metric tons of CO_2 equivalent)* in scopes 1, 2 and 3 of the carbon audit	2,017	2,096	2500****
ISO 14001-certified sites *(%)*	91%	92%	90
Water consumption *(in thousands of* m^3*)*	880	895	855
Waste produced *(in thousands of metric tons)*	52	54	54
of which hazardous waste	*7%*	*6%*	*5%*
Waste recovered** *(%)*	88%	90%	91%
Volatile Organic Compound (VOC) *emissions (metric tons)****	119	119	127

* *Recovery complies with the requirements of the GHG Protocol.*

** *Sent for recycling.*

*** *Only business-related emissions are taken into account.*

**** *Including an initial estimate of emissions from products sold.*

N.B.

- environmental reporting is based on a special calendar always consisting of the fourth quarter of year Y-1 and of the first three quarters of year Y;
- a total of 24 new sites (related to Legrand's acquisitions) were ISO 14001 certified between 2011 and 2018, including Fairfield in the United States, Caxias do Sul in Brazil, Wuxi, Huizhou and Shanghai in China, Preston in Australia, Nashik, ADLEC, the Numeric sites and Haridwar in India, the Megapower site in Malaysia, and the Novigorod site in Russia;
- acidifying agents nitrogen oxides (NO_x) and sulfur oxides (SO_x): Legrand uses several boilers at its facilities, primarily for heating purposes and occasionally for industrial processes. Gas is gradually becoming the only fossil fuel used, since coal has been completely abandoned and the share of fuel oil has fallen below 2%. Consequently, the Group's SO_x emissions are negligible and NO_x emissions strictly limited by local regulations.

4.7.3.2 ENVIRONMENTAL INDICATOR – PRODUCTS

	2016	2017	2018
Share of Group sales generated by products with PEPs	60%	67%	70%
Share of Group sales(1) compliant with RoHS regulations	89%	93%	98%

(1) *Including Group products outside the scope of RoHS regulations, excluding acquisitions in 2018 and sales of services. The elimination of RoHS substances contained in these products is a voluntary commitment by the Group.*

4.7.3.3 ENVIRONMENTAL INDICATORS – OTHER

	2016	2017	2018
Environment-related contingency provisions and guarantees *(in millions of euros)*	9.3	8.6	7.4
Convictions, fines, closures	0	0	0

4.7.4 – GRI cross-reference table

This report was prepared in line with the core option of the GRI Standards (2016 version).

The full GRI cross-reference table can be found on our website at *www.legrand.com* under “Our responsibility”, and then “Resource Center”.

4.7.5 – Global Compact cross-reference table

Global Compact principle	Sections of the registration document
1. Businesses should support and respect the protection of internationally proclaimed Human Rights	4.3.2 Ensuring responsible purchasing 4.4.3 Developing skills and promoting diversity 4.4.2 Guaranteeing health and safety at work
2. Businesses should ensure that they are not complicit in human rights abuses	4.3.1 Acting ethically 4.4.3 Developing skills and promoting diversity 4.4.2 Guaranteeing health and safety at work
3. Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining	4.3.1 Acting ethically 4.3.2 Ensuring responsible purchasing 4.4.1 Respecting Human Rights
4. The elimination of all forms of forced or compulsory labor	
5. The effective abolition of child labor	
6. The elimination of discrimination with respect to employment and occupation	4.4.3 Developing skills and promoting diversity
7. Businesses should support a precautionary approach to environmental challenges	4.5.1 Reducing the Group’s environmental footprint
8. The undertaking of initiatives to promote greater environmental responsibility	
9. The encouragement of the development and diffusion of environmentally friendly technologies	4.2.1 Providing sustainable solutions 4.5.2 Innovating for a circular economy
10. Businesses should work against corruption in all its forms, including extortion and bribery	4.3.1 Acting ethically 4.3.2 Ensuring responsible purchasing

4

4.7.6 – Materiality for the Group of the core issues of ISO 26000

ISO 26000 core issues	Low or moderate materiality	High materiality	Key issues of the Legrand Group CSR strategy
Human rights	Dispute resolution Civil and political rights	Prevention of complicity Discrimination and the underprivileged Economic, social and cultural rights Duty of care Situations posing a risk to human rights at work	6. Respecting human rights 8. Developing skills and promoting diversity
Labor practices	Social dialog	Occupational health and safety Working conditions and employee welfare Employment and employer/employee relationship Human resources development	6. Respecting human rights 7. Guaranteeing health and safety at work 8. Developing skills and promoting diversity
Environment	Preventing pollution Protection and rehabilitation of the natural environment	Sustainable use of resources Climate change mitigation and adaptation	9. Reducing the Group's environmental footprint 10. Innovating for a circular economy
Good business practices	Responsible political engagement Respect for property rights	Fight against corruption Fair competition Promoting social responsibility in the sphere of influence	3. Acting ethically 4. Ensuring responsible purchasing 5. Enabling access to electricity for all
Consumer issues	Best practice in marketing, information and contracts Sustainable consumption Education and public awareness	Protection of consumer health and safety Access to essential services After-sales service, support and resolution of consumer complaints and disputes Protection of consumer data and privacy	1. Providing sustainable solutions 2. Playing a driving role in the electrical sector 5. Enabling access to electricity for all
Social commitment	Education and culture Wealth and income creation Health Investment in employees	Local presence Job creation and skills development Technological advances and access to technology	5. Enabling access to electricity for all 1. Providing sustainable solutions 2. Playing a driving role in the electrical sector

4.8 – STATUTORY AUDITORS' REPORT

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non financial statement published in the Group management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2018

To the Shareholders,

In our capacity as Statutory Auditor of Legrand SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement was prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT THIRD PARTY

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information"; and to express, at the request of the company and outside the accreditation framework, a conclusion of moderate assurance, on the fact that the achievement rate realization of the objectives 2018 of the Roadmap 2014-2018, were established, all their significant aspects, in accordance with the Guidelines.

However, it is not our responsibility to provide any conclusion on:

- the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation;
- the compliance of products and services with the applicable regulations.

NATURE AND SCOPE OF PROCEDURES

We performed our work in accordance with articles A. 225-1 et seq. of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- we familiarized ourselves with the Group's business activity, the report on the main social and environmental risks relating to this activity and the impacts thereof with regard to the respect for human rights and the fight against corruption and tax evasion, together with the subsequent policies and their results;
- we assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- we verified that the Statement covers each category of information stipulated in section III of article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement includes an explanation justifying the absence of information required by paragraph 2 of section III of article L. 225-102-1;
- we verified that the Statement presents the business model and the main risks relating to the Group's business activity, including, where relevant and proportionate, the risks generated by its business relations, products or services as well as policies, measures and outcomes, including key performance indicators;
- we verified that, when relevant to the main risks or policies presented, the Statement presents the information stipulated in section II of article R. 225-105;
- we assessed the process of selecting and validating the main risks.
- we inquired as to the existence of internal control and risk management procedures set up by the company;
- we assessed the consistency of the results and key performance indicators used with regard to the main risks and policies presented;
- we verified that the Statement includes a clear and reasoned explanation justifying the absence of policy regarding one or more of these risks;
- we verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with article L. 233-16, with the limits specified in the Statement;
- we assessed the collection process set up by the entity to ensure the completeness and fairness of the Information.
- for the key performance indicators and other quantitative outcomes (*presented in Appendix 1*) that in our judgment were of most significance, we carried out:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto,
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities (*presented in Appendix 2*) and covered between 18% and 40% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- we consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance (*presented in Appendix 1*);
- we assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

MEANS AND RESOURCES

Our work engaged the skills of eight people between November 2018 and February 2019.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around thirty interviews with people responsible for preparing the Statement.

CONCLUSION

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Moderated assurance attestation on the 2018 achievement rates of the 2014-2018 Roadmap

NATURE AND SCOPE OF OUR WORK

Regarding the 2018 achievement rates of the 2014-2018 Roadmap presented in the summary table of paragraph "4.1.7 – 2014-2018 roadmap and overall performance" in the management report, we conducted work of the same nature as the work described in section above regarding the CSR Information that we considered to be the most important.

We consider that this work allows us to express a limited assurance conclusion on the 2018 achievement rates of the 2014-2018 Roadmap.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the 2018 achievement rates of the 2014-2018 Roadmap, taken as a whole, are not presented fairly in accordance with the Guidelines.

Paris-La Défense, April 8, 2019

One of the statutory auditors,

Deloitte & Associés

Jean-François Viat Partner	Olivier Jan Partner, Sustainability Services

Appendix 1

The CSR Information that we considered to be the most important, on which we conducted detailed tests, are the following:

KEY PERFORMANCE INDICATORS AND OTHER QUANTITATIVE OUTCOMES

Quantitative health and safety information

- Frequency of lost-time accidents at work
- Severity of accidents at work
- Number of occupational illnesses recognized

Other quantitative social information

- Group workforce at the end of 2018
- Total number of hires
- Departures (of which layoffs)
- Number of training hours per employee (Worldwide)
- Absenteeism (All job categories)
- Share of non-managers on minimum wage
- Share of employees covered by collective bargaining agreement and/or convention
- Share of the workforce employed in entities in which there was an employee representative body and/or a union

Quantitative environmental information

- Water consumption (in thousands m^3)
- Direct and indirect energy consumption (GWh)
- Total CO_2 emissions for scopes 1 and 2 of the carbon audit (in thousands of metric tons of CO_2 equivalent)
- CO_2 emissions linked to energy consumption (thousands of metric tons of CO_2 equivalent) in scopes 1, 2 and 3 of the carbon audit
- Volatile Organic Compound (VOC) emissions (metric tons)
- Waste produced (in thousands of metric tons) – of which hazardous waste
- Waste recovered (Sent for recycling) (%)

Appendix 2

The sample of selected entities and sites is presented below:

Quantitative health and safety information:

INFORM (Turkey), Limousin (France), Middle Atlantic Product (USA), ROCOM (China), Zabkowice (Poland).

Other quantitative social information:

France, INFORM (Turkey), ROCOM (China), USA, Zabkowice (Poland).

Quantitative environmental information:

Cairo (Egypt), Concord (USA), Gebze (Turkey), Huizhou (China), INFORM (Turkey), Malaunay (France), Middle Atlantic Product (USA), ROCOM (China), Zabkowice (Poland).

5

MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

5.1 – PRELIMINARY DISCLAIMER 158

5.2 – 2018 HIGHLIGHTS 158

5.3 – OPERATING INCOME 160

5.3.1 – Introduction 160
5.3.2 – Main factors affecting Group results 161

5.4 – YEAR-ON-YEAR COMPARISON: 2018 AND 2017 164

5.4.1 – Net sales 165
5.4.2 – Cost of sales 167
5.4.3 – Administrative and selling expenses 167
5.4.4 – Research and development costs 167
5.4.5 – Other operating income and expenses 168
5.4.6 – Operating profit 168
5.4.7 – Adjusted operating profit 168
5.4.8 – Net financial expenses 169
5.4.9 – Exchange gains and losses 169
5.4.10 – Income tax expense 169
5.4.11 – Net profit attributable to the Group 170

5.5 – CASH FLOWS AND BORROWING 170

5.5.1 – Cash flows 170
5.5.2 – Debt 171

5.6 – CAPITAL EXPENDITURE 171

5.7 – OFF BALANCE SHEET COMMITMENTS 172

5.8 – CONTRACTUAL OBLIGATIONS 172

5.9 – VARIATIONS IN EXCHANGE RATES 172

5.10 – QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO FINANCIAL RISKS 173

5.11 – SUMMARY OF CRITICAL ACCOUNTING POLICIES 174

5.12 – NEW IFRS PRONOUNCEMENTS 174

5.13 – TRENDS AND PROSPECTS 175

5.14 – TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS 175

5.15 – SELECTED FINANCIAL INFORMATION 176

5.1 – PRELIMINARY DISCLAIMER

This selected financial data of the Company should be read together with the consolidated financial statements and their related notes in chapter 8 of this Registration Document. Financial statements of the Company have been prepared in accordance with IFRS and IFRS Interpretations Committee interpretations as adopted by the European Union. The following information includes forward-looking statements based on estimates relating to the future activity of Legrand and which may differ materially from actual results.

Percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

5.2 – 2018 HIGHLIGHTS

Strong growth in 2018 main indicators, 2018 targets[(1)] fully met

With +4.9% of organic growth in sales in 2018, Legrand outperformed the target[(1)] that it set itself for the year and continued to expand its positions. The effect of the increased scope of consolidation was also a substantial +7.8%. Excluding the exchange-rate effect, sales were up +13% in 2018 – the highest rise since 2006.

Adjusted operating profit increased +9.7%, to over €1.2bn, and adjusted operating margin before acquisitions[(2)] reached 20.2% of sales, in line with the 2018 target[(1)].

Net profit attributable to the Group was up a strong +23.3%[(3)] and normalized free cash flow rose +21.5%, to represent 14.9% of sales.

Lastly, targets set in the 2014-2018 CSR roadmap were fully met, with an achievement rate of 122%.

This very good integrated performance reflects the Group's ability to create lasting value for all of its stakeholders thanks to its clear strategy, robust business model, and the commitment of its teams.

Consolidated sales

Sales for 2018 stood at €5,997.2 million, increasing +8.6% in total, and +13% excluding the exchange-rate effect.

Sales growth at constant scope of consolidation and exchange rates was +4.9%, with rises in both mature countries (+4.3%) and new economies (+6.2%). In 2018, the impact of the broader scope of consolidation came to +7.8. The exchange-rate effect on sales was -3.9% in 2018.

Adjusted operating profit and margin

Adjusted operating profit was up +9.7% from 2017, reaching €1,212.1 million. Adjusted operating margin before acquisitions (at 2017 scope of consolidation) came to 20.2% of sales in 2018, in line with 2018 guidance of between 20.0% and 20.5% of sales.

After acquisitions, 2018 adjusted operating margin stood at 20.2%. The impact of acquisitions was in fact neutral in 2018; based on external growth operations and their likely date of consolidation, it should be around -0.4 points in 2019, with half linked to the consolidation of Netatmo, whose profitability was at breakeven in 2018, and the other half to the consolidation of other companies acquired in 2018.

(1) 2018 confirmed and specified targets: "organic growth in sales of close to +4%" and "adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5%". For the exact wording of Legrand's confirmed and specified 2018 targets, readers are invited to consult the press release issued on November 8, 2018.

(2) At 2017 scope of consolidation.

(3) 2018 net profit attributable to the Group compared with 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

Net profit attributable to the Group

Reflecting a solid performance, net profit attributable to the Group was up +23.3% compared with adjusted[(1)] net profit in 2017, standing at €771.7 million.

This €146 million rise came primarily from:

- the increase in operating profit (+€113 million);
- the favorable trend in net financial expense and foreign-exchange results (+€22 million); and
- the positive effect of the decline in corporate tax amount (+€8 million)[(2)], where the 2018 rates stood at 28% – a five-point decrease from 2017 linked for around three points linked to the announced effect[(3)] of the reduction in corporate tax in the United States, and around two points due to favorable one-off factors.

Cash generation and net debt

Cash flow from operations was a robust €1,100.5 million (i.e. 18.4% of sales), up +19.6% from 2017.

Normalized free cash flow recorded a +21.5% rise to reach 14.9% of 2018 sales.

Working capital requirement stood at 9.2% of sales at December 31, 2018.

Free cash flow stood at €746.3 million, up +7.3%.

With the ratio of net debt/EBITDA at 1.7 on December 31, 2018, the Group benefitted from a solid balance sheet structure, securing the resources and flexibility needed for sustainable development.

Non-financial performance

With an achievement rate of 122%, Legrand fully achieved its 2014-2018 CSR roadmap, demonstrating once again its commitment to creating sustainable value, while taking all stakeholders into consideration.

For more information on the non-financial performance statement, readers are invited to refer to the Chapter 4 of this Registration Document.

A stronger sustainable and profitable growth profile

In 2018, Legrand undertook many initiatives aimed at fueling its development in keeping with the solid fundamentals that have made it successful. Against this backdrop, the Group intends to:

- after having reached in 2018 its Eliot program targets for 2020, step up the development of its connected ranges by acquiring Netatmo, whose 130 engineers have added their expertise in Artificial Intelligence, user experience and software integration into products to the Group's R&D teams. More generally, Legrand is pursuing the digital transformation of its offering by integrating innovative functions such as voice assistance into user interfaces, displayed at the latest CES[(4)] in Las Vegas, and by the geographical deployment of its Eliot program;
- boost organic expansion by pursuing growth investments, including in particular the launch of numerous new product ranges, and by setting a front office organization in three geographical areas that are better aligned with the structure of its markets and allow more efficient deployment of commercial programs;
- after seven acquisitions made in 2018, pursue its strategy of bolt-on[(5)] acquisitions aimed at strengthening its leadership positions and expanding its accessible market in fields that are very complementary to its existing operations;
- optimize continuously its performance with enhanced manufacturing initiatives; the deployment of the "Legrand Way[(6)]" to administrative and R&D activities; the targeted digitalization of manufacturing and supply chain processes as well as the achievement of synergies linked to recent acquisitions and the decrease in energy consumption linked with the new Group CSR targets;
- launch its fourth CSR roadmap for the period 2019-2021, to maximize Legrand's positive externalities for all stakeholders through three focal points: business ecosystem, people and environment. Additionally, and for each of these focal points, Legrand has set ambitious targets for 2030 that include raising the percentage of sales made with sustainable products to 80%, boosting the number of women part of management, and reducing the Group's activities carbon footprint.

(1) 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

(2) Excluding the favorable net impact in 2017 of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

(3) For more information on tax reductions in the United States announced in 2017, and their expected impacts on Legrand's accounts, readers are invited to refer to pages 14 and 15 of the press release announcing full-year 2017 results, published February 8, 2018.

(4) Consumer Electronics Show.

(5) Companies that complement Legrand's activities.

(6) Program dedicated to the implementation of best practices within the Group.

Confirming Legrand's medium-term value-creating model

Confident in the soundness of its model and its ability to fuel lasting profitable growth, Legrand confirms its medium-term model:

- assuming a buoyant economic backdrop and excluding exchange-rate effects, the Group intends to achieve annual growth in sales and adjusted operating profit of around +10%;
- assuming a lackluster or unfavorable economic backdrop, Legrand will focus on protecting its model, profitability and generation of free cash flow.

Over a full economic cycle, and excluding any major economic slowdown, this model would result in average annual growth in sales above that of the Group's reference markets, adjusted operating margin averaging around 20% of sales[1], normalized free cash flow ranging on average between 13% and 14% of sales[4], and an attractive dividend.

Legrand also intends to continue rolling out an ambitious approach to CSR, driven by demanding roadmaps.

5.3 – OPERATING INCOME

5.3.1 – Introduction

The Group reports its finances and operating results on the basis of five operating segments that correspond to the region of origin of invoicing. Information concerning the results of operations and financial positions for each of these five operating segments is presented for 2017 and 2018 in note 2.1 to the consolidated financial statements shown in chapter 8 of this Registration Document. Each segment represents either a single country or the consolidated results of a number of countries and distinct markets. These five operating segments are:

- France;
- Italy;
- Rest of Europe, mainly including Benelux, Germany, Iberia (including Spain and Portugal), Poland, Russia, Turkey and the UK;
- North and Central America, including Canada, Mexico, the United States and Central American countries; and
- Rest of the World, mainly including Australia, China, India, Saudi Arabia and South America (including in particular Brazil, Chile and Colombia).

Since local market conditions are the determining factors in business performance and net sales by zone, consolidated financial information for multi-country zones does not accurately reflect financial performance in each national market.

Furthermore, products may be manufactured and sold locally or imported from or exported to another Group entity. These factors may make it difficult to compare results for different operating segments. Consequently, with the exception of information relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

(1) Without major acquisition and taking into account the implementation of IFRS 16 standard..

5.3.2 – Main factors affecting Group results

5.3.2.1 NET SALES

Markets in the countries and regions where Legrand operates have their own features, essentially as a result of local economic conditions and lifestyles, which affect the scale of renovation and new construction of homes, stores and office buildings, as well as the level of corporate investment in industrial facilities. Other factors include how buildings are used, in particular linked to new technologies.

Changes in consolidated net sales principally reflect the following factors:

- changes in sales volume (i.e., the number of products sold in each period) due to changes in product demand and business levels in all markets;
- product mix;
- changes in sales prices (including discounts and rebates, cash discounts for prompt payment, general price changes relating to local market conditions, and specific price changes, such as those designed to pass on inflation in all costs);
- fluctuations in exchange rates between the euro and the different billing currencies, which affect the level of consolidated net sales after conversion; and
- changes in the subsidiaries consolidated by Legrand, mainly as a result of acquisitions or disposals (which are referred to as "changes in the scope of consolidation").

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination: market where customers are based) for the years ended December 31, 2018 and 2017. Sales "by destination" means all sales by the Group to third parties in a given geographic market.

	12 months ended			
	December 31, 2018		December 31, 2017	
(in € million, except %)	€	%	€	%
Net sales by destination				
France	912.6	15.2	900.9	16.3
Italy	545.8	9.1	513.5	9.3
Rest of Europe	1,007.9	16.8	936.7	17.0
North and Central America	2,175.1	36.3	1,820.0	33.0
Rest of the World	1,355.8	22.6	1,349.7	24.4
TOTAL	**5,997.2**	**100.0**	**5,520.8**	**100.0**

5.3.2.2 DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, changes in net sales are analyzed by distinguishing variations due to changes in the scope of consolidation, organic growth (changes in net sales "using constant scope of consolidation and exchange rates"), and the impact of exchange-rate variations between the euro and other currencies. The Company believes that this measure is a useful tool for analyzing changes and trends in its historical consolidated net sales over different periods. Measures of organic growth are computed by making the following adjustments.

5.3.2.2.1 Companies acquired during the current period

Where companies are acquired during the current period, the net sales of the acquired company are reflected in the consolidated statement of income only for the portion of the current period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope of consolidation takes into account sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with accounting policies, for the portion of the prior period equal to the portion of the current period during which Legrand actually consolidated the acquired entity.

5.3.2.2.2 Companies acquired during a prior period

Where companies were acquired during the prior period, net sales of the acquired company are reflected in the consolidated statement of income for the entirety of the current period but only for the portion of the prior period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope of consolidation takes into account the sales of the acquired company, based on sales data for the acquired company prepared in a manner consistent with accounting policies, for the portion of the previous year during which it was not consolidated.

5.3.2.2.3 Disposals during the current period

Where companies are disposed of during the current period, the net sales of the company sold are reflected in the consolidated statement of income for only the portion of the current period prior to the date of disposal and deconsolidation. The calculation of the change in consolidated net sales at constant scope of consolidation does not take into account the sales of the divested company during the period of the previous year corresponding to the period of the current year after disposal.

5.3.2.2.4 Disposals during a prior period

Where companies were disposed of during the prior period, the net sales of the company sold are not reflected in the consolidated statement of income for the current period. The calculation of the change in consolidated net sales at constant scope of consolidation does not take into account sales of the divested company in the prior period.

5.3.2.2.5 Activity suspended during the current period

Where activities are suspended during the current period, the net sales of the activity suspended are reflected in the consolidated statement of income only for the period up to suspension. The calculation of the change in consolidated net sales at constant scope of consolidation does not take into account the sales of the activity suspended during the period of the previous year corresponding to the period of the current year after suspension.

5.3.2.2.6 Activity suspended during a prior period

Where activities were suspended during the prior period, the net sales of the activity suspended are not reflected in the consolidated statement of income for the current period. The calculation of the change in consolidated net sales at constant scope of consolidation does not take into account sales of the activity suspended in the prior period.

5.3.2.2.7 Using constant exchange rates

Consolidated historical net sales include the effects of exchange-rate differences between the euro and other currencies. To analyze the variation of consolidated net sales excluding the effects of these exchange-rate changes, Legrand uses constant exchange rates (calculated by adjusting net sales reported for a given financial year using the exchange rates for the prior financial year).

5.3.2.3 COST OF SALES

Cost of sales consists primarily of the following:

Cost of raw materials and components. The cost of raw materials and components accounted for, on average, approximately 68% of consolidated cost of sales over the last two financial years. Likewise, on average approximately 71% of this cost relates to components and approximately 29% relates to raw materials. The breakdown between raw materials, components and semi-finished products varies according to product mix, trends in market prices and choices for industrial organization, in particular with the implementation of good practices ("Legrand Way").

Legrand purchases some of its raw materials and components locally. However, Company policy is to increase the percentage of raw materials and components purchased by the Group on world markets in order to benefit from economies of scale. The cost of raw materials and components may also fluctuate with macro-economic trends.

Production costs. In general, these costs change on an aggregate basis in proportion to fluctuations in production volumes; they rise due to inflation and decline as a result of productivity initiatives and economies of scale associated with the increase in production volumes.

Items included in production costs are:

- payroll costs;
- depreciation of fixed assets;
- subcontracted added value; and
- other general manufacturing expenses, such as expenses linked to energy consumption.

The main factors that influence cost of sales, in particular as a percentage of net sales, include:

- trends in net sales;
- production volumes, insofar as the Company achieves economies of scale through higher production volumes, thereby spreading fixed production costs over a larger number of units produced;
- the mix of products sold, insofar as consumption and production costs vary depending on the cost of raw materials and other components needed to manufacture a given product;
- changes in the prices of raw materials, components and semi-finished goods due to local or global economic conditions and changes in customs duties;

- effective purchasing following deployment of the cost-reduction policy through the centralization, internationalization and standardization of purchasing management at Group level;
- trends in inflation for other cost components (salaries, energy, etc.);
- depreciation of industrial capital expenditures needed to manufacture goods;
- initiatives aiming at improving Group operating efficiency; and
- product life cycles.

5.3.2.4 ADMINISTRATIVE AND SELLING EXPENSES

Legrand's administrative and selling expenses consist essentially of the following:

- salary costs and benefit charges for administrative staff and sales personnel;
- expenses relating to logistics, information systems and miscellaneous expenses;
- amortization of intangible assets, such as trademarks revalued following acquisitions; and
- other selling expenses, such expense incurred in connection with travel, advertising and communications.

5.3.2.5 RESEARCH AND DEVELOPMENT COSTS

Research and development costs consist principally of the following:

- salary costs and benefit charges for research and development employees;
- miscellaneous expenses related to research and development, such as software, prototypes and patent registration costs, less R&D tax credits granted in various countries;
- expenses related to the use and maintenance of administrative offices, as well as expenses related to information systems, in each case, concerning research and development activities; and
- amortization of capitalized development costs. Costs incurred on significant development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project, considering its technical, commercial and technological feasibility, will be a success, and the costs can be reliably quantified. Once these conditions are satisfied, a portion of the relevant development expense is capitalized. Development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period of its expected benefit, not exceeding a period of ten years.

5.3.2.6 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include restructuring costs and other expenses and provisions.

5.3.2.7 OPERATING PROFIT

Operating profit consists of net sales, less cost of sales, administrative and selling expenses, research and development costs, and other operating expenses.

5.3.2.8 OTHER FACTORS AFFECTING THE GROUP'S RESULTS

- The acquisition of Legrand France in 2002 and associated purchase accounting adjustments and transactions related thereto have affected net income. In particular, the significant intangible assets recorded in connection with the acquisition of Legrand France increased the amortization charges of the Group. The purchase accounting adjustments relating to the acquisition of Legrand France essentially concern the revaluation of trademarks that are being amortized on a straight-line basis until 2021 at the latest, and patents, amortized on a declining-balance basis until 2011.
- Acquisitions made since 2002 have also had an impact on the Group's net income. This is because intangible assets revalued as part of the purchase-price allocation of entities acquired generate additional amortization.

5.4 – YEAR-ON-YEAR COMPARISON: 2018 AND 2017

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Net sales	**5,997.2**	**5,520.8**
Operating expenses		
Cost of sales	(2,869.7)	(2,627.0)
Administrative and selling expenses	(1,606.8)	(1,511.6)
Research and development costs	(276.5)	(252.1)
Other operating income (expenses)	(105.2)	(104.5)
Operating profit	**1,139.0**	**1,025.6**
Financial expenses	(79.1)	(92.1)
Financial income	12.0	13.7
Exchange gains (losses)	2.2	(8.3)
Financial profit (loss)	**(64.9)**	**(86.7)**
Profit before tax	**1,074.1**	**938.9**
Income tax expense	(301.3)	(224.2)
Share of profits (losses) of equity-accounted entities	(0.4)	(1.5)
Profit for the period	**772.4**	**713.2**
Of which:		
■ **net profit attributable to the Group**	**771.7**	**711.2**
■ **minority interests**	**(0.7)**	**(2.0)**

The table below shows the calculation of adjusted operating income (defined as operating income adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions, and, where applicable, for impairment of goodwill), and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Profit for the period	**772.4**	**713.2**
Share of profits (losses) of equity-accounted entities	0.4	1.5
Income tax expense	301.3	224.2
Exchange (gains) losses	(2.2)	8.3
Financial income	(12.0)	(13.7)
Financial expenses	79.1	92.1
Operating profit	**1,139.0**	**1,025.6**
Acquisition-related amortization, depreciation, expenses and income	73.1	79.3
Goodwill *impairment*	0.0	0.0
Adjusted operating profit	**1,212.1**	**1,104.9**
Adjusted restructuring costs[(1)]	25.7	20.5
Maintainable adjusted operating profit	**1,237.8**	**1,125.4**

(1) Adjusted restructuring costs are defined as restructuring costs adjusted for revaluation of assets at the time of acquisitions.

5.4.1 – Net sales

Consolidated net sales rose 8.6% to €5,997.2 million in 2018, compared with €5,520.8 million in 2017, reflecting the combined impact of:

- a +4.9% organic rise (at constant scope of consolidation and exchange rates), which is higher than the 2018 target[1] for organic growth sales;
- +7.8% due to the broader scope of consolidation that resulted from acquisitions. This relates to the carry-over effect of 2017 acquisitions consolidated for 12 months in 2018, including OCL (USA) consolidation for 11 months in 2017; AFCO Systems (USA) consolidation for 8 months in 2017; Finelite (USA) consolidation for 7 months in 2017; Milestone (USA) consolidation for 5 months in 2017; and to the first-time consolidation in 2018 of Modulan (Germany) for 9 months, Gemnet (United Arab Emirates) for 7 months and Shenzen Clever Electronic (China) for 6 months;
- -3.9% due to exchange-rate effects over the period.

5.4.1.1 ANALYSIS OF CHANGES IN NET SALES BY DESTINATION FROM 2017 TO 2018

The table below shows a breakdown of changes in net sales to third parties as reported by zone of destination (market where sales are recorded) between 2017 and 2018:

	12 months ended December 31,					
Net sales *(in € million, except %)*	**2018**	**2017**	**Total change**	**Change in scope of consolidation**	**Organic growth(1)**	**Exchange-rate effect**
France	912.6	900.9	1.3%	0.2%	1.1%	0.0%
Italy	545.8	513.5	6.3%	0.1%	6.2%	0.0%
Rest of Europe	1,007.9	936.7	7.6%	3.4%	9.2%	(4.7)%
North and Central America	2,175.1	1,820.0	19.5%	20.2%	4.2%	(4.6)%
Rest of the World	1,355.8	1,349.7	0.5%	2.0%	4.9%	(6.1)%
CONSOLIDATED TOTAL	**5,997.2**	**5,520.8**	**8.6%**	**7.8%**	**4.9%**	**(3.9)%**

(1) At constant scope of consolidation and exchange rates.

Comments below concern sales by destination:

France. Sales in France for 2018 came to €912.6 million compared with €900.9 million in 2017, an increase of +1.3%. This reflects:

- an +0.2% change in scope of consolidation;
- a +1.1% organic rise over the period.

In a market that has remained lackluster overall since the beginning of the year and marked in particular by clear destocking by distribution in the third quarter, Legrand's good 2018 performance resulted from healthy momentum in energy distribution and digital infrastructures, along with sustained activity in user interfaces, linked more particularly to the very favorable response to its Céliane with Netatmo and dooxie ranges. These favorable trends were partially offset by a decline in sales of bulkhead lights, installation components, and cable management.

Italy. Net sales in Italy for 2018 came to €545.8 million compared with €513.5 million in 2017, an increase of +6.3%. This reflects:

- a +0.1% change in scope of consolidation;
- a +6.2% organic evolution.

These very good showings were driven by the continued success of connected offerings – including the Classe 300X connected door entry system and the Smarther intelligent thermostat – as well as an inventory build-up for the new Living Now user-interface range, whose functionalities and design, with a choice of different materials, are particularly appreciated by end customers. In this respect, 2018 represents a demanding basis of comparison for 2019.

(1) 2018 confirmed and specified targets: "organic growth in sales of close to +4%" and "adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5%". For the exact wording of Legrand's confirmed and specified 2018 targets, readers are invited to consult the press release issued on November 8, 2018

Rest of Europe. Net sales in the Rest of Europe zone for 2018 came to €1,007.9 million compared with €936.7 million in 2017, an increase of +7.6%. This reflects:

- a +3.4% change in scope of consolidation;
- the unfavorable -4.7% impact of exchange-rate fluctuations;
- and a +9.2% organic rise.

Over the full year, this strong rise benefited from double-digit growth in sales in Eastern Europe – including Russia, Romania and Hungary – as well as in Turkey. These very healthy performances, fueled by commercial initiatives, represent high bases of comparison for 2019.

A number of mature countries also recorded a strong rise in activity, including Southern Europe[1], Germany and the Netherlands.

Sales in the United Kingdom (around 2% of Group sales) rose moderately.

North and Central America. Net sales in the North and Central America zone for 2018 came to €2,175.1 million compared with €1,820.0 million in 2017, an increase of +19.5%. This reflects:

- a +20.2% change in scope of consolidation;
- the unfavorable -4.6% impact of exchange-rate fluctuations;
- and a +4.2% organic rise.

2018 showings were driven by momentum in the United States, where sales rose +5.2% full year. This was achieved thanks to the success of offerings for wire-mesh cable management, intelligent PDUs, and lighting control solutions, as well as Milestone's audio-video infrastructure and power products.

Sales rose very slightly in Canada, while declining in Mexico.

Rest of the World. Net sales in the Rest of the World zone for 2018 came to €1,355.8 million compared with €1,349.7 million in 2017, an increase of +0.5%. This reflects:

- a +2.0% change in scope of consolidation;
- the unfavorable -6.1% impact of exchange-rate fluctuations;
- and a +4.9% organic rise.

The Group reported very healthy performances in a number of Asian countries including India, China and South Korea, along with several African countries. Sales showed moderate growth in Australia, while declining in Malaysia.

Business trends were mixed in Latin America, with sales nearly steady in Brazil and declining in Colombia. In the Middle East, sales were down in both the United Arab Emirates and in Saudi Arabia.

5.4.1.2 BREAKDOWN OF CHANGES IN NET SALES BY ORIGIN FROM 2017 TO 2018

The following table presents the breakdown of changes in net sales to third parties as reported by zone of **origin** between 2017 and 2018:

	12 months ended December 31,					
Net sales *(in € million, except %)*	**2018**	**2017**	**Total change**	**Change in scope of consolidation**	**Organic growth[1]**	**Exchange-rate effect**
France	1,032.4	1,012.6	2.0%	0.0%	2.0%	0.0%
Italy	578.8	544.7	6.3%	0.0%	6.3%	0.0%
Rest of Europe	978.3	914.5	7.0%	2.7%	9.6%	(5.0)%
North and Central America	2,223.2	1,857.4	19.7%	20.7%	4.0%	(4.6)%
Rest of the World	1,184.5	1,191.6	(0.6)%	1.7%	4.8%	(6.7)%
CONSOLIDATED TOTAL	**5,997.2**	**5,520.8**	**8.6%**	**7.8%**	**4.9%**	**(3.9)%**

(1) At constant scope of consolidation and exchange rates.

(1) Southern Europe: Spain + Greece + Portugal.

5.4.2 – Cost of sales

The consolidated cost of sales rose 9.2% to €2,869.7 million in 2018, compared with €2,627.0 million in 2017. This was primarily due to:

- the consolidation of new acquisitions;
- the increase in volume of raw materials and components consumed as production increased; and
- higher raw material and component prices, and higher customs duties in 2018 than in 2017.

These were partly offset by:

- ongoing efforts to raise productivity and adjust to changing conditions.

As a percentage of net sales, the cost of sales came to 47.9% in 2018 compared with 47.6% in 2017.

5.4.3 – Administrative and selling expenses

Administrative and selling expenses rose by 6.3% to €1,606.8 million in 2018, compared with €1,511.6 million in 2017. This was essentially attributable to:

- ongoing investments in growing activities; and
- consolidation of new acquisitions.

These were partly offset by:

- ongoing efforts on productivity initiatives.

Expressed as a percentage of sales, administrative and selling expenses decreased from 27.4% in 2017 to 26.8% in 2018.

5

5.4.4 – Research and development costs

	12 months ended	
(in € millions)	**December 31, 2018**	**December 31, 2017**
Research and development costs	(276.5)	(252.1)
Acquisition-related amortization and R&D tax credit	(3.9)	(7.6)
Amortization of capitalized development costs	28.5	29.4
R&D costs before capitalized development costs	**(251.9)**	**(230.3)**
Capitalized development costs	(33.7)	(33.6)
Research and development expenditure for the period	**(285.6)**	**(263.9)**

In accordance with IAS 38 "Intangible Assets", the Group has implemented an internal measurement and accounting system for development costs to be recognized as intangible assets. On this basis, €33.7 million in development costs were capitalized in 2018 compared with €33.6 million in 2017.

Amortization charges for capitalized development costs amounted to €28.5 million in 2018, compared to €29.4 million in 2017.

Research and development costs totaled €276.5 million in 2018 compared with €252.1 million in 2017. Excluding the impact of the capitalization of development costs and purchase accounting charges relating to acquisitions, as well as the tax credit for research and development activities, R&D expenditure stood at €285.6 million in 2018 (4.8% of net sales), compared with €263.9 million in 2017 (4.8% of net sales).

In 2018, research and development operations had close to 2,400 employees in more than 20 countries.

5.4.5 – Other operating income and expenses

In 2018, other operating income and expenses totaled €105.2 million compared with €104.5 million in the same period of 2017.

5.4.6 – Operating profit

The Group consolidated operating profit rose 11.1% to €1,139.0 million in 2018 compared with €1,025.6 million in 2017. This increase resulted from:

- an 8.6% rise in net sales;
- a 9.2% rise in cost of sales;
- a 6.8% rise in administrative, selling and research & development costs; and
- an €0.7 million rise in other income and operating expenses.

As a percentage of net sales, operating profit came to 19.0% in 2018 compared with 18.6% in 2017.

5.4.7 – Adjusted operating profit

Adjusted operating profit is defined as operating profit adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

Adjusted operating income rose 9.7% to stand at €1,212.1 million in 2018 compared with €1,104.9 million in 2017, and broke down as follows by geographical zone: (as indicated in 3.1, consolidated financial information for multi-country zones does not reflect the financial performance of each national market):

- **France**: a 2.1% decline to €198.0 million in 2018 compared with €202.2 million in 2017, representing 19.2% of net sales in 2018 compared to 20.0% in 2017;
- **Italy**: a 9.7% rise to €211.5 million in 2018 compared with €192.8 million in 2017, representing 36.5% of net sales in 2018 compared to 35.4% of net sales in 2017;
- **Rest of Europe**: a 15.6% rise to €187.8 million in 2018 compared with €162.4 million in 2017, representing 19.2% of net sales in 2018 compared to 17.8% in 2017;
- **North and Central America**: a 20.3% rise to €431.3 million in 2018, compared with €358.5 million in 2017, representing 19.4% of net sales in 2018 compared with 19.3% in 2017; and
- **Rest of the World**: a 2.9% decline to €183.5 million in 2018 compared with €189.0 million in 2017, representing 15.5% of net sales in 2018 compared to 15.9% in 2017.

In 2018, Group adjusted operating margin before acquisitions (at 2017 scope of consolidation) stood at 20.2% of net sales, +0.2 points higher than the 2017 figure of 20.0% in line with the 2018 target(1) of 20.0% to 20.5%.

Taking acquisitions into account, the Group's adjusted operating margin came to 20.2% of net sales in 2018.

(1) 2018 confirmed and specified targets: "organic growth in sales of close to +4%" and "adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5%". For the exact wording of Legrand's confirmed and specified 2018 targets, readers are invited to consult the press release issued on November 8, 2018.

5.4.8 – Net financial expenses

Net financial expenses principally correspond to financial expenses related to Yankee bonds; the 2011, 2012, 2015, 2017 and 2018 bond issues; the 2011 credit facility amended in July 2014; and other bank borrowings (for a description of these arrangements, see paragraph 5 of this chapter), less financial income arising from the investment of cash and cash equivalents.

Finance expenses stood at €79.1 million in 2018 compared with €92.1 million in 2017. Financial income came to €12.0 million in 2018 compared with €13.7 million in 2017. Net financial expenses decreased 14.4% in 2018 from the same period of 2017, accounting for 1.1% of net sales compared with 1.4% in 2017.

5.4.9 – Exchange gains and losses

Exchange gains and losses correspond mainly to translation differences recognized on settlement of foreign currency transactions, as well as the translation impact at the closing exchange rate of monetary assets and liabilities denominated in foreign currencies.

Exchange gains amounted to €2.2 million in 2018 compared with €8.3 million losses in the same period of 2017.

5.4.10 – Income tax expense

In 2018 Legrand's pre-tax income amounted to €1,074.1 million up from €938.9 million in 2017.

Consolidated income tax expense amounted to €301.3 million in 2018 compared with €224.2 million and €309.7 million in 2017 once adjusted for the net favorable effect of non-recurring gains and expenses[1]. These net favorable effects were adjusted as they did not reflect an underlying performance.

In 2017, the net favorable effect of non-recurring gains and expenses amounting to €85.5 million was detailed as follows:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Tax income linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France	0.0	26.4
Tax income resulting from refund of tax on dividends paid since 2013, net of the exceptional corporate income tax paid by companies in France in 2017	0.0	18.3
Net tax income linked to changes in corporate taxation in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities	0.0	40.8
TOTAL ADJUSTMENTS	**0.0**	**85.5**

2018 income tax expense decreased by €8.4 million compared with 2017 income tax expenses once adjusted for the net favorable effect of non-recurring and significant 2017 gains and expenses. This reflects a rise in the Group's pre-tax income and a decrease in its effective tax rate from 33% in 2017, once adjusted, to 28% in 2018 representing a five-point decrease linked for around three points linked to the announced[2] effect of the reduction in corporate tax in the United States, and around two points due to favorable one-off factors.

(1) For more details on 2017 significant non-recurring corporate taxation gains and expenses, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

(2) For more information on tax reductions in the United States announced in 2017, and their expected impacts on Legrand's accounts, readers are invited to refer to pages 14 and 15 of the press release announcing full-year 2017 results, published February 8, 2018

5.4.11 – Net profit attributable to the Group

Net profit attributable to the Group stood at €771.7 million in 2018 representing a €60.5 million increase or +8.5% compared with 2017 net profit attributable to the Group and representing a €146.0 million increase or +23.3% compared with the 2017 net profit attributable to the Group once adjusted for the net favorable effect of non-recurring and significant gains and expenses on income taxes. This €146.0 million increase primarily reflects:

- a €113.4 million rise in operating results;
- an €11.3 million favorable change in net financial expenses;
- a €10.5 million favorable change in foreign exchange gains;
- an €8.4 million positive effect linked to the reduction in income tax expense;
- a €1.1 million rise in the results of equity-accounted entities; and
- a €1.3 million rise in profit attributable to minority interests

5.5 – CASH FLOWS AND BORROWING

5.5.1 – Cash flows

The table below summarizes the Company's cash flows for the years ended December 31, 2018 and 2017:

	12 months ended	
(in € millions)	**December 31, 2018**	**December 31, 2017**
Net cash from operating activities	925.3	863.7
Net cash from investing activities*	(571.8)	(1,802.1)
Net cash from financing activities	(152.2)	887.4
Translation net change in cash and cash equivalents	(1.8)	(66.1)
Increase (decrease) in cash and cash equivalents	**199.5**	**(117.1)**
** of which capital expenditure and capitalized development costs*	*(184.3)*	*(178.2)*

For a detailed analysis of cash flows, investors should refer to the consolidated statement of cash flows provided in the Group's consolidated financial statements.

5.5.1.1 NET CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities stood at €925.3 million at December 31, 2018 compared with €863.7 million at December 31, 2017. This €61.6 million increase was due primarily to cash flow from operations (defined as net cash generated by operating activities, plus or minus changes in current operating assets and liabilities) reaching €1,100.5 million at December 31, 2018 compared with €919.8 million on December 31, 2017, partially offset by changes in current operating assets and liabilities, which set cash used at €175.2 million in 2018 compared with €56.1 million in the same period of 2017, or €119.1 million more.

5.5.1.2 NET CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities for the period ended December 31, 2018 amounted to €571.8 million compared with €1,802.1 for the period ended December 31, 2017.This decrease was primarily due to the acquisition of subsidiaries.

The amount of acquisitions of subsidiaries (net of cash acquired) totaled €394.4 million in 2018 (compared with €1,638.0 million in 2017).

Capital expenditure and capitalized development costs amounted to €184.3 million for the period ended December 31, 2018 (including €33.7 million in capitalized development costs), representing a 3.4% rise compared with investments and capitalized development costs of €178.2 million in the period ending December 31, 2017 (of which €33.6 million in capitalized development costs).

5.5.1.3 NET CASH FROM FINANCING ACTIVITIES

Net cash used by financing activities amounted to €152.2 million in 2018, including primarily the payment of dividends in an amount of €336.8 million and repayment of borrowings in an amount of €400.5 million, partially offset by a €249.2 million increase in short-term financing and a 418.7 million increase in long-term financing.

5.5.2 – Debt

Gross debt (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) came to €3,319.1 million at December 31, 2018 compared to €3,042.5 million at December 31, 2017. Cash and cash equivalents and marketable securities amounted to €1,022.5 million at December 31, 2018 compared to €823.0 million at December 31, 2017. Net debt (defined as gross debt less cash and cash equivalents and marketable securities) totaled €2,296.6 million at December 31, 2018 compared to €2,219.5 million at December 31, 2017.

The ratio of consolidated net debt to consolidated shareholders' equity was around 50% at December 31, 2018 compared with around 54% at December 31, 2017.

At December 31, 2018, the Group's gross debt consisted of the following:

- €2,500.0 million in bonds issued in April 2012 (€400 million), December 2015 (€300 million), July 2017 (€1,000 million), October 2017 (€400 million) and March 2018 (€400 million);
- €340.4 million in Yankee bonds; and
- €478.7 million in other debt, consisting mainly of bank borrowings, overdrafts and debt related to acquisitions, net of debt issuance costs.

The repayment schedule for the non-current portion of this borrowing appears in note 4.6.1 to the consolidated financial statements referred to in chapter 8 of this Registration Document.

Cash and cash equivalents (€1,022.5 million at December 31, 2018 and €823.0 million at December 31, 2017) consist primarily of very short-term bank deposits and so, counterparty risk is monitored very closely.

A description of credit facility contracts is presented in note 4.6.1 to the consolidated financial statements referred to in chapter 8 of this Registration Document.

5.6 – CAPITAL EXPENDITURE

Capital expenditure takes into account the capitalization of some development costs pursuant to IAS 38.

In 2018, capital expenditure and capitalized development expense amounted to €184.3 million or 3.1% of consolidated net sales, compared with €178.2 million or 3.2% in 2017.

Capital expenditure consists mainly of investment in new products, in productivity and in commercial means. Meanwhile, the Group is pursuing many ongoing initiatives in its production operations to control capital employed.

5.7 – OFF BALANCE SHEET COMMITMENTS

The Group does not have any off balance sheet arrangements that have or can be considered reasonably likely to have a current or future impact on its finances, revenues, expenses, results, operating income, cash, capital expenditure or capital reserves, and that would be material to investors. (See note 5.3 to the consolidated financial statements referred to in chapter 8 of this Registration Document). There is no significant off balance sheet commitment given linked to acquisitions.

5.8 – CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's contractual obligations, commercial commitments and principal maturity dates on a consolidated basis as of December 31, 2018.

	Payments due by period				
At December 31, 2018 *(in € millions)*	**Total**	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**
Borrowings	3,311.1	399.0	21.8	849.9	2,040.5
Finance leases	8.0	1.5	3.0	3.4	0.0
Gross debt*	3,319.1	400.5	24.8	853.3	2,040.5
Operating leases	265.4	65.7	89.9	52.3	57.5
TOTAL CONTRACTUAL OBLIGATIONS	**3,584.5**	**466.2**	**114.7**	**905.6**	**2,098.0**

* *Including debt issuance costs.*

5.9 – VARIATIONS IN EXCHANGE RATES

A significant number of the Group's foreign subsidiaries operate in countries outside the euro zone. In 2018, approximately 65% of the Group's net sales were denominated in currencies other than the euro. As a consequence, the Group's consolidated sales, operating income and free cash flow could be affected by variations in exchange rates between the euro and other currencies.

In order to prepare its consolidated financial statements, the Group must convert assets, liabilities, income and expenses that are recognized in other currencies into euros. Variations in exchange rates affect such items in the Group's consolidated financial statements, even if the value of the item remains unchanged in its original currency.

The Group uses end-of-period exchange rates for the translation of balance sheet data and period-average exchange rates for the translation of income statement and cash flow data.

The following table shows, for the periods indicated, data on euro/U.S. dollar exchange rates from 2014 through 2018, expressed in euros per U.S. dollar. This exchange rate information is provided as an indication only and does not represent the exchange rates used by Legrand in the preparation of its consolidated financial statements:

(euro per US dollar)	Period-end rate	Average rate(1)	High	Low
2014	0.82	0.75	0.82	0.72
2015	0.92	0.90	0.95	0.83
2016	0.95	0.90	0.96	0.87
2017	0.83	0.89	0.96	0.83
2018	0.87	0.85	0.88	0.81

(1) The average exchange rate for the euro is calculated as the average monthly figures for the relevant year-long period.

Readers are referred to note 5.1.2.2 appended to the consolidated financial statements mentioned in chapter 8 of the present Registration Document for a description of management of exchange risk.

5.10 – QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO FINANCIAL RISKS

Legrand's exposure to financial risk mainly concerns the following areas:

- interest rate risk;
- currency risk;
- commodity risk;
- credit risk;
- counterparty risk; and
- liquidity risk.

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct trading in financial instruments, in line with its policy of not carrying out any speculative transactions. Transactions involving financial instruments are conducted with the sole purpose of managing interest-rate, exchange-rate and commodity price risks, and as such are limited in duration and amount.

This strategy is centralized at Group level. Deployment is managed by the Financing and Treasury Department, which recommends appropriate measures and implements these after they have been validated by the Corporate Finance Department and the Group's senior management. A detailed reporting system has been set up to permit permanent tracking of the Group's positions and effective oversight of the management of financial risks.

A detailed description of risks and Legrand's risk management appears in note 5.1.2 appended to the consolidated financial statements referred to in chapter 8 of this Registration Document.

Main characteristics of internal control and risk management procedures implemented by the Company on financial information are described in chapter 3 of this Registration Document.

5.11 – SUMMARY OF CRITICAL ACCOUNTING POLICIES

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements:

- intangible assets;
- fair value of financial instruments;
- accounting for stock option plans;
- employee benefits;
- deferred taxes; and
- use of estimates.

These policies include significant estimates made by management using information available at the time the estimates are made. A more detailed description of the main accounting policies used by the Company in preparing its consolidated financial statements is included in notes to the consolidated financial statements referred to in chapter 8 of this Registration Document, and in particular in note 1.2.3.

5.12 – NEW IFRS PRONOUNCEMENTS

Main standards and interpretations published by the IASB with mandatory application were as follows:

- IFRS 9 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers.

Main standards and interpretations published by the IASB with mandatory application on future periods are as follows:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over income tax treatments.

Summaries of these publications and their possible consequences as regards the financial information provided by the Group are presented in note 1.2.1.3 to the consolidated financial statements referred to in chapter 8 of this registration document.

5.13 – TRENDS AND PROSPECTS

In 2019, the Group will pursue its value-creating strategy of profitable and sustainable growth.

Based on macroeconomic forecasts for 2019 that are favorable overall but uncertain, Legrand has set a target for organic growth in sales of between 0% and +4% in 2019. Additionally, the Group has retained a target for adjusted operating margin before acquisitions (at 2018 scope of consolidation) of between 19.9%[1] and 20.7%[1] of sales in 2019.

Legrand will also pursue its acquisition strategy and its CSR approach by launching a new roadmap for 2019-2021.

5.14 – TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS

(in € millions except number of shares, earnings per share and number of employees)	2014	2015	2016	2017	2018
End of period share capital					
Share capital	1,065.4	1,067.7	1,069.3	1,067.2	1,070.0
Number of shares	266,357,615	266,930,602	267,327,374	266,805,751	267,495,149
Earnings					
Net sales	4,499.1	4,809.9	5,018.9	5,520.8	5,997.2
Profit before tax, depreciation and amortization	937.2	979.7	1,025.1	1,154.8	1,281.3
Income tax expense	(238.4)	(258.0)	(218.6)	(224.2)	(301.3)
Share of profits (losses) of equity-accounted entities	0.0	0.0	(1.3)	(1.5)	(0.4)
Profit for the period	533.3	552.0	630.2	713.2	772.4
Dividends paid	279.3	293.1	307.1	317.1	336.8
Earnings per share[1]					
Profit before tax, depreciation and amortization	3.527	3.678	3.848	4.334	4.801
Basic earnings per share	2.001	2.067	2.359	2.669	2.892
Dividend per share	1.05	1.10	1.15	1.19	1.26
Personnel					
End of period number of employees	33,556	32,667	32,722	34,105	34,384
Personnel costs	1,170.8	1,256.3	1,299.1	1,411.3	1,512.3

(1) Earnings per share are computed on the basis of the number of circulating ordinary shares during the period, or 265,703,963 shares in 2014, 266,375,725 shares in 2015, 266,395,359 shares in 2016 and 266,432,980 shares in 2017 and 266,878,862 shares in 2018.

(1) After an estimated favourable impact of around +0.1 point linked to the implementation of FRS 16 standard from January 1, 2019.

5.15 – SELECTED FINANCIAL INFORMATION

The selected financial information for the years ended December 31, 2018, 2017 and 2016 has been drawn from the consolidated financial statements prepared in accordance with IFRS which can be found in chapter 8 of this Registration Document and have been audited by PricewaterhouseCoopers Audit and Deloitte & Associés.

Please read this selected financial information in tandem with the information in the Group's consolidated financial statements, the Notes thereto (included in chapter 8 of this Registration Document) and all other financial information included elsewhere in this Registration Document.

(in € millions except %)	2018	2017	2016
Net sales	**5,997.2**	**5,520.8**	**5,018.9**
Total sales growth	8.6%	10.0%	4.3%
Sales growth at constant scope of consolidation and exchange rates	4.9%	3.1%	1.8%
EBITDA(1)	**1,346.2**	**1,241.5**	**1,109.0**
Maintenable EBITDA(2)	1,374.1	1,262.7	1,134.1
Adjusted operating profit(3)	**1,212.1**	**1,104.9**	**978.5**
As % of net sales	20.2%	20.0%	19.5%
Maintenable adjusted operating profit(2)	1,237.8	1,125.4	1,003.6
Adjusted net profit attributable the Group(4)	**771.7**	**625.7**	**567.3**
As % of net sales	12.9%	11.3%	10.3%
Profit for the period(5)	**772.4**	**713.2**	**630.2**
As % of net sales	12.9%	12.9%	11.4%
***Free cash* flow**(6)	***746.3***	***695.8***	***673.0***
As % of net sales	12.4%	12.6%	12.2%
***Normalized free* cash flow**(7)	***893.5***	***735.2***	***623.9***
As % of net sales	14.9%	13.3%	11.3%
Net financial debt at December 31(8)	**2,296.6**	**2,219.5**	**957.0**

(1) EBITDA is defined as operating profit plus depreciation and impairment of tangible assets, amortization and impairment of intangible assets (including capitalized development costs) and impairment of goodwill.

(2) Maintainable EBITDA and maintainable adjusted operating income are used to analyze EBITDA and adjusted operating income excluding the impact of restructuring costs (including capital gains or losses on the sale of assets).

(3) Adjusted operating income is defined as operating income adjusted for amortization of revaluation of intangible assets at the time of acquisitions and for expense/income relating to acquisitions and, where applicable, for impairment of goodwill.

(4) Adjusted net profit attributable to the Group does not take into account the net favorable effect of non-recurring gains and expenses resulting from announced changes in corporate taxation, primarily in France and in the United States. This net favorable effect is adjusted as it does not reflect underlying recurring performance. For more details, readers are invited to consult chapter 8.8.1 of this Registration Document.

(5) Net income corresponds to published net income (before minority interests).

(6) Free cash flow is defined as the sum of net cash from operating activities and net proceeds from sales of fixed and financial assets, less capital expenditure and capitalized development costs.

(7) Normalized free cash flow is defined as the sum of net cash from operating activities—based on a normalized working capital requirement representing 10% of the last 12 month's sales and whose change at constant scope of consolidation and exchange rates is adjusted for the period considered—and net proceeds of sales from fixed and financial assets, less capital expenditure and capitalized development costs.

(8) Net financial debt is defined as the sum of short-term borrowings and long-term borrowings, less cash and cash equivalents and marketable securities.

The table below shows a reconciliation of adjusted operating profit and maintainable adjusted operating profit with profit for the period and operating profit:

(in € millions)	2018	2017	2016
Profit for the period	**772.4**	**713.2**	**630.2**
Share of profits (losses) of equity-accounted entities	0.4	1.5	1.3
Income tax expense	301.3	224.2	218.6
Exchange (gains) losses	(2.2)	8.3	(6.5)
Financial income	(12.0)	(13.7)	(10.9)
Financial expenses	79.1	92.1	101.3
Operating profit	**1,139.0**	**1,025.6**	**934.0**
Amortization and depreciation of tangible assets	100.9	99.8	97.1
Amortization and depreciation of intangible assets (including capitalized development costs) and Milestone's inventory step-up	106.3	116.1	77.9
Goodwill *impairment*	0.0	0.0	0.0
EBITDA	**1,346.2**	**1,241.5**	**1,109.0**
Restructuring costs	27.9	21.1	25.1
Maintainable EBITDA	**1,374.1**	**1,262.7**	**1,134.1**

The table below shows a reconciliation of the Group's adjusted operating income and maintainable adjusted operating income with net income and operating income:

(in € millions)	2018	2017	2016
Profit for the period	**772.4**	**713.2**	**630.2**
Share of profits (losses) of equity-accounted entities	0.4	1.5	1.3
Income tax expense	301.3	224.2	218.6
Exchange (gains) losses	(2.2)	8.3	(6.5)
Financial income	(12.0)	(13.7)	(10.9)
Financial expenses	79.1	92.1	101.3
Operating profit	**1,139.0**	**1,025.6**	**934.0**
Amortization and other P&L impacts relating to acquisitions	73.1	79.3	44.5
Goodwill *impairment*	0.0	0.0	0.0
Adjusted operating profit	**1,212.1**	**1,104.9**	**978.5**
Adjusted(1) restructuring costs	25.7	20.5	25.1
Maintainable adjusted operating profit	**1,237.8**	**1,125.4**	**1,003.6**

(1) Adjusted restructuring costs are defined as restructuring costs adjusted for revaluation of assets at the time of acquisitions.

The table below shows a reconciliation of research and development expenditure with research and development expense:

(in € millions)	2018	2017	2016
Research and development costs	**(276.5)**	**(252.1)**	**(237.7)**
Acquisition-related amortization and R&D tax credit	(3.9)	(7.6)	(2.8)
Amortization of capitalized development costs	28.5	29.4	27.1
R&D costs before capitalized development costs	**(251.9)**	**(230.3)**	**(213.4)**
Capitalized development costs	(33.7)	(33.6)	(34.6)
Research and development expenditure for the period	**(285.6)**	**(263.9)**	**(248.0)**

The table below shows a reconciliation of the Group's free and normalized free cash flow with net cash from operating activities:

(in € millions)	2018	2017	2016
Net cash from operating activities	**925.3**	**863.7**	**831.8**
Net proceeds from sales of fixed and financial assets	5.3	10.3	2.1
Capital expenditures	(150.6)	(144.6)	(126.3)
Capitalized development costs	(33.7)	(33.6)	(34.6)
***Free cash* flow**	***746.3***	***695.8***	***673.0***
Increase (decrease) in working capital requirement	175.2	56.1	(40.4)
(Increase) decrease in normalized working capital requirement	(28.0)	(16.7)	(8.7)
***Normalized free* cash flow**	***893.5***	***735.2***	***623.9***

The table below shows changes in the net financial debt of Legrand:

(in € millions)	2018	2017	2016
Long-term borrowings	2,918.6	2,457.1	1,550.7
Short-term borrowings	400.5	585.4	346.4
Cash and cash equivalents and marketable securities	(1,022.5)	(823.0)	(940.1)
Net financial debt	**2,296.6**	**2,219.5**	**957.0**

The table below shows the changes in Legrand's equity:

(in € millions)	2018	2017	2016
Share capital	1,070.0	1,067.2	1,069.3
Retained earnings	4,051.8	3,644.6	3,227.8
Translation reserves	(530.6)	(573.2)	(240.0)
Equity attributable to equity holders of Legrand	**4,591.2**	**4,138.6**	**4,057.1**

6

CORPORATE GOVERNANCE

6.1 – ADMINISTRATION AND MANAGEMENT OF THE COMPANY 180

6.1.1 – Board of Directors 181
6.1.2 – Lead Director 195
6.1.3 – Board of Directors' specialized committes 197
6.1.4 – General Management of the Company 205
6.1.5 – Service agreements 207

6.2 – COMPENSATION AND BENEFITS OF COMPANY OFFICERS 208

6.2.1 – Principles and criteria for the determination, breakdown and award of fixed, variable and exceptional elements of total compensation and any benefits due to company officers in respect of their office in respect of the 2019 financial year 208
6.2.2 – Compensation and benefits of company officers in respect of the 2018 financial year 216
6.2.3 – Company officers' shareholdings in the Company 233
6.2.4 – Other benefits granted to company officers 233
6.2.5 – Compensation policy due in respect of the 2019 financial year and compensation components paid or awarded in respect of the 2018 financial year to company officers, submitted for the approval of shareholders 233

6.1 – ADMINISTRATION AND MANAGEMENT OF THE COMPANY

The Company refers to the principles of corporate governance for listed companies set out in the Afep-Medef Code of Corporate Governance, as revised in June 2018 (the "**Code of Corporate Governance**"). This Code of Corporate Governance can be viewed on the Medef website: www.medef.com.

The Code of Corporate Governance uses the "comply or explain" principle. Any recommendation with which the Company does not strictly comply is presented and explained briefly in the table below:

Code of Corporate Governance recommendation with which the Company does not strictly comply	Explanation
Presence of an employee-director on the Compensation Committee The Code of Corporate Governance recommends that an employee-director should sit on the Compensation Committee.	When reviewing the composition of the various Committees, the Board, in conjunction with the director representing employees, did not regard it as appropriate to appoint that director to the Compensation Committee, instead appointing him to the Audit Committee. The Board of Directors, on the recommendation of the Nominating and Governance Committee, took the view that his expertise in cybersecurity and his experience in the Company's Information Systems Department could be of benefit to the Audit Committee's work, particularly regarding IT risks. In any case, it should be noted that the Compensation Committee performs its activities under the scrutiny of the Board. The Committee's work, recommendations and opinions are the subject of detailed reports and are discussed in Board meetings by all directors, including the director representing employees.

6.1.1 – Board of Directors

6.1.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

Principles

The current Articles of Association of the Company and the internal rules of the Board of Directors define the following principles:

- **number of directors**: the Board of Directors has at least three members and no more than the maximum number of members authorized by the applicable legal and regulatory provisions (subject to the exception provided by law in the event of a merger);
- **term of office of directors**: directors have a four-year term of office. This expires at the end of the Ordinary Shareholders' General Meeting convened to consider financial statements for the previous financial year and held in the year in which their term of office expires. They may be reappointed for consecutive terms without limit;
- **ownership of Legrand shares**: subject to legal exceptions, each director must own at least 500 shares, registered in a registered account, for the entire duration of his/her mandate. Beyond this statutory obligation, in the course of his/her term of office, the rules of procedure of the Board of Directors recommends that each director gradually acquire a number of shares equivalent to one full year of his/her share of directors' fees. For calculation purposes it is assumed that the director takes part, over one financial year, in all meetings of the Board and the committee(s) to which he/she belongs, and the unit value of Legrand shares is equal to the average Legrand share price over the previous financial year;
- **age limit for directors**: no one over the age of 70 may be appointed to the Board of Directors if such appointment means that more than a third of Board members will be over that age. If, during their term of office, members of the Board of Directors over the age of 70 make up more than one third of the Board, the oldest member will be deemed to have resigned at the end of the Ordinary Shareholders' General Meeting convened to consider the financial statements for the previous financial year and held during the year in which the age limit is reached;
- **Chairmanship of the Board of Directors**: the Chairman is appointed by the Board of Directors from among its members. He/she must be a natural person aged under 65 at the time of appointment. When the Chairman has reached this age limit, he/she is considered as having resigned at the end of the Ordinary Shareholders' General Meeting convened to consider the financial statements for the previous financial year and held during the year in which the age limit is reached. The Chairman may be reelected. His/her compensation is determined by the Board of Directors;
- **Vice-Chairmanship of the Board of Directors**: the Board of Directors may appoint a Vice-Chairman if necessary. His/her role is to take the place of the Chairman if the latter is prevented from fulfilling his or her duties. The Vice-Chairman is subject to the same age limit as the Chairman;
- **Lead Director**: the Board of Directors may appoint a Lead Director. In accordance with the Code of Corporate Governance, the Lead Director must be appointed from among the independent directors. This is a requirement if the roles of Chairman and Chief Executive Officer are performed by the same individual. If necessary, the Lead Director may directly convene a meeting of the Board of Directors on a given agenda whose importance or urgency justify holding an extraordinary meeting of the Board. Please see section 6.1.2 "Lead Director" for details of the Lead Director's duties and resources;
- **coopting**: when the legal conditions are met, the Board of Directors may appoint members of the Board temporarily, for the remaining term of office of their predecessor. By virtue of law temporary appointments shall be subject to ratification by the next Ordinary Shareholders' General Meeting.

Membership of the Board of Directors

	Personal information					Experience		Role on the Legrand Board			
	Name	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies[1]	Independence	Date of first appointment	Expiry of term of office	Years served on the Board[2]	Membership of Board committees
Company officer/ Director	Gilles Schnepp	60	M	French	2,168,373	1[3]		12/10/2002	2022 Shareholders' General Meeting	16 years	Strategy/CSR
Directors	Olivier Bazil	72	M	French	2,110,829	1		12/10/2002	2022 Shareholders' General Meeting	16 years	Nominating and Governance Strategy/CSR
	Isabelle Boccon-Gibod	50	F	French	1,000	2	✓	05/21/2016	2020 Shareholders' General Meeting	3 years	Audit Strategy/CSR
	Christel Bories	54	F	French	2,190	2	✓	05/25/2012	2020 Shareholders' General Meeting	7 years	Audit Strategy/CSR (Chair)
	Angeles Garcia-Poveda	48	F	Spanish	3,200	0	✓	05/25/2012	2020 Shareholders' General Meeting	7 years	Nominating and Governance (Chair) Compensation (Chair) Strategy/CSR
	Edward A. Gilhuly	59	M	American	119,212	1	✓	05/29/2018	2022 Shareholders' General Meeting	1 year	Strategy/CSR
	Patrick Koller	60	M	French/ German	1,000	1	✓	05/29/2018	2022 Shareholders' General Meeting	1 year	Nominating and Governance Compensation
	Annalisa Loustau Elia	53	F	Italian	1,340	1	✓	05/25/2013	2021 Shareholders' General Meeting	6 years	Compensation
	Éliane Rouyer-Chevalier	66	F	French	1,350	0	✓	05/26/2011	2019 Shareholders' General Meeting	8 years	Audit (Chair) Compensation
Directors representing employee-shareholders	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Directors representing employees	Philippe Jeulin	61	M	French	0	0		06/26/2018	2022 Shareholders' General Meeting	1 year	Audit

(1) The office held within the Company was not taken into account for the calculation.

(2) At the date of the next Shareholders' General Meeting, i.e. May 29, 2019.

(3) If PSA shareholders vote in favor of the resolutions put to them in the April 25, 2019 Shareholders' General Meeting, Gilles Schnepp will hold a second directorship in a listed company other than the Company.

As at the date of the Company's registration document, the Board of Directors is composed of ten members including the Chairman of the Board, the Lead Director and the Director representing employees. The biographies of the Company's directors can be found on pages 369-378 of the Company's registration document.

In addition, on the date of publication of this registration document and under the terms of an agreement with the unions, four representatives of the Central Workforce Relations and Economic Committee also attend meetings of the Company's Board of Directors in an advisory capacity.

Pursuant to article L. 225-27-1 of the French Commercial Code as amended by French act no. 2015-994 of August 17, 2015 on social dialogue and employment, the Central Workforce Relations and Economic Committee at its meeting on February 1, 2018 decided on the appointment procedures for the director(s) representing employees on the Company's Board of Directors, and chose to have the Central Works Council make the appointment.

Accordingly, Mr. Philippe Jeulin was appointed by the Central Works Council to hold the position of Director representing employees from June 26, 2018.

As the number of directors was less than 12 (noting that the director representing employees is not included in the calculation) on the day of appointment, only one director representing employees has been appointed pursuant to the current statutory provisions.

The director appointed to represent the employees has the same status, rights, and responsibilities as the other directors. As such, he is subject to all the provisions of the internal rules governing directors' rights and obligations.

Since 2011, directors' terms of office have gradually been staggered, as reflected in the following table:

	2019 Shareholders' General Meeting	2020 Shareholders' General Meeting	2021 Shareholders' General Meeting	2022 Shareholders' General Meeting
Number of directorships due for renewal	1	3	1	5

Absence of convictions or conflicts of interest

On the date this registration document was filed and as far as the Company is aware, none of the Company directors:

- have family links with other Company directors;
- have been convicted of fraud within the last five years;
- have been associated with any bankruptcy, receivership or liquidation within the last five years;
- have been convicted of any offense and/or received an official public penalty issued by the statutory or regulatory authorities (including professional bodies);
- have been prohibited by a court from sitting on an administrative, management or supervisory body of an issuer or from taking part in the management or conduct of an issuer's business over the last five years.

In keeping with its corporate governance responsibilities, the Board of Directors has adopted a Directors' Charter, which has been integrated into the internal rules. This Directors' Charter sets forth the rights and obligations of the directors and is binding upon each director.

Pursuant to the provisions of the Directors' Charter, directors undertake (i) to inform the Lead Director and the Board of any actual or potential conflict of interest, to abstain from related discussions and votes in accordance with the Code of Corporate Governance and (ii) to avoid any personal engagement with businesses that are competitors of the Company and its Group without having informed the Board of Directors and obtained its consent.

In addition, the Board of Directors' internal rules lay down the requirements for preventing and managing conflicts of interest. Specifically, they state that the Company's Lead Director is responsible for preventing conflicts of interest from arising by conducting awareness-raising initiatives on the existence of facts likely to lead to such conflicts. Accordingly, the Lead Director is informed by each director of any actual or potential conflict of interest, and reports on these to the Board, as he/she does on any actual or potential conflict of interest which he/she may detect independently.

No actual or potential conflict of interest has been reported to the Lead Director or to the Board of Directors.

Furthermore, the Chairman of the Company's Board of Directors has undertaken to inform the Chairman of the Nominating and Governance Committee of any intention to take on another directorship.

Independent directors

Definition of independent director and applicable criteria

A director is considered to be independent if he/she has no relationship with the Company, its management or the Group which might compromise his/her free judgment or create a conflict of interest with the Company, its management or the Group.

In this regard, the internal rules of the Company's Board of Directors lists the independence criteria set forth in the Code of Corporate Governance. Pursuant to the provisions of the Board's internal rules and those of the Code of Corporate Governance, an independent director must not:

- be or have been in the past five years:
  - an employee or executive officer of the Company or Group,
  - an employee, executive officer or director of a company consolidated within the Company,
  - an employee, executive officer or director of the Company's parent company or of a company consolidated by that parent company;
- be an executive officer of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office during the last past five previous years) is a director;
- be a customer, supplier, commercial banker, investment banker or advisor:
  - that is material to the Company or its Group,
  - or for which the Company or its Group accounts for a material proportion of its business.

  The assessment of whether the relationship with the Company or the Group is material or non-material must be debated by the Board, and the qualitative and quantitative criteria that lead to that assessment (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report;
- be related by close family ties to a company officer of the Company or Group;
- have been a statutory auditor for the Company or a Group company in the course of the five previous years;
- have been a director of the Company for more than 12 years, with the status of independent director being lost on the date at which this 12-year period is reached;
- be a non-executive officer and receive variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group, with the exception of attendance fees.
- be a major shareholder of the Company and take part in its control.

  However, when a director represents a shareholder of the Company directly or indirectly holding more than 10% of the Company's capital or voting rights, the Board of Directors, after receiving a report from the Nominating and Governance Committee, must systematically review his or her status as an independent director, with due regard for the Company's share ownership structure and the potential for conflicts of interest.

Procedure for designating independent directors

In accordance with the internal rules of the Company's Board of Directors, designations as independent directors are discussed by the Nominating and Governance Committee with regard to the independence criteria defined above, and are approved by the Board of Directors when a director is appointed and annually for all directors. The findings of the Board's review are made available to shareholders.

Findings of the review conducted by the Nominating and Governance Committee and the Board on the criterion of business relationships between the Company and its directors

During the annual review of independent director designations, the Nominating and Governance Committee and then the Board of Directors in its meeting of March 20, 2019 analyzed the business relationships that could exist between the Group on the one hand, and each director or companies with which they are associated (as a customer, supplier, commercial banker, investment banker or advisor) on the other hand.

To prepare its assessment, the Nominating and Governance Committee asked directors to complete an independence questionnaire. The Committee then analyzed the position of each director based on the responses given in order to:

- determine the existence of a business relationship;
- and where applicable, assess whether or not this relationship was significant by applying qualitative criteria (context, background and structure of the relationship, and parties' respective powers) as well as quantitative criteria (materiality of the relationship to the parties).

The tests showed that none of the directors had business relationships with Legrand.

Findings of the review conducted by the Nominating and Governance Committee and the Board of Directors concerning other independence criteria

After reviewing the individual position of each director with regard to the independence criteria discussed above, the Board of Directors, at its meeting on March 20, 2019 and on the recommendation of the Nominating and Governance Committee, renewed its assessment that Ms. Isabelle Boccon-Gibod, Ms. Christel Bories, Ms. Angeles Garcia-Poveda, Ms. Annalisa Loustau Elia, Ms. Éliane Rouyer-Chevalier, Mr. Edward A. Gilhuly and Mr. Patrick Koller could be designated as independent directors:

	Gilles Schnepp	Olivier Bazil	Isabelle Boccon-Gibod	Christel Bories	Angeles Garcia-Poveda	Edward A. Gilhuly	Patrick Koller	Annalisa Loustau Elia	Éliane Rouyer-Chevalier
Not an employee or corporate officer during the past 5 years	X	✓	✓	✓	✓	✓	✓	✓	✓
No cross directorships	✓	✓	✓	✓	✓	✓	✓	✓	✓
No material business relations	✓	✓	✓	✓	✓	✓	✓	✓	✓
No family ties	✓	✓	✓	✓	✓	✓	✓	✓	✓
No statutory auditor relations	✓	✓	✓	✓	✓	✓	✓	✓	✓
Not a director for more than 12 years	X	X	✓	✓	✓	✓	✓	✓	✓
Status of a non-executive corporate officer	X	✓	✓	✓	✓	✓	✓	✓	✓
Status of a major shareholder	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓: *represents an independence criterion met.*

X: *represents an independence criterion not met.*

The proportion of independent directors on the Company's Board of Directors thus stands at 77.78%[1], higher than the minimum ratio of 50% recommended by the Code of Corporate Governance for non-controlled companies.

With respect to the specialized committes:

- the Audit Committee has four members, three of whom are independent, therefore the percentage of independent directors is 100%[1]. This is consistent with the Code of Corporate Governance, which recommends that at least two-thirds of the Committee's members should be independent directors;
- the Nominating and Governance Committee has three members, two of whom are independent, therefore 66.67% of its members are independent directors. This is in line with the Code of Corporate Governance, which recommends that the majority of the Committee's members should be independent directors;
- the Compensation Committee has four members, all of whom are independent, therefore the percentage of independent directors is 100%. This is in line with the Code of Corporate Governance, which recommends that the majority of the Committee's members should be independent directors;
- the Strategy and Social Responsibility Committee has six members, four of whom are independent, therefore the percentage of independent directors is 66.67%.

As regards the Lead Director, her appointment complies with the Code of Corporate Governance, which recommends that the Lead Director be independent (see also section 6.1.2).

(1) It should be noted that Mr. Philipppe Jeulin, the director representing employees, is a member of the Audit Committee but is not taken into account, in accordance with the Code of Corporate Governance's recommendations, in the calculation of the percentage of independent directors on the Board and specialized committes.

Changes in the composition of the Board of Directors

Changes in the composition of the Board of Directors in 2018

In the course of the 2018 financial year, changes in membership of the Board of Directors were as follows:

End of term of office	Appointment	Reappointment
Mr. François Grappotte (May 30, 2018) Mr. Dongsheng Li (May 30, 2018) Mr. Thierry de la Tour d'Artaise (May 30, 2018)	Mr. Edward A. Gilhuly (May 30, 2018) Mr. Patrick Koller (May 30, 2018) Mr. Philippe Jeulin (June 26, 2018)	Mr. Olivier Bazil (May 30, 2018) Mr. Gilles Schnepp (May 30, 2018)

The directorships of Mr. Olivier Bazil, Mr. François Grappotte, Mr. Dongsheng Li and Mr. Gilles Schnepp ended in 2018. Mr. Olivier Bazil and Mr. Gilles Schnepp have expressed their intention to apply for renewal of their terms of office.

Mr. Olivier Bazil and Mr. Gilles Schnepp have been directors of the Company since 2002 and each has at least 25 years of professional experience within the Group. In addition, they have both held offices as directors or as members of the Supervisory Board of CAC 40 companies other than Legrand. They thus bring their experience to the Board and to the specialized committes, as well as their knowledge of the Group and of its business.

Mr. Olivier Bazil is also a member of the Strategy and Social Responsibility Committee and of the Nominating and Governance Committee. For his part, Mr. Gilles Schnepp was Chairman and Chief Executive Officer of Legrand from March 17, 2006 until February 8, 2018 and is a member of the Strategy and Social Responsibility Committee.

On February 7, 2018, the Board of Directors, as part of the separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer with effect from February 8, 2018, decided, as of that date, to reappoint Mr. Gilles Schnepp as Chairman of the Board of Directors.

Consequently, the Board of Directors put forward a motion in the Shareholders' General Meeting of May 30, 2018 to reappoint these directors for a four-year term. The shareholders voted in favor of this reappointment.

Mr. François Grappotte, director of the Company since 2002, did not wish to stand as a candidate for the position he currently holds and informed the Board of Directors accordingly.

Mr. Dongsheng Li, director of the Company since 2012, indicated that he did not wish to renew his term of office due to directorships held in other companies listed in China, as holding these terms of office means that he exceeds the threshold for the number of directorships held as recommended by governance best practices. He informed the Board of Directors accordingly.

Due to the loss of his status as an independent director on April 6, 2018, Mr. Thierry de La Tour d'Artaise, director of the Company since 2006, indicated that he would resign as a director of Legrand (and as a member of the Nominating and Governance Committee) at the end of the Shareholders' General Meeting of May 30, 2018.

Under these circumstances, the Board of Directors (on the recommendation of the Nominating and Governance Committee) appointed an external recruitment firm to seek two new directors whose candidacy could be presented at the Company's Combined Shareholders' General Meeting on May 30, 2018. The appointment of that firm was also based on the conclusions of the annual self-assessment of the functioning of the Board and its special Committees conducted in 2017 for financial year 2016. Through this assessment, the directors expressed their wish to broaden the Board's composition by selecting an executive working at a listed company operating within the industrial sector, and with a US citizen profile, given the increasing proportion of the Group's business taking place in the United States. During the search, various profiles and candidates were examined and received by the members of the Nominating and Governance Committee, which kept the Board of Directors informed of the progress of its work. At the end of this process, and after having ensured that the profiles of selected candidates corresponded to the profiles sought and that the candidates would have the time required for their duties, on the recommendation of the Nominating and Governance Committee, the Board of Directors approved the applications of Mr. Edward A. Gilhuly and Mr. Patrick Koller during the meeting held on March 20, 2018.

After having examined the individual situation of each director with regard to the aforementioned independence criteria, the Nominating and Governance Committee designated Mr. Edward A. Gilhuly and Mr. Patrick Koller as independent; none of them maintains a business relationship with Legrand.

Mr. Edward A. Gilhuly and Mr. Patrick Koller were therefore appointed as directors of the Company by the Shareholders' General Meeting of May 30, 2018.

Directorships which expire in 2019

Ms. Eliane Rouyer-Chevalier's term of office as director expires in 2019. She wished to present herself as a candidate for the position she currently holds. Ms. Eliane Rouyer-Chevalier has been a director of the Company since 2011. She also chairs the Audit Committee and is a member of the Compensation Committee.

She has financial and accounting qualifications, along with advanced expertise in financial communication and social responsibility, which are particularly useful to the Board and the Committees of which she is a member. Her expertise in regulatory matters is also beneficial to the work done by those bodies.

In its meeting of March 20, 2019, the Board of Directors, on the basis of a recommendation by the Nominating and Governance Committee, maintained its assessment that (i) there was no material business relationship between Ms. Eliane Rouyer-Chevalier and Legrand and that (ii) Ms. Eliane Rouyer-Chevalier could be designated as an independent director. On the basis of the Nominating and Governance Committee's recommendation, the Board of Directors assessed the number of directorships held by Ms. Eliane Rouyer-Chevalier outside the Company. That assessment showed that Ms. Eliane Rouyer-Chevalier had the time required to perform her duties, since the number of directorships held by Ms. Eliane Rouyer-Chevalier outside the Company was consistent with the rules of the French Commercial Code and the Code of Corporate Governance.

As a result of the foregoing, the Board of Directors has proposed that the Shareholders' General Meeting convened for May 29, 2019 reappoint Ms. Eliane Rouyer-Chevalier as director for a four-year term (see presentation of the agenda and draft resolutions in Appendix 4 of the Company's registration document).

As part of the external process to recruit new directors carried out in 2018 and described previously, Mr. Michel Landel was chosen from the candidates selected in the Board of Directors meeting of February 7, 2018, since three directors were due to leave the Board of Directors at the end of the Shareholders' General Meeting of May 30, 2018. Mr. Michel Landel had confirmed his interest in joining the Company's Board of Directors while indicating that he would not be available until 2019.

The Board of Directors, based on recommendations made by the Nominating and Governance Committee, took the view that, because of his experience as an executive of a listed company with substantial international activities, his strong, trend-setting commitment to diversity and in general his knowledge of corporate social responsibility matters, Mr. Michel Landel could make a useful contribution to the Board's work.

In its meeting of March 20, 2019, the Board of Directors, on the basis of a recommendation by the Nominating and Governance Committee, examined Mr. Michel Landel's individual situation and found that (i) there was no material business relationship between Mr. Michel Landel and Legrand and that (ii) Mr. Michel Landel could be designated as an independent director. The Board also found that Mr. Michel Landel would have the time required to perform his duties, since the number of directorships held by Mr. Michel Landel outside the Company was consistent with the rules of the French Commercial Code and the Code of Corporate Governance.

As a result of the foregoing, the Board of Directors has proposed that the Shareholders' General Meeting of May 29, 2019 appoint Mr. Michel Landel as an independent director for a four-year term (see presentation of the agenda and draft resolutions in Appendix 4 of the Company's registration document).

Diversity in the Board of Directors

Each year, the Board of Directors examines its composition and that of its specialized committes to ensure that the balance of members is correct, particularly in terms of diversity. It is constantly seeking to improve the gender balance, international dimension, skills diversity, international experience, expertise and independence of its members, so that it can assure shareholders and the market that it acts with the necessary independence and objectivity.

Subject to approval by the Company's Combined General Shareholders' Meeting of May 29, 2019 regarding the renewal of Mrs. Eliane Rouyer-Chevalier's term of office as director of the Company, and regarding the appointment of Mr. Michel Landel, the 11 members (including one director representing employees) comprising the Board of Directors will include:

- **five women**, a proportion of 50%[(1)], which exceeds the requirements of the French Commercial Code (40% as of 2017);
- **eight independent members**, a proportion of 80%[(1)], which exceeds the 50% minimum level recommended by the Code of Corporate Governance;
- **five different nationalities**, with one US director, one Spanish director, one Italian director, one Franco-German director, and seven French directors.

In terms of gender balance, the Board noted that its proportion of women would be 50% should the shareholders vote in favor of the reappointment and appointment of directors submitted for approval to the Company's Combined Shareholders' General Meeting on May 29, 2019. The Board also appreciates the significant efforts made in recent years to ensure greater international representation among its members and in terms of their experience.

For 2018, the Board of Directors considered directors' skills to be varied and complementary, with some directors having strategic skills suited to the general management of industrial groups, and others having financial skills or more specific expertise, (investor communications, talent management, marketing and corporate social responsibility). Also, the past and current representatives of Legrand's management who are members of the Board of Directors ensure that the Board benefits from good level of knowledge of the Group and the way it operates.

Since 2017, Legrand has ranked among the top 10 companies in the first quartile of the CAC 40 in terms of governance best practices as part of the "CAC 40 Governance" index launched by Euronext in partnership with Vigeo Eiris, based on indicators in four areas including one relating to the Board of Directors (effectiveness, balance of power, integration of social responsibility factors).

Given all these factors, the Board considered its composition in 2018 to be satisfactory with regard to the diversity criteria examined. It nevertheless continues to pay attention to any potential change that could be relevant and consistent with the Group's development and dynamic approach.

(1) The director representing the employees is not taken into account (i) in the calculation of the minimum ratio of directors of the same gender, in compliance with statutory provisions, or (ii) in the calculation of the independence rate of the Board of Directors, in compliance with the recommendations of the Code of Corporate Governance.

On this basis and relating to the forthcoming expiry of Ms. Eliane Rouyer-Chevalier's term of office as director, the Board of Directors chose:

- to support the renewal of the terms of office for which she was standing for reappointment, for the reasons stated in the previous paragraph entitled "Changes in the composition of the Board of Directors";
- to support Mr. Michel Landel's application, for the reasons set out above.

6.1.1.2 FUNCTIONING OF THE BOARD OF DIRECTORS

The Company's Board of Directors has adopted, pursuant to the Articles of Association, internal rules designed to establish, within the framework of current statutory and regulatory provisions and the Articles of Association, details of the composition, organization and operation of the Board of Directors and its Committees, as well as the rights and obligations of Directors. The Board of Directors' internal rules, which include a Directors' Charter, are regularly updated and can be viewed on the Company's website: www.legrand.com.

The main rules relating to the organization and operation of the Company's administration and management bodies determined by the internal rules and the Company's Articles of Association are outlined below.

Duties and remit of the Board of Directors and of its Chairman

The Board of Directors carries out the duties that have been assigned to it by law in order to act at all times in the corporate interest.

The Board of Directors determines how the Company is managed.

The Board of Directors is authorized to allow the Chairman to issue special pledges in relation to bond issues.

The Board of Directors may decide to set up specialized committees to consider matters submitted to them by the Board of Directors or its Chairman. It determines the composition and powers of its Committees, which carry out their duties under its responsibility and without prejudice to the powers of the Board itself; these can never be delegated to the Committees.

The Board's strategy and decisions are made within the context of the Company's sustainable development policy. Thus, it commits to promote long term growth value by the Company considering social and environmental issues of its activities.

In consequence, it is the duty of the Board:

- to consider and approve all decisions relating to significant strategic, economic, social, financial and technological issues for the Company and the Group and ensure that General Management effectively implements them;
- concerning the matters mentioned below, to make related proposals to shareholders where they are subject to approval at Shareholders' General Meetings or to grant prior authorization to the Chief Executive Officer to complete and implement them where they are matters for General Management:
  - delegation of powers or authority relating to the issue or purchase of shares or other securities providing access to equity,
  - arrangement of borrowings, whether in the form of bonds or any other form, or any voluntary early repayment of loans, advances or borrowings for an amount exceeding €100 million,
  - the establishment of joint venture(s) or the acquisition of any business(es) for an amount exceeding €100 million; the acquisition of any equity interest or business, or the formation of any joint-venture agreement where the amount involved exceeds €100 million,
  - the sale or transfer of any business(es) or asset(s) for an amount exceeding €100 million; the sale of any equity interest or business involving an amount exceeding €100 million,
  - the annual budget (including capital expenditure),
  - the selection, replacement or removal of any or all of the statutory auditors,
  - merger transactions or proposals concerning the Company or, more generally, any transaction resulting in the transfer or sale of all or substantially all of its assets,
  - any transaction leading to an increase or decrease in the Company's share capital, including, as may be the case, through the issue of securities providing access to the Company's equity capital, such as securities convertible into shares or exchangeable for or redeemable in shares or preferred shares (except for awards of bonus shares or stock options in the Company's ordinary course of business),
  - any creation of double voting rights or any other change to the voting rights attached to Company shares,
  - changes to governance, including any change in the corporate governance rules applying within the Company, in particular the rules governing the membership and operation of the Board of Directors and, more generally, any change to the internal rules,
  - any proposal for the appointment of new members to the Board of Directors,
  - the listing of any security issued by the Company on a regulated market other than Euronext or any other security instrument issued by the Company,
  - bankruptcy filings, appointment of an ad hoc authorized agent, liquidation, etc., any voluntary winding-up or agreed liquidation of the Company, and any decision that may result in the initiation of insolvency proceedings or the appointment of an ad hoc authorized agent,

- any proposal for a decision entailing amendment of the Company's Articles of Association,
- in the event of disputes, the conclusion of any agreements, settlements or arrangements, or acceptance of any compromise, where the amount concerned exceeds €100 million,
- the grant of any surety on Company assets if the obligation for which surety is given or the assets pledged represents an amount in excess of €100 million,
- and more generally, any material transaction outside the scope of the Legrand's stated strategy, where the amount concerned exceeds €100 million;

- to examine and approve the reports on the activities of the Board of Directors and its Committees to be included in the corporate governance report;
- to examine and approve, at the proposal of the Nominating and Governance Committee, the presentation of Directors to be included in the corporate governance report, in particular the list of independent directors, setting out the criteria applied;
- to co-opt directors where necessary, and present proposals for the reelection of directors to the Ordinary Shareholders' General Meeting;
- to discuss the performance of the company officers (not in the presence of the interested parties) and determine, based on the recommendation of the Compensation Committee, the compensation due to company officers and to apportion attendance fees;
- to deliberate on stock option and bonus share plans and all other share-based payments or compensation indexed or otherwise linked to shares;
- to ensure that shareholders and investors receive relevant, balanced and instructive information about the strategy, development model, the way in which extra-financial issues that are material to the Company are taken into account and its long-term outlook;
- to examine, on a regular basis, in connection with the strategy it defines, the opportunity and risks, such as financial, legal, operational, social and environmental risks, as well as measures which has been taken accordingly;
- to ensure, if applicable, the implementation of a mechanism to prevent and detect bribery and influence peddling;
- to ensure that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies;
- to approve the management report, including the corporate governance report and describing the compensation policy.

The Board of Directors alone has the power to amend its internal rules.

The Chairman of the Board organizes and leads the work of the Board, on which he must report back to the Shareholders' General Meeting, and ensures efficient operation of the corporate bodies in respect of the principles of good governance.

He sets the schedule and agenda for Board meetings and convenes them. He coordinates the work of the Board of Directors with that of the specialized committes.

In relations with the Company's other bodies and with respect to external relations, the Chairman of the Board of Directors is the only person with the power to act in the name of the Board of Directors and to speak on its behalf, except in exceptional circumstances, and excluding a particular mission or specific mandate entrusted by the Board of Directors to another director.

He may hold discussions with the Statutory Auditors in order to prepare the work of the Board of Directors and the Committees.

The Chairman coordinates with the Chief Executive Officer, who alone ensures the general and executive management of the Company.

The Chairman receives from the Chief Executive Officer all the information required by law with respect to the internal control report.

He can ask the Chief Executive Officer or any manager, and in particular the head of the risk management function, for information that may assist the Board of Directors and its committees in accomplishing their duties.

Relationship between the Board of Directors and shareholders

After the roles of Chairman and Chief Executive Officer were separated, and in relation to the introduction of a new recommendation in the Code of Corporate Governance as revised in June 2018, a decision was taken to amend the Board of Directors' internal rules in order to assign the duty of ensuring dialogue between the Board of Directors and shareholders to the Chairman of the Board of Directors, accompanied by the Executive VP Investor Relations.

Depending on the topics addressed, members of management may be present.

If the Chairman of the Board of Directors is unavailable, the duty to ensure dialogue between the Board of Directors and shareholders may be assigned by the Board to the Lead Director, based on the same arrangement (accompaniment by the Executive VP Investor Relations and additional members of management depending on the topics addressed).

In accordance with the Code of Corporate Governance, the Chairman of the Board of Directors (or the Lead Director) reports to the Board regarding these duties.

Meetings of the Board of Directors

The Company's Board of Directors may meet as often as required in the interests of the Company, and in any event, must meet at least five times per year.

Members of the Board of Directors are invited to Board meetings by the Chairman, or, in the event that the Chairman is unable to do so, by the Vice-Chairman, where required.

The Lead Director, where required, may also (i) ask the Chairman to convene a meeting of the Board of Directors or, (ii) directly convene a meeting of the Board of Directors on a given agenda whose importance or urgency justifies holding an extraordinary meeting of the Board.

The Chief Executive Officer may also ask the Chairman to convene a Board meeting on a specific matter. Whenever the Board has not met for more than two months, at least one-third of the members of the Board of Directors may ask the Chairman to convene a meeting of the Board to consider a particular agenda.

The Chairman is bound by the requests made to him/her under the previous paragraph.

Subject to the above, the agenda is decided by the Chairman and can only be set, if required, at the time of the meeting.

Notices are issued by any means, even verbally, at the registered office or in any other place indicated in the meeting notice, in France or abroad. The internal rules of the Company's Board of Directors state that meeting notices, which can be sent by the secretary of the Board of Directors, can be issued by letter, e-mail or verbally.

Where the notices of meeting so stipulate, Board meetings may be held by videoconference or conference call, provided that these transmit at least the voices of participants and meet the technical requirements for the continuous and simultaneous relay of deliberations. Directors participating in Board meetings using such means are deemed present for the purposes of quorum and majority requirements.

If one or more Directors notify the Chairman of the Board that they cannot attend a Board meeting, the Chairman must attempt to organize a Board meeting using the means described in the preceding paragraphs.

Board meetings held by videoconference or by other electronic means cannot adopt certain decisions wherever the law prohibits it.

The Chairman shall endeavor to issue meeting notices five days prior to the actual meeting. He shall also endeavor to take account of the diary constraints of Board members so as to ensure the presence of as many members as possible at each meeting.

Deliberations take place subject to the conditions of quorum and majority provided for by law. In the event that a vote its tied, the Chairman has the casting vote. The Board may appoint a secretary who may be chosen from outside the shareholders and members.

Attendance register

An attendance register is maintained at the Company's registered office and contains the names of the Board members who were present physically or by means of telecommunication, represented, excused or absent at each meeting. Proxies granted by mail, or email are annexed to the attendance register.

Minutes

Deliberations of the Board are evidenced by minutes prepared, signed and maintained in accordance with regulatory requirements.

The minutes of each Board meeting must include:

- the name of each director present physically or by means of telecommunication, represented, excused or absent;
- the occurrence of any technical videoconferencing or conference-call incident that disrupted proceedings during a meeting if any;
- the name of other persons attending all or part of the Board meeting;
- a summary of the discussions and deliberations of the Board of Directors; and
- questions raised and the reservations stated by participating directors, if any.

Board meeting notices and minutes are translated into English.

Assessment of the Board of Directors and its specialized committes

At least once a year, the Board of Directors discusses its functioning (this involves a corresponding review of the Board's specialized committes) and an account of this is included in the Company's corporate governance report so that shareholders are informed each year of the assessments carried out and, if applicable, of any steps taken as a result (see section 6.1.1.3).

The assessment of the Board's functioning and those of its specialized committes is supervised by the Lead Director.

Directors' access to information

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide each director with the documents necessary to consider items on Board meeting agendas, at least five days prior to the meetings.

Directors may request any documents they believe relevant for the preparation of the meeting, provided that they submit such requests with reasonable notice period.

When required by confidentiality, in particular where sensitive financial information is concerned, information may be communicated during the meeting.

Directors receive all relevant information on events or transactions that are significant for the Company between meetings.

Directors have the opportunity to meet with the Company's principal executive managers, including in the absence of the Chief Executive Officer. In the latter case, the Chief Executive Officer should be given prior notice.

Board members are informed about market developments, the competitive environment and the main issues, including in the fields of corporate social and environmental responsibility.

Directors' training

Each director may be provided, at the time of their appointment and throughout their term of office, with training relating to the specific features of the business, its activities, its operating segments and issues relating to social and environmental responsability.

New directors are provided with an induction program aimed at facilitating their integration and the assumption of their new duties. The induction program includes site visits and meetings with Group management.

To take the most recent appointments to the Board as examples, visits, presentations and meetings were organized after the appointment of Mr. Edward A. Gilhuly and Mr. Patrick Koller as directors by the Shareholders' General Meeting of May 30, 2018, to familiarize them with their duties on the Board. In the course of this induction program, Mr. Edward A. Gilhuly and Mr. Patrick Koller visited the Innoval Customer Training Center in Limoges, as well as the My Home Apartment, which showcases the technologies marketed by Legrand in its residential systems. They were also given a presentation of several production sites and product testing laboratories, and meetings were organized with several senior executives and operational management staff at Legrand.

Moreover, Audit Committee members are provided, at the time of their appointment and on their demand, with information relating to the Company's specific accounting, financial and operational features, which will be the case in 2019 for Mr. Philippe Jeulin following his appointment by the Board on March 20, 2019.

The Board's internal rules also stipulate that, if appointed, Directors representing employees or employee-shareholders shall receive appropriate training on the requirements of their role. Various financial and legal training sessions and meetings with the Group's executive and operational staff members were organized when the Director representing employees was appointed.

Lastly, the four Central Workforce Relations and Economic Committee representatives who attend the Company's Board meetings have already received financial and legal training in 2017 and 2018, and training on the Group's acquisitions policy will be organized in 2019.

Professional ethics for directors

In accordance with the Directors' Charter, before taking up their office, all directors must ensure that they are fully aware of their general and specific duties, particularly where these result from legislation and regulations, the Articles of Association, the Board's internal rules and its Charter, as well as from any other legally binding document:

- directors must be competent, active and committed;
- directors must act at all times in the corporate interest of the business. They undertake to promote and defend the Company's values;
- directors are to devote the necessary time and attention to their tasks.

  In this respect, directors undertake to:

  - not hold more than four other directorships in listed companies, including foreign companies, not affiliated with the Group; an executive officer may not hold more than two other directorships in listed companies, including foreign companies, not affiliated with the Group. However, the limit of two other directorships does not apply to directorships held by an executive officer in subsidiaries and affiliates, held alone or together with others, of companies whose main activity is to acquire and manage such subsidiaries and affiliates,
  - keep the Board of Directors informed of directorships held in other companies, including membership of such companies' board committees, both in France and abroad; an executive officer must seek the opinion of the Board of Directors before accepting a new directorship in a listed company,
  - be assiduous and as far as possible attend all meetings of the Board of Directors and any committee they may belong to;
- in the interest of transparency, the corporate governance report includes a report on directors' attendance at meetings of the Board of Directors and its committees;
- directors shall make every effort to attend Shareholders' General Meetings;
- the Company recommends that all directors gradually acquire a number of shares during their term of office equivalent to one full year of their share of attendance fees, which they must own personally. To calculate the number of shares, the following are assumed: attendance, for one financial year, at all meetings of the Board and of the special committee(s) of which the relevant director is a member; the average price of Legrand shares over the previous financial year as the value for one Legrand share. The minimum number of shares to be held personally and kept throughout the term of office is set at 500; the Company is informed of the number of shares held and includes this information in its annual report;

- directors are bound by a duty of loyalty and diligence.

  In this respect, directors undertake to:

  - inform the Lead Director and the Board of any actual or potential conflict of interest, and abstain from the related discussions and votes,
  - avoid any personal involvement with businesses that are competitors of the Company and its Group without having informed the Board of Directors and obtained its consent;
- directors are subject to a duty of confidentiality concerning any unpublished information they obtain as a result of their position;
- directors shall make sure they receive in good time all documents and information necessary for the performance of their duties. It is their responsibility to ask the Chairman to supply all documents they consider necessary for them to be properly informed;
- directors who consider the information supplied inadequate may request from the Chairman or the Board of Directors to stay proceedings;
- directors are to have the broadest possible knowledge of the specific features of the Company, its businesses and the sector it operates in;
- directors are to comply with the provisions of the Company's Code of Conduct for Stock Market Transactions.

Code of Conduct for Stock Market Transactions

In 2006, the Group adopted a Code of Conduct for Stock Market Transactions, which can be accessed on the Company's website at www.legrand.com. It was revised in the second half of 2016 to take into account the new European rules resulting from EU Market Abuse Regulation no. 596/2014 (MAR), which came into force on July 3, 2016, and AMF Position-recommendation no. 2016-08 (guide to ongoing disclosure and management of inside information). Since this Code was revised in 2016, the position of Ethics Officer has been held by the Executive VP Legal Affairs.

The purpose of this Code, adopted by the Board of Directors on June 2, 2006 and the new version of which was presented at the Board meeting of November 9, 2016, is to raise awareness among all Company employees regarding:

- the legislative and statutory provisions in force concerning the holding, disclosure and use of "inside information" concerning the Company which could apply to them since they may have access to such information by virtue of their positions or duties for the Company;
- the rules applicable to the holding of certain sensitive information concerning the Company and in particular to confidentiality obligations and compliance with the blackout periods established by the Company;
- the rules for trading the Company's shares and the preventive measures set up so that each employee may invest in the Company's shares without contravening market integrity rules;
- the penalties incurred in the event that these rules are breached.

The Code also specifies:

- the appointment of the Ethics Officer, who is the Group's Executive VP Legal Affairs;
- the rules for preparing lists of insiders, which is done by the Ethics Officer and service providers acting in the name and on behalf of the Company who have access to inside information as part of their business relationships with the Company;
- the embargo periods during which the Company will not give out any new information about its business or earnings to financial analysts and investors;
- the role of the MAR Committee, which was set up when the Company adopted an internal procedure for designating and publishing inside information in 2016. This role consists in evaluating, on a case-by-case basis, whether or not information is inside information and then determining and examining the consequences in the event that such information is disseminated.

In accordance with this Code, individuals who have financial and accounting information and, as such, hold information that, while not constituting inside information within the meaning of the MAR criteria, is nevertheless sensitive and confidential, are required to observe the blackout periods determined by the Company. As in the case of individuals with executive responsibilities who are subject to abstention obligations during blackout periods under the applicable regulations, such persons are required, as a preventive measure, to refrain from carrying out, either directly or indirectly, on their own behalf or on behalf of others, any transactions involving Legrand shares (i) during the 30 calendar days preceding the date on which the annual, half-yearly or quarterly financial statements are made public by means of a press release regarding the results concerned, including the date of the publication of the press release and for the two trading days after the aforementioned financial statements have been published, and (ii) during any other period defined and communicated by the Ethics Officer.

The Code has three categories of individuals:

- insiders, meaning individuals in possession of information identified as inside information with respect to the MAR criteria by the MAR Committee as part of the implementation of the internal procedure for designating and publishing inside information and who were notified by the Ethics Officer of their inclusion on the Company's list of insiders. These individuals must comply with the rules applicable to the holding, disclosure and use of inside information and in particular the absolute prohibition on carrying out any transaction on the Company's shares while such information has not yet been made public;
- individuals involved in preparing the Company's financial and accounting information, who are not included on the Company's list of insiders but are on the list of individuals subject to blackout periods insofar as they hold financial or accounts-related information which, while not necessarily constituting inside information with regard to the MAR criteria, is nevertheless sensitive and confidential. These individuals are required to comply with the abstention obligations during the blackout periods

established by the Company as described above and to ensure that the information in their possession remains confidential;

- individuals discharging managerial responsibilities[1] who are required to comply with abstention obligations during the blackout periods established by the Company as described above. These individuals, as well as those closely associated with them, furthermore have a duty to disclose to the AMF (French Financial Markets Authority) any transaction they have performed on Legrand shares within three business days following the completion of said transaction(s).

Any person may seek the opinion of the MAR Committee before performing a transaction on the Company's shares by submitting a request to the Ethics Officer who will then call a meeting of the MAR Committee for said purpose. The Chief Financial Officer may only give an advisory opinion: the decision on whether or not to execute the transaction is the sole responsibility of the person who requested the opinion.

6.1.1.3 WORK DONE BY THE BOARD OF DIRECTORS IN 2018

In 2018, the Board met eight times. Directors' attendance at Board meetings was satisfactory; the attendance rate in 2018 was 85%.

The Board of Directors	
Gilles Schnepp	100%
Olivier Bazil	100%
Isabelle Boccon-Gibod	100%
Christel Bories	87,5%
Angeles Garcia-Poveda	100%
Edward A. Gilhuly	75%
François Grappotte [(1)]	100%
Philippe Jeulin	100%
Patrick Koller	75%
Thierry de La Tour d'Artaise [(1)]	0%
Dongsheng Li [(1)]	0%
Analisa Loustau Elia	100%
Éliane Rouyer-Chevalier	87,5%

(1) Mr. Thierry de La Tour d'Artaise, Mr. Dongsheng Li and Mr. François Grappotte have not been directors of the Company since the Shareholders' General Meeting of May 30, 2018.

According to the Board's internal rules, some of its deliberations may be prepared by specialized committes, enabling the Board to discharge its duties under optimum conditions. The work of these committees is the subject of a detailed report at the meeting of the Board of Directors.

In 2018, the meeting attendance rate for the various specialized committes was 95%. Information on these specialized committes can be found in section 6.1.3 of the Company's registration document.

Topics covered in 2018 by the Board of Directors

In 2018, the Board's worked on matters including:

- the Company's results:
  - report on the Audit Committee's work, as set out in section 6.1.3.3 below,
  - approval of the consolidated and statutory financial statements for the year ended December 31, 2017 and the related reports, the consolidated financial statements for the three months ended March 31, 2018, the consolidated financial statements and management report for the six months ended June 30, 2018, and the consolidated financial statements for the three months ended September 30, 2018,
  - review and approval of press releases on the annual, half-yearly and quarterly consolidated financial statements,
  - proposal for appropriation of earnings,
  - choice of dividend payment method and consequences in terms of securities adjustments,
  - preparation of forward-looking management documents for 2018,
  - approval of the 2018 budget;

(1) Individuals discharging managerial responsibilities is taken to mean (i) senior executives, i.e. members of the Company's Board of Directors, and the Chief Executive Officer, and (ii) high-level managers who, without being members of the Board of Directors, have regular access to inside information about the Company either directly or indirectly, and have the power to make management decisions regarding the Company's strategy and future development.

- corporate governance:
  - report on the work of the Lead Director,
  - report on the work of the Nominating and Governance Committee, as set out in section 6.1.3.3 below,
  - designation of independent directors,
  - review of the composition of the Board of Directors in view of the reappointment of two directors,
  - review of the composition of the committees,
  - definition of diversity targets for the Board of Directors' membership,
  - assessment of the performance of the Board of Directors and its committees (summary and proposals),
  - amendments to the Board of Directors' internal rules, partly due to the revision of the Code of Corporate Governance in June 2018,
  - review of regulated agreements and commitments;
- compensation:
  - report on the work of the Compensation Committee, as set out in section 6.1.3.3 below,
  - compensation paid to the company officers,
  - examination of compensation for 2017,
  - determination of the principles of compensation for 2018,
  - long-term incentive plans/performance share plans and stock-option plans:
  - implementation of the authority granted under the seventeenth resolution of the Combined Shareholders' General Meeting of May 30, 2018,
  - approval of the rules of the 2018 performance share plan for Group employees and the Chief Executive Officer and long-term incentive bonuses,
  - approval of individual performance share awards to Group employees and the Chief Executive Officer
  - determination of number of shares that the Chief Executive Officer is required to retain in registered form until the termination of his duties as concerns performance share awards,
  - attendance fees (amounts distributed in 2017),
  - determination of the budget for reimbursement of directors' expenses;
- financial management of the Company:
  - annual renewal of financing authorizations,
  - annual renewal of powers granted to the Chief Executive Officer regarding guarantees, endorsements and security interests,
  - grants of authority to the Board of Directors to be proposed to the Shareholders' General Meeting,
  - implementation of the grant of authority approved under the fourteenth resolution of the Combined Shareholders' General Meeting of May 30, 2018;
- Company strategy and growth:
  - report on the work of the Strategy and Social Responsibility Committee, as set out in section 6.1.3.3 below,
  - approval of acquisition projects involving an amount in excess of €100 million,
  - regular progress reports on proposed acquisition projects and on the financing of certain acquisitions,
  - annual update of the Company's shareholder structure, summary of roadshows,
  - presentations on strategic issues, especially during the Board of Directors' Annual Seminar;
  - presentation of the new 2019-2021 CSR roadmap;
- risk management:
  - review of risk management procedures including the review of the new risk mapping procedure;
  - update on the Group's compliance program;
- preparation for the annual Shareholders' General Meeting and Special Meeting of Shareholders of May 30, 2018:
  - convening of the annual Combined Shareholders' General Meeting (determination of the agenda and approval of proposed resolutions),
  - production of reports for the Shareholders' General Meeting;
- other:
  - recognition of the capital increase following exercises of options and cancellations of shares,
  - annual review of the policy regarding gender balance and equal pay,
  - regulatory developments; update on the revision of the Code of Corporate Governance and on the PACTE (action plan for business transformation and growth) bill.

Board of Directors' Annual Seminar

Every year Legrand's directors and the representatives of the Central Workforce Relations and Economic Committee who attend meetings of the Board of Directors attend a Seminar organized in France or abroad. Program content is such that directors have the opportunity to understand their role on the Board and improve their knowledge of the Group and its structure, products and markets.

In 2018, the Board Seminar covered the Group's various medium- and long-term growth strategies. During the Seminar, various presentations gave directors the opportunity to meet the teams and freely discuss the Group's various strategic options with them.

Areas of improvement for the Board of Directors' functioning further to the annual assessment of the Board of Directors

Since 2007, an assessment of the operating procedures of the Board of Directors and its specialized committes has been performed every year in order to measure, as required by the Code of Corporate Governance, (i) the functionning modalities of the Board and its specialized committes, (ii) the quality of preparation and debate regarding significant matters, and (iii) the effective contribution of each director to the work of the Board, and his/her involvement in deliberations. In accordance with its internal rules, the Board discusses its functioning at least once a year and includes a report on this in the Company's annual report.

It should be noted that at its meeting of November 9, 2016, the Board approved the process for assessing its work based on a three-year cycle alternating between an external assessment and internal assessments which may, depending on the year, include an assessment of directors' individual contributions.

In 2018, the formal assessment of the Board of Directors and the specialized committes was carried out by an independent external consultancy, based on individual meetings. That consultancy summarized comments made by Board members in those meetings and compiled them into a report sent to the Nominating and Governance Committee, which presented it to the Board of Directors in its March 20, 2018 meeting.

In brief, the assessment carried out in 2018 with respect to 2017 showed that the Board of Directors' functioning are highly satisfactory and consist of market best practice. More precisely, the independent consultancy emphasized the following: (i) the directors believe that Legrand is a well-managed company; (ii) the Board is very confident in the management team, regarding it as excellent; (iii) discussions between directors and the management team are of a high quality; (iv) the management team listens to the Board; (v) there is a good level of trust between the directors; (vi) representatives of the Central Workforce Relations and Economic Committee contribute effectively to the Board's work; (vii) there is a high level of transparency, particularly in the presentation of the financial statements and risk monitoring efforts; (viii) the Board is diverse and has complementary skills; (ix) the Board implements the governance recommendations of the Code of Corporate Governance as soon as possible; (x) the work done by the specialized committes is regarded as excellent; (xi) decision-making and acquisitions-monitoring processes are of a high quality; (xii) the Board's 2017 Seminar on growth was much appreciated.

Recommendations made by directors as compiled by the independent consultancy and responses supplied by management in 2018 in order to maintain the continuous improvement process for the Board's functioning were as follows:

- **give greater detail about the various ways of leveraging economic performance, particularly when management is presenting results**: in response, more information was included in the 2018 budget presentation, particularly to provide further evidence of how revenue growth targets tally with market trends. In addition, presentations – particularly during the 2018 Seminar – sought to explain more clearly how innovation, digital initiatives and the adoption of a commercial excellence approach drive performance;
- **enrich the Board's composition by selecting (i) an executive from a listed company operating within the industrial sector, (ii) a person with particular experience of digital transformation in an industrial company and of digital technologies and/or (iii) an executive with US nationality, given the increasing proportion of the Group's business in the United States**: in this regard, a recruitment process run by an external consultant, appointed by the Nominating and Governance Committee, started at the end of 2017 and the appointment of two new directors was approved by the Shareholders' General Meeting of May 30, 2018;
- **give more detail when presenting certain topics, particularly the talent development process**: in response, talent management was one of the main themes covered in the 2019 Seminar, a report on which will appear in the Company's next registration document;
- **ensure that management makes more frequent use of Board members' skills**: this request was taken into account, since throughout 2018 management made use of the directors' various skills, particularly when preparing the new 2019-2021 CSR roadmap, when discussing an acquisition proposal ahead of a meeting of the Strategy and Social Responsibility Committee, and when visiting production sites;
- **possibly increasing the amount of director attendance fees**: as regards this recommendation, the Board of Directors and Compensation Committee said that they did not share the independent consultancy's opinion, because efforts to increase attendance fees had been made in recent years to bring them closer to international standards. In addition, the Compensation Committee ensures each year, based on benchmarks, that attendance fees paid to directors are in line with market practices.

6.1.2 – Lead Director

In 2013, the directors amended the Board's internal rules to make the appointment of a Lead Director compulsory in the event that the positions of Chairman and Chief Executive Officer are held by the same person. This is consistent with the recommendations of the Autorité des Marchés Financiers in its 2013 report on corporate governance and executive compensation.

The appointment of a Lead Director is one of ways in which the Company ensures an appropriate balance of powers in matters of governance. The Lead Director is appointed from among the independent directors (in accordance with the Code of Corporate Governance) who have been members of the Board for at least one year, following an opinion from the Nominating and Governance Committee. The term of office of the Lead Director may not exceed his/her term as director. The Lead Director may be reelected based on a recommendation from the Nominating and Governance Committee.

Accordingly, the Board of Directors has appointed Ms. Angeles Garcia-Poveda as Lead Director until the expiration of her term of office as director. Ms. Angeles Garcia-Poveda, an independent director, is a member of the Strategy and Social Responsibility Committee and Chairman of the Nominating and Governance Committee and Compensation Committee. After the separation of the roles of Chairman and Chief Executive Officer, the decision was nevertheless taken to maintain the position of Lead Director.

DUTIES OF THE LEAD DIRECTOR

The Lead Director's chief responsibility is to ensure the proper operation of the Company's governance bodies. In this respect, she is is responsible for:

- preventing and managing conflicts of interest: the Lead Director is responsible for preventing conflicts of interest by raising awareness about the existence of factors likely to lead to such situations. The Lead Director is informed by each director of any actual or potential conflict of interest and reports on these to the Board, as she does on any actual or potential conflict of interest which she may detect independently;
- supervising the periodic assessment of the Board's operations and its specialized committes;
- chairing and moderating an annual meeting of non-executive directors without executive or internal directors being present, during which, in particular, the performance of senior executives is assessed and future management prospects given consideration;
- reporting to the Chairman of the Board of Directors on the conclusions of the annual meeting of non-executive directors; and
- if the Chairman of the Board of Directors is unavailable and at his request, fulfilling the duty to ensure dialogue with Legrand's shareholders.

RESOURCES OF THE LEAD DIRECTOR

In the exercise of her duties, the Lead Director may:

- submit a proposal, as appropriate, to the Chairman of the Board of Directors to include additional items on the agenda of Board meetings;
- ask the Chairman to convene a meeting of the Board of Directors or directly convene a meeting of the Board of Directors on a given agenda whose importance or urgency justifies holding an extraordinary meeting of the Board;
- chair meetings of the Board of Directors in the event of the Chairman being unable to attend; and
- if appropriate, attend meetings of committees of which she is not a member.

The Lead Director ensures that Directors have the possibility of meeting and hearing senior management and Statutory Auditors, as provided for by the Board's internal rules.

More generally, the Lead Director ensures that Directors receive the information needed to discharge their duties in the best possible conditions, as provided for in the Board's internal rules.

The Lead Director reports to the Board of Directors once a year.

LEAD DIRECTOR'S REPORT FOR 2018

In 2018, Ms. Angeles Garcia-Poveda convened and chaired an annual meeting of the Company's non-executive directors, without the Company's executive or internal directors and the Chief Executive Officer being present. During this meeting, the directors discussed various topics, including the assessment of the performance of the Chief Executive Officer, his compensation, and succession plans. During the annual assessment of the functioning of the Board and its specialized committes, the Lead Director asked the directors to give their opinion on how well the annual meeting of non-executive directors was organized (scheduling, duration, and so on) and their assessment of the quality and content of the discussions that took place at the meeting. The directors expressed their full satisfaction regarding the above points.

In 2018, the Lead Director also chaired over the Board's deliberations regarding the assessment of the Chief Executive Officer's performance and decisions regarding company officers' compensation; these discussions took place without the company officers being present.

The Lead Director spoke at the Company's Shareholders' General Meeting of May 30, 2018 and made presentations on the components of Mr. Gilles Schnepp and Mr. Benoît Coquart's compensation as well as on the Group's governance. With regard to compensation, the Lead Director explained the underlying principles of the compensation policy, the components of compensation paid to Mr. Gilles Schnepp for the 2017 financial year, and those payable to him for his role as Chairman of the Board of Directors for 2018, and those payable to Mr. Benoît Coquart in relation to his role as Chief Executive Officer for 2018, subject to approval by the shareholders. With regard to governance, the composition of the Board of Directors and changes therein, with a focus on its activity and that of its committees, and the diversity and balance of its composition, were presented to shareholders.

At the request of the Lead Director, the Board's functioning and those of its specialized committes regarding 2017 were assessed externally by an independent consultancy at the start of 2018, through individual meetings with members of the Board of Directors. The results of this assessment are reported in the above section "Areas of improvement for the Board of Directors' functioning further to the annual assessment of the Board of Directors".

In accordance with the Board of Directors' internal rules, the Lead Director presented a report of her activities in 2018 to the Board of Directors at its meeting on March 20, 2019. The Board of Directors approved the Lead Director's activity report, expressing its full satisfaction with the work she had done.

6.1.3 – Board of Directors' specialized committes

In order to facilitate the work of the Board of Directors and the preparation of deliberations, there are specialized committes that examine topics within their respective areas of competence and submit opinions, proposals and recommendations to the Board of Directors.

There are four permanent specialized committes:

- the Audit Committee;
- the Nominating and Governance Committee;
- the Compensation Committee; and
- the Strategy and Social Responsibility Committee.

In addition to the permanent committees, the Board of Directors may at any time set up one or several ad hoc committees, which may or may not be temporary, and determine their membership and operation as it sees fit.

6.1.3.1 COMPOSITION OF THE BOARD OF DIRECTORS' SPECIALIZED COMMITTES

Principles

The Board of Directors appoints members to the recommendation of the Nominating and Governance Committee, for a term set by the Board of Directors and which may not exceed their term of office as directors. The Board of Directors may remove committee members after consultation with the Nominating and Governance Committee.

The Audit Committee may have a maximum of five members. Members of the Audit Committee may not be executive company officers. Members of the Audit Committee should be competent in finance or accounting.

The Chairman of the Audit Committee is chosen by the members of the Audit Committee at the proposal of the Nominating and Governance Committee, from among the Audit Committee's independent members. The appointment of the Audit Committee's Chairman must be specifically examined by the Board of Directors. The same procedure shall apply for the extension of the Chairman's term of office.

The Nominating and Governance Committee may have a maximum of five members. Executive officers cannot be members of the Nominating and Governance Committee. The Chairman of the Nominating and Governance Committee is chosen by the committee from among its independent members.

The Compensation Committee may have a maximum of five members. Executive officers cannot be members of the Compensation Committee. The Chairman of the Compensation Committee is chosen by the committee members from its independent members, on the recommendation of the Nominating and Governance Committee.

With respect to the Strategy and Social Responsibility Committee, it has a maximum of six members. The Chairman of the Strategy and Social Responsibility Committee is chosen by the members of said committee from its membership, on the recommendation of the Nominating and Governance Committee.

Current composition of the specialized committes

It should be noted with regard to the composition of the specialized committes that since 2016 all four specialized committes are chaired by women.

	Board of Directors' specialized committes			
	Audit Committee	Nominating and Governance Committee	Compensation Committee	Strategy and Social Responsibility Committee
Gilles Schnepp				■
Olivier Bazil		■		■
Isabelle Boccon-Gibod	■			■
Christel Bories	■			✓
Angeles Garcia-Poveda		✓	✓	■
Edward A. Gilhuly				■
Philippe Jeulin	■			
Patrick Koller		■	■	
Annalisa Loustau Elia			■	
Éliane Rouyer-Chevalier	✓		■	

■ : Committee member.
✓ : Chair of a committee.

As the date of the Company's registration document, changes in membership of the various committees were as follows:

	End of term of office	Appointment	Reappointment
Audit Committee	N/A	Philippe Jeulin (March 20, 2019)	N/A
Nominating and Governance Committee	Thierry de la Tour d'Artaise (May 30, 2018)	Patrick Koller (May 30, 2018)	Olivier Bazil (May 30, 2018)
Compensation Committee	N/A	Patrick Koller (March 20, 2019)	N/A
Strategy and Social Responsibility Committee	N/A	Edward A. Gilhuly (May 30, 2018)	Olivier Bazil (May 30, 2018) Gilles Schnepp (May 30, 2018)

Audit Committee

The Audit Committee is made up of four members appointed by the Board of Directors, three of whom are independent: Ms. Christel Bories, Ms. Éliane Rouyer-Chevalier, Ms. Isabelle Boccon-Gibod and Mr. Philippe Jeulin, the Director representing employees. Their biographies and information about their education and professional development can be found on pages 372, 378, 371 and 375 of the Company's registration document.

The Audit Committee is chaired by Ms. Éliane Rouyer-Chevalier, who has financial and accounting qualifications and makes an additional contribution through her understanding of broad financial balances and risk assessment. Ms. Isabelle Boccon-Gibod has expertise in finance and accounting as well as prior experience as a member of the audit committee of a listed company. Ms. Christel Bories has experience of senior management in industrial groups, which is useful to the Audit Committee. Finally, given the profile, interest in cybersecurity issues and experience of Mr. Philippe Jeulin, the Director representing employees, and has worked in the Company's Information Systems Department, the Board of Directors, based on the recommendation of the Nominating and Governance Committee, decided to appoint him to the Audit Committee in its March 20, 2019 meeting.

As indicated in the section "Directorships due for renewal in 2019" of this registration document, Ms. Eliane Rouyer-Chevalier has expressed her intention to seek reappointment as a director. The Nominating and Governance Committee supported the reappointment of Ms. Eliane Rouyer-Chevalier as a director for the reasons detailed above.

With all Audit Committee members being independent(1), composition of the Audit Committee is compliant with the Code of Corporate Governance which recommends that two-thirds of members be independent directors.

Nominating and Governance Committee

The Nominating and Governance Committee has three members appointed by the Board of Directors, including two independent directors: Ms. Angeles Garcia-Poveda (independent director), Mr. Olivier Bazil and Mr. Patrick Koller (independent director), who was appointed by the Board on May 30, 2018 after the departure of Mr. Thierry de La Tour d'Artaise. Their biographies and information about their education and professional development can be found on pages 373, 370 and 376 of the Company's registration document.

The Nominating and Governance Committee is chaired by Ms. Angeles Garcia-Poveda, who has expertise both in executive recruitment and corporate governance. Mr. Olivier Bazil has extensive knowledge of the Legrand Group, in which he has spent his entire career. As such, Mr. Bazil knows the Group's business, industry and issues, which is particularly useful to the Committee's work. Mr. Patrick Koller brings to the committee his experience as a member of the general management and Board of Directors of a major listed industrial group.

With two of the three members being independent directors, the composition of the Nominating and Governance Committee is compliant with the Code of Corporate Governance, which recommends that the majority of the committee's members be independent directors.

Compensation Committee

The Compensation Committee has four members appointed by the Board of Directors, all of whom are independent: Ms. Angeles Garcia-Poveda, Ms. Annalisa Loustau Elia, Ms. Éliane Rouyer-Chevalier and Mr. Patrick Koller. Their biographies and information about their education and professional development can be found on pages 373, 377, 378 and 376 of the Company's registration document.

The Compensation Committee is chaired by Ms. Angeles Garcia-Poveda who, due to her HR experience and current position as manager at Spencer Stuart, brings to the committee her extensive knowledge of corporate remuneration structures and methodology. Ms. Éliane Rouyer-Chevalier has expertise in Corporate Social Responsibility, a major criterion in the compensation of the Group's executives. The Compensation Committee benefits from her experience and sensitivity in the field of corporate governance. Ms. Annalisa Loustau Elia has the skills and abilities to assess the extra-financial and longer-term aspects of the Group's performance (initiatives for growth, marketing, and so on). Finally, the Compensation Committee benefits from Mr. Patrick Koller's experience as a member of the general management and Board of Directors of a listed industrial group and his knowledge of compensation practices in listed companies.

As indicated in the section "Directorships due for renewal in 2019" of this registration document, Ms. Eliane Rouyer-Chevalier has

(1) *Mr. Philipppe Jeulin, the Director representing employees, is not taken into account, in accordance with the Code of Corporate Governance recommendations, in the calculation of the independence rate of the Board of Directors and its committees.*

expressed her intention to seek reappointment as a director. The Nominating and Governance Committee supported the reappointment of Ms. Eliane Rouyer-Chevalier as a director for the reasons detailed above.

With all of its members being independent Directors, the composition of the Compensation Committee is compliant with the Code of Corporate Governance, which recommends that the majority of the committee's members be independent directors.

Strategy and Social Responsibility Committee

The Strategy and Social Responsibility Committee has six members appointed by the Board of Directors: Ms. Christel Bories, Ms. Angeles Garcia-Poveda, Ms. Isabelle Boccon-Gibod and Mr. Edward A. Gilhuly (independent directors), Mr. Olivier Bazil, and Mr. Gilles Schnepp. Their biographies and information about their education and professional development can be found on pages 372, 373, 371, 374, 370 and 369 of the Company's registration document.

The Strategy and Social Responsibility Committee is chaired by Ms. Christel Bories, whose senior management experience within industrial groups and as a strategy consultant is invaluable to the committee. Ms. Angeles Garcia-Poveda brings to the Strategy and Social Responsibility Committee a wealth of prior experience gained from her time with the Boston Consulting Group and now as an executive at Spencer Stuart. Ms. Isabelle Boccon-Gibod brings a fresh viewpoint to the Group's strategic initiatives and helps enhance them through her participation in the Strategy and Social Responsibility Committee, which she joined at a time of accelerated development for the Group and of growing importance of CSR topics, following approval of her appointment to the committee by the Board of Directors meeting on July 28, 2017. Mr. Edward A. Gilhuly brings to the committee his skills in finance and acquisitions strategy and his knowledge of business in the United States, which is useful because of the Group's growing exposure to that country.

Finally, Mr. Olivier Bazil and Mr. Gilles Schnepp offer the committee the benefit of their in-depth knowledge of the Group and its businesses.

6.1.3.2 FUNCTIONING OF THE BOARD OF DIRECTORS' SPECIALIZED COMMITTES

Each committee is responsible for setting its own annual meeting schedule, taking into account the dates of Board meetings and Shareholders' General Meetings.

Each committee meets as often as required to consider issues falling within its remit; meetings are convened by the Chairman of the Committee or by half of its members. The Chairman of the Board of Directors may call a committee meeting if he/she considers that a committee has not met as often as required by the rules specific to each committee, as detailed below. The Chairman may also convene a committee meeting if he/she deems it necessary for the committee to give an opinion or a recommendation to the Board on a specific topic.

The Chairman of each committee establishes the committee meeting agenda and gives notice of committee meetings to committee members within a period of time sufficient to allow each committee member to prepare for the meeting. The notice must contain the committee meeting agenda and all information and documentation useful to the examination of agenda items.

Committee meetings may be held at the Company's registered office or at any other location. Committees are provided with secretarial assistance by the persons appointed by or in agreement with the committee Chairman.

In performing its duties, each committee may contact the Company's principal executives after having informed the Chairman of the Board of Directors of its intention to do so and subject to briefing the Board of Directors on the exchange with such principal executives.

The committees make sure that the quality of reports to the Board of Directors enables the latter to be fully informed, thereby facilitating its deliberations.

Audit Committee

The powers and operation of the Audit Committee are outlined in the Board's internal rules, the provisions of which are restated below. The duties and operating rules of the Company's Audit Committee were determined on the basis of the conclusions of the AMF working party on audit committees in July 2010.

Duties of the Audit Committee

The Audit Committee assists the Board of Directors in the conduct of its duties as regards the adoption of annual statutory and consolidated financial statements and the preparation of information for shareholders and the market. It monitors the efficiency of internal controls and risk management. It is also charged with monitoring issues relating to the establishment and control of accounting, financial and extra-financial information, as well as legally required verification of accounts.

The Audit Committee must hold regular meetings with the Statutory Auditors, including meetings without the presence of executives.

Should the Audit Committee call upon outside experts, it must ensure that they have the requisite skills and independence.

- **As regards internal control procedures and risk management**, the Board of Directors entrusts the Audit Committee with the following tasks:
  - to ensure that internal control and risk management systems, as well as internal audit systems, exist and to monitor their effectiveness, in relation to the procedures for preparing and processing accounting , financial and extra-financial information without this affecting the committee's independence;
  - to be aware of information on procedures relating to the preparation and processing of accounting and financial information in the reports presented to the Shareholders' General Meeting;
  - to assess the effectiveness and quality of the Group's internal control procedures, in order to ensure that these contribute to the production of annual statutory and consolidated financial statements that provide a true and fair presentation of the Company and its Group, and comply with applicable accounting standards;
  - to give its opinion on the organization of the internal audit and risk control departments;
  - to monitor the implementation and effectiveness of risk management procedures;

- to ensure that remedial action is taken in the event of significant weaknesses or flaws;
- to examine material risks and off-balance-sheet commitments, to assess the importance of any failures or weaknesses which are communicated to it and if necessary, to inform the Board of Directors;
- to ensure the relevance and quality of the Company's financial reporting;
- to hold meetings with the person in charge of Corporate Social Responsibility (CSR) on (i) risks, especially in view of the CSR risk map, (ii) the conclusions of the independent third-party body in charge of reviewing extra-financial data, and (iii) the methods for determining and analyzing the roadmap. The Audit Committee may decide, with approval from the Board of Directors, to entrust special assignments to one of its members, it being stipulated that in accordance with the provisions of article 3.5 of the Board of Directors' internal rules, undertaking such tasks may give rise to additional attendance fees.

At Audit Committee meetings dealing with evaluation of the process for preparing and handling accounting, financial and extra-financial the Statutory Auditors report on the performance of their duties and the conclusions of their work.

The Audit Committee is informed of the main findings of the Statutory Auditors and internal audit as regards the effectiveness of internal control and risk management systems. It hears the views of the persons responsible for internal audit and risk management. It is informed about the internal audit program and receives internal audit reports or a regular summary of those reports.

■ **As regards the review of the financial statements**, the Board of Directors entrusts the Audit Committee with the following tasks:

- to monitor the financial reporting process and, where appropriate, to make recommendations to ensure its soundness;
- to carry out a prior examination of the draft statutory and consolidated financial statements, whether annual, half-yearly or quarterly, in order to ascertain the conditions in which they were prepared and to ensure the relevance and consistency of the accounting rules and principles adopted;
- to examine the method and scope of consolidation applied in the financial statements;
- to ensure the proper accounting treatment of material transactions at Group level;
- to ascertain regularly the financial position, cash flow and significant commitments of the Company and the Group.

The review of financial statements by the Audit Committee is accompanied by a presentation from the Statutory Auditors stressing the essential points not only of the results of the statutory audit, in particular the audit adjustments and material internal-control weaknesses identified during the Auditors' work, but also of the accounting options selected. When reviewing the financial statements, the Audit Committee may consider major transactions in connection with which conflicts of interest could have arisen.

The review of financial statements by the Audit Committee should also be accompanied by a presentation from management describing the Company's risk exposures, its material off-balance-sheet commitments, as well as the accounting options selected.

More generally, for the review of financial statements, the Audit Committee may question, without the presence of executives or directors who play active roles in the Company, any person who, in one capacity or another, takes part in preparing or auditing the financial statements (finance department, internal audit department and statutory auditors).

■ **As regards external control procedures**, the Audit Committee's main task is to ensure the proper examination of the annual statutory and consolidated financial statements by the Statutory Auditors, as well as their independence and objectivity:

- by ensuring that the Statutory Auditors fulfill their duty in performing the statutory audit of the annual statutory and consolidated financial statements;
- by overseeing the selection procedure for the Statutory Auditors pursuant to the applicable regulations and examining the issues relating to the appointment, renewal or removal of the Company's Statutory Auditors. At the end of the selection procedure for the Statutory Auditors, the Audit Committee issues a recommendation to the Board of Directors on the Statutory Auditors proposed for appointment or re-appointment by the Shareholders' General Meeting in compliance with the applicable regulations;
- by receiving each year from the Statutory Auditors: (i) their declaration of independence; (ii) information about the fees paid to the network of Statutory Auditors by companies controlled by the Company or the entity controlling the Company; and (iii) information concerning the services performed in respect of Services other than the Certification of Financial Statements;
- by receiving the supplementary report to the audit report;
- by approving the provision of Services other than the Certification of Financial Statements by the Statutory Auditors, pursuant to the conditions provided for by the internal procedure of pre-authorization, and in particular after having analyzed the risks to the independence of the Statutory Auditors and the safeguarding measures applied by them;
- by examining the amount and details of the remuneration paid by the Group to the Statutory Auditors and to any network to which they may belong. In this respect, the Audit Committee must obtain details of the fees paid by the Company and its Group to the Statutory Auditors and to any network to which they may belong, and to ensure that the amount of such fees, or the fraction they represent of the total revenues of the Statutory Auditors and their network, are not such that the independence of the Statutory Auditors might be affected.

Meetings of the Audit Committee

The Audit Committee meets as often as may be necessary. The Audit Committee must report regularly to the Board of Directors, and as a minimum at the time the annual and interim financial statements are approved, regarding (i) the fulfilment of its duties; (ii) the results of its duties in certifying the financial statements; and (iii) the manner in which its duties have contributed to the soundness of financial information and its role in the process. It immediately informs the Board of Directors of any difficulties encountered. The reports of the Audit Committee to the Board of Directors aim to keep the Board of Directors fully informed in order to facilitate its deliberations.

Meetings of the Audit Committee are only valid if at least half of its members are present. Decisions are taken by simple majority, with its Chairman having a casting vote.

The Audit Committee meets 48 hours before the review of the financial statements by the Board of Directors. That period of time may be reduced occasionally, with the agreement of the Chairman and of the members of the Audit Committee.

Meetings of the Audit Committee may take place by conference call or videoconferencing.

Nominating and Governance Committee

The powers and operating arrangements of the Nominating and Governance Committee are outlined in the Board's internal rules, the provisions of which are restated below.

Duties of the Nominating and Governance Committee

The Nominating and Governance Committee is responsible for:

- considering and submitting proposals to the Board of Directors on the various options for organizing the Company's management and control powers;
- considering and submitting proposals to the Board of Directors for appointments to the positions of director, Lead Director, Chief Executive Officer, Chief Operating Officer, Chairman of the Board and members and chairs of the specialized committees; to that end, it must assess the levels of expertise and experience required, define assignments and assess the amount of time needed to carry them out;
- submitting proposals to the Board of Directors regarding the nature of the specialized committes' duties;
- considering proposals submitted by interested parties, including management and shareholders;
- preparing, under the supervision of the Lead Director, the procedures for periodic self-assessments by the Board of Directors and governance bodies, and any assessment of the Board of Directors by an external consultant;
- preparing a succession plan for company officers so as to be able to recommend options to the Board of Directors, particularly in the event of an unforeseen vacancy;
- examining each year, on a case-by-case basis, the position of each director in relation to the independence criteria;
- examining changes in the corporate governance rules, monitoring the implementation of those rules by the Company (including the implementation of the Code of Corporate Governance adopted by the Company), assisting the Board of Directors in adapting the Company's corporate governance, and submitting proposals in this regard;
- reviewing the information relating to corporate governance in the corporate governance report and any other document required by laws and regulations in force in this area and, more generally, ensuring that the proper information on corporate governance is given to shareholders.

The Chief Executive Officer is involved in particular with the committee's work on the selection of new directors and succession plan for company officers.

Meetings of the Nominating and Governance Committee

The Nominating and Governance Committee meets at least twice a year and, if necessary, prior to approval of the agenda of the Annual Shareholders' General Meeting, to review the draft resolutions which are to be submitted to it and which fall within the committee's remit. The Nominating and Governance Committee must report on its activities to the Board of Directors.

Meetings of the Nominating and Governance Committee are only valid if at least half of its members are present. Decisions are taken by simple majority, with its Chairman having a casting vote.

Meetings of the Nominating and Governance Committee may be held by conference call or videoconference.

Compensation Committee

The remit and operating arrangements of the Compensation Committee are outlined in the Board's internal rules, the provisions of which are restated below.

Duties of the Compensation Committee

As regards the compensation of company officers, the Compensation Committee is required to:

- assess all forms of compensation, including benefits in kind, insurance and pension entitlements received from any company in the Group and any affiliated company;
- examine and submit proposals to the Board of Directors regarding all components of compensation and benefits of company officers in particular as regards the calculation of the variable portion of compensation. To this end, it defines the rules for calculating this variable portion, taking into account the need for consistency with annual assessments of the performance of company officers and the Group's medium-term strategy; it also oversees proper application of these rules;
- ensure that the Company fulfills its obligations regarding the transparency of compensation. In particular, it prepares an annual activity report which is submitted for the approval of the Board for inclusion in the Company's annual report, and ensures that all legally required information concerning compensation is fully and clearly set out in the annual report;
- review the information relating to compensation in the corporate governance report and any other document required by applicable

law and regulations in the matter and, more generally, ensure that the proper information on compensation is given to shareholders;

As regards directors' compensation, the Compensation Committee:

- issues a recommendation on the overall amount and conditions of attendance fees in accordance with the provisions of the Board's internal rules;
- makes recommendations concerning any compensation awarded to directors entrusted with special assignments.

As regards stock-option plans and all other share-based compensation or compensation indexed or otherwise linked to shares, the Compensation Committee is tasked with:

- examining the general policy governing eligibility for such plans and submitting any proposals it may have in this area to the Board of Directors;
- reviewing the information on this subject provided in the annual report and to the Shareholders' General Meeting;
- submitting proposals to the Board of Directors regarding the choice to be made from among the options permitted by law and explaining the reasons for that choice, together with its consequences;
- preparing the Board's decisions on such plans.

In addition, the Committee must be informed of the compensation policy for key executives who are not company officers. In this respect, the committee's work shall involve the Chief Executive Officer.

Meetings of the Compensation Committee

The Compensation Committee meets at least twice a year and, if necessary, prior to the approval of the agenda of the annual Shareholders' General Meeting, to review the draft resolutions that are to be submitted to it and that fall within the committee's remit. The Compensation Committee must report on its activities to the Board of Directors.

Meetings of the Compensation Committee are only valid if at least half of its members are present. Decisions are taken by simple majority, with its Chairman having a casting vote.

Meetings of the Compensation Committee may take place by conference call or videoconference.

Strategy and Social Responsibility Committee

The powers and operation of the Strategy and Social Responsibility Committee are outlined in the Board's internal rules, the provisions of which are restated below.

Duties of the Strategy and Social Responsibility Committee

The duties of the Strategy and Social Responsibility Committee are to assist the Board of Directors in its decisions regarding the strategic direction of the Company's business, and in particular to:

- examine all significant projects concerning the Group's development and strategic positioning, in particular projects for strategic partnerships and significant investments or divestments;
- examine draft annual budgets submitted to the Board of Directors. For this purpose, the Strategy and Social Responsibility Committee may hear from Company managers on the assumptions used to draw up or amend these budgets;
- assess consistency between Group strategy and the CSR principles espoused by the Group and ensure that management conducts an analysis of internal or external factors related to CSR issues (risks and opportunities) that have an influence on the Group, such as regulations, third-party expectations and sector comparisons;
- evaluate the adequacy of the resources available to the Group for the successful implementation of its CSR strategy, in view of the objectives pursued;
- consider of the main findings and observations of the independent third-party organization, assess them and examine the related management action plans.

Meetings of the Strategy and Social Responsibility Committee

The Strategy and Social Responsibility Committee meets as often as may be necessary and in any event at least twice a year. The Strategy and Social Responsibility Committee must report on its activities to the Board of Directors.

Meetings of the Strategy and Social Responsibility Committee are only valid if at least half of its members are present. Decisions are taken by simple majority, with its Chairman having a casting vote.

Meetings of the Strategy and Social Responsibility Committee may be held by conference call or videoconference.

Services provided by external consultants

The committees of the Board may request external technical studies relating to matters within their competence, at the Company's expense, after informing the Chairman of the Board of Directors or the Board of Directors itself, and subject to reporting back to the Board thereon.

In the event of committees having recourse to services provided by external consultants, the committees must ensure that the consultant concerned is objective.

6.1.3.3 WORK DONE BY THE BOARD OF DIRECTORS' SPECIALIZED COMMITTES IN 2018

In 2018, directors' attendance rate in specialist committee meetings was 95%. In accordance with the recommendations of the Afep-Medef Code of Corporate Governance, the table below provides details about the individual attendance rate of each director.

Attendance at specialist committee meetings	Audit Committee	Nominating and Governance Committee	Compensation Committee	Strategy and Social Responsibility Committee
Gilles Schnepp	N/A	N/A	N/A	100%
Olivier Bazil	N/A	100%	N/A	75%
Isabelle Boccon-Gibod	100%	N/A	N/A	100%
Christel Bories	75%	N/A	N/A	100%
Angeles Garcia-Poveda	N/A	100%	100%	100%
Edward A. Gilhuly	N/A	N/A	N/A	100%
François Grappotte	N/A	N/A	N/A	N/A
Philippe Jeulin	N/A (1)	N/A	N/A	N/A
Patrick Koller	N/A	100%	N/A (2)	N/A
Thierry de La Tour d'Artaise	N/A	100%	N/A	N/A
Dongsheng Li	N/A	N/A	N/A	N/A
Annalisa Loustau Elia	N/A	N/A	100%	N/A
Éliane Rouyer-Chevalier	100%	N/A	100%	N/A

(1) Mr. Philippe Jeulin was not a member of the Audit Committee in 2018, having been appointed by the Board of Directors on March 20, 2019.

(2) Mr. Patrick Koller was a not a member of the Compensation Committee in 2018, having been appointed by the Board of Directors on March 20, 2019.

Work done by the Audit Committee in 2018

The Audit Committee met eight times in 2018. The attendance rate for the year was 92%. The Committee met to consider, in particular, the following matters.

- the Company's results:
  - review of the annual statutory and consolidated financial statements to December 31, 2017 and the consolidated management report, review of the consolidated financial statements for the three months ended March 31, 2018, the consolidated financial statements for the six months ended June 30, 2018 and the half-year financial report, and the consolidated financial statements for the three months ended September 30, 2018,
  - review of the Statutory Auditors' work at December 31, 2017 and June 30, 2018,
  - review of key figures in press releases on the annual, quarterly and half-yearly consolidated financial statements and assumptions on the outlook for 2018, as well as accounting options,
  - the way in which dividends will be distributed and the consequences of such distribution on resolutions for the annual Shareholders' General Meeting of May 30, 2018;
- risk management and internal control:
  - review of the Group's risk management policy and procedures, its internal audit and control procedures, and the related organization and resources,
  - review of the section of the consolidated management report on procedures for preparing and processing accounting and financial information,

- review of the new risk mapping procedure,
- update on IT security and cybercrime risks;
- audit and relations with external auditors:
  - internal audit: 2017 summary and review of the 2018 audit plan,
  - quarterly update on internal audits and fraud (review of audit summaries and fraud report),
  - review of the assignments of the Statutory Auditors, including additional assignments,
  - review of the budget for auditors' fees,
  - examination of Services other than the Certification of Financial Statements;
- other:
  - presentation of the registration document,
  - monitoring regulatory developments: fiscal updates in the United States and the General Data Protection Regulation (GDPR) in France.

Pursuant to the internal rules of the Company's Board of Directors, the Audit Committee, as part of its duties, met the Chief Financial Officer, the heads of internal audit and risk control, and the person responsible for Corporate Social Responsibility (CSR) matters. The Audit Committee also met with Statutory Auditors with and without the presence of the Company's general management, in line with the recommendations of the Code of Corporate Governance.

Work done by the Nominating and Governance Committee in 2018

The Nominating and Governance Committee met twice in 2018. Attendance for the year was 100%. The committee met to consider, in particular, the following matters.

- membership of the Board of Directors and its committees:
  - procedure for the review of the status of independent directors,
  - annual review of the Board of Directors' diversity policy,
  - a recommendation in favor of reappointing Mr. Gilles Schnepp and Mr. Olivier Bazil as directors,
  - a recommendation in favor of appointing Mr. Edward A. Gilhuly and Mr. Patrick Koller,
  - recommendation on the composition of the Compensation Committee;
- Group succession plans:
  - annual review of existing succession plans, whether in the long term or in the case of unforeseen events, concerning the Chief Executive Officer and all key management positions within the Group;
- other:
  - review of the corporate governance report,
  - proposal of amendments to the internal rules of the Board of Directors,
  - report on the internal assessment of the operating procedures of the Board of Directors and its committees.

Work done by the Compensation Committee in 2018

The Compensation Committee met three times in 2018. Attendance for the year was 100%. The committee met to consider, in particular, the following matters.

- compensation:
  - review of the overall compensation structure for company officers,
  - calculation of compensation for the Chairman of the Board of Directors with respect to 2017,
  - determination of the principles of compensation for company officers with respect to 2018;
- long-term incentive plans/performance share plan:
  - determining the 2018 performance share plan,
  - approval of individual awards of performance shares to the Chief Executive Officer and the Group's key managers,
  - determination of number of shares that the Chief Executive Officer is required to retain in registered form until the termination of his duties as concerns performance shares;
- attendance fees:
  - amounts distributed in 2017,
  - proposal to increase the maximum overall annual amount of attendance fees,
- directors fees
  - proposal of an overall annual reimbursement budget.

Work done by the Strategy and Social Responsibility Committee in 2017

The Strategy and Social Responsibility Committee met four times in 2018. Attendance for the year was 95%. The committee met to consider, in particular, the following matters.

- acquisitions:
  - review of acquisitions made since 2004,
  - examination of proposed acquisitions,
  - definition of strategic guidelines for future acquisitions;
- budget:
  - presentation of the 2018 draft budget,
  - approval of the 2018 budget;
- Corporate Social Responsibility:
  - review of CSR indices in which the Company is included and competitive analysis,
  - review of Legrand's CSR strategy and assessment of the 2014-2018 roadmap,
  - presentation of the new 2019-2021 CSR roadmap,
  - review of priority objectives for 2018.

6.1.4 – General Management of the Company

6.1.4.1 IDENTITY OF THE CHIEF EXECUTIVE OFFICER OF THE COMPANY

Mr. Benoît Coquart is responsible for the general management of the Company. The Board of Directors on February 7, 2018, on the proposal of Mr. Gilles Schnepp and the recommendation of the Nominations and Governance Committee, decided to separate the offices of the Chairman and Chief Executive Officer as of February 8, 2018, and to appoint Benoît Coquart as Chief Executive Officer. Please see page 368 of the Company's registration document for the biography of Mr. Benoît Coquart.

6.1.4.2 FUNCTIONING OF GENERAL MANAGEMENT

Choice of the Company's general management method

Principles

The Board of Directors decides, under the conditions set out in the Company's Articles of Association, whether the general management is performed by the Chairman of the Board of Directors or by another individual bearing the title of Chief Executive Officer.

Shareholders and third parties are informed of this decision in accordance with applicable laws and regulations. The management structure can be changed at any time. The Board of Directors must discuss whether to keep the current system whenever the mandate of the Chairman of the Board of Directors or the Chief Executive Officer comes to an end.

Where the Chairman of the Board of Directors is responsible for the general management of the Company, the following provisions relating to the Chief Executive Officer apply.

The Chief Executive Officer must always be a natural person aged under 65 at the time of appointment. When the Chief Executive Officer has reached this age limit, he/she is considered as having resigned from the role after the Ordinary Shareholders' General Meeting called to approve the financial statements from the past year and held in the year the age limit is reached.

The Chief Executive Officer is always eligible for reelection. The Chief Executive Officer may or may not be a director. If the Chief Executive Officer is not a director, he/she attends meetings of the Board of Directors in an advisory capacity, except if the Board decides otherwise by a simple majority. If the Chief Executive Officer is temporarily unable to perform his/her functions, the Board of Directors may appoint a director to act as Chief Executive Officer. The Board of Directors shall determine the Chief Executive Officer's compensation and term of office. If the Chief Executive Officer is a director, this term of office may not extend beyond his/her term of office as a director.

On the proposal of the Chief Executive Officer, the Board of Directors may appoint a maximum of five Chief Operating Officers to assist him/her. Chief Operating Officers must always be natural persons. They may or may not be directors. In agreement with the Chief Executive Officer, the Board shall determine the scope and duration of the Chief Operating Officer's powers, which may not exceed the powers of the Chief Executive Officer or the duration of the Chief Executive Officer's term of office. The Board shall determine the compensation of each Chief Operating Officer. If the Chief Executive Officer leaves, the Chief Operating Officer shall remain in office unless a new Chief Executive Officer is appointed (unless a decision to the contrary is taken by the Board). Chief Operating Officers can be re-appointed and are subject to the same age limits as the Chief Executive Officer.

Choice by the Board of Directors of whether to separate the offices Chairman and Chief Executive Officer

According to the Code of Corporate Governance, "corporations with Boards of Directors have a choice between separation and combination of the offices of Chairman and Chief Executive Officer. The law does not favor either formula and allows the Board of Directors to choose between these two forms of executive management".

At its meeting of March 17, 2006, the Board of Directors decided to combine the functions of Chairman and Chief Executive Officer, both to be assumed by Mr. Gilles Schnepp. This form of governance was chosen in the context of the Company's initial public offering.

Mr. Gilles Schnepp, during the Board of Directors meeting of February 7, 2018, proposed to the Board of Directors a change in governance for the Group in order to proceed with the Company's development under the best possible circumstances.

Therefore, on the proposal of Mr. Gilles Schnepp and the recommendation of the Nominating and Governance Committee, the Board of Directors decided to separate the offices of the Chairman and Chief Executive Officer as of February 8, 2018. This permanent separation is in line with best governance practice. It allows both offices to be fully exercised.

Consequently, in its February 7, 2018 meeting, the Board decided to renew Mr. Gilles Schnepp's term of office as Chairman of the Board of Directors, to recommend the renewal of his term of office as director during the next Shareholders' General Meeting on May 30, 2018, and to appoint Mr. Benoît Coquart to succeed him as Chief Executive Officer of Legrand.

The appointment of Mr. Benoît Coquart places at the head of Legrand's general management a next-generation executive, who is fully aware of the challenges of the Group and its industry, and who has demonstrated his leadership skills by holding key strategic and operating positions at Legrand for over 20 years.

Multiple directorships

Mr. Gilles Schnepp, Chairman of the Board of Directors, is also a member of the Board of Directors of another French listed company(1). With regard to the non-executive officer, the Board can formulate specific recommendations concerning his/her status and particular duties.

Moreover, as mentioned in section 6.1.1.1 above, the Chairman of the Board of Directors is required to inform the Chairman of the Nominating and Governance Committee of any intention to take on another directorship, and must ask the Board for its opinion before accepting any new directorship in a listed company, in line with the provisions of the Board's internal rules.

Mr. Benoît Coquart, Chief Executive Officer, does not hold any other directorship in another French listed company. The number of directorships held by Benoît Coquart is therefore in line with the Code of Corporate Governance, which recommends that executive officers should not hold more than two other directorships in listed companies outside their group, including foreign ones.

6.1.4.3 POWERS OF THE CHIEF EXECUTIVE OFFICER

Subject to internal limitations, not binding on third parties, that the Board of Directors may apply to its powers in its internal rules, the Chief Executive Officer is empowered to act under any circumstances on behalf of the Company. Those powers are to be exercised within the limits resulting from the Company's corporate purpose and the powers expressly reserved by law to Shareholders' General Meetings and to the Board of Directors.

The internal rules of the Board of Directors list certain important decisions and transactions requiring prior approval from the Board of Directors. These decisions and transactions are presented in section 6.1.1.2 of the Company's registration document.

6.1.4.4 EXECUTIVE COMMITTEE

The Executive Committee is made up of a close-knit eight-member team that has varied and complementary expertise. All members of the committee understand the core business of the Group and its issues. This Committee features representatives from country management teams and country operational support departments.

As of the filing date of this registration document, the Executive Committee, which includes two women, is made up of the following:

Name	Role	Date of joining the Group
Benoît Coquart	Chief Executive Officer	1997
Karine Alquier-Caro	Executive VP Purchasing	2001
Bénédicte Bahier	Executive VP Human Resources	2007
Antoine Burel	Deputy Chief Executive Officer, Executive VP Group Operations	1993
Jean-Luc Cartet	Executive VP Asia-Pacific, Middle East & Africa and South America	1992
Franck Lemery	Chief Financial Officer	1994
John Selldorff	Chairman and Chief Executive Officer of Legrand North & Central America	2002
Frédéric Xerri	Executive VP Europe	1993

(1) If PSA shareholders vote in favor of the resolutions put to them in the April 25, 2019 Shareholders' General Meeting, Gilles Schnepp will hold a second directorship in a listed company other than the Company.

6.1.4.5 DIVERSITY IN SENIOR MANAGEMENT

As stated in section 4.4.3.3 of the Company's registration document, the Group is strongly engaged against discrimination and promotes diversity.

The Group encourages the hiring of more women managers and undertakes to guarantee that women have the same working conditions as men.

Accordingly, promoting the principle of gender balance and hiring more female managers are objectives of the Group. As a result, it has adopted the following two priorities and related quantitative targets, which form part of the 2014-2018 Corporate Social Responsibility (CSR) roadmap:

- to increase by 25% the number of women in key roles: at the end of 2018, that target had been exceeded, with 15.2% of the Group's key roles held by women, an increase of 32% versus the end of 2013;
- to reduce by 15% the gender pay gap for non-managerial employees (65% of the Group's workforce) as a whole within the Group; at the end of 2018, the gender pay gap for non-managerial employees was 12.9%, better than the target initially set for the end of 2018.

The new 2019-2021 CSR roadmap to be published in 2019 broadens the indicator of female representation among managers, with the aim of increasing the proportion of women in managerial roles by 20%.

Promoting women to the Group's key roles is part of an ongoing action plan that follows on from measures already implemented by the Group in recent years. Please refer to section 4.4.3.2 of the Company's registration document for further information.

As regards the Executive Committee, efforts to increase female representation started several years ago, and 22% of its members were women at the end of 2018 which is on improvement compared to 2017.

6.1.5 – Service agreements

As of the date of this registration document and as far as the Company is aware, no existing services contract has been entered into between members of the administrative or management bodies and the Company or any of its subsidiaries that provides for the award of benefits.

6.2 – COMPENSATION AND BENEFITS OF COMPANY OFFICERS

6.2.1 – Principles and criteria for the determination, breakdown and award of fixed, variable and exceptional elements of total compensation and any benefits due to company officers in respect of their office in respect of the 2019 financial year

The principles and criteria for the determination, breakdown and award of fixed, variable and exceptional components of overall compensation and any benefits attributable to company officers in respect of their office, which constitute the compensation policy applicable to them, are established by the Board of Directors based on the recommendation of the Compensation Committee.

These principles and criteria are part of the corporate governance report required under article L. 225-37-2 of the French Commercial Code. This report can be found in Appendix 2 of this registration document.

6.2.1.1 UNDERLYING PRINCIPLES OF THE COMPENSATION POLICY

The compensation policy for company officers is determined by the Board of Directors upon the recommendation of the Compensation Committee taking into account the principles mentioned in the Code of Corporate Governance: comprehensiveness, balance between compensation components, comparability, consistency, understandability of the rules and proportionality.

The Board of Directors ensures that the compensation policy is in line with market practice for comparable companies, is tailored to the Company's strategy and situation and is designed to boost the Company's performance and competitiveness in the medium and long term.

The underlying principles for the compensation of company officers in 2019 remain essentially unchanged compared with 2018. Long-term profitable growth and value creation, taking into account all stakeholders, within a broad definition of the business, are central to the Company's compensation policy and practices:

- total compensation should be balanced and consistent with the Company's strategy;
- the compensation structure (and variable compensation based on financial and extra-financial performance in particular) should be aligned with shareholders' interests and contribute to the Company's profitable and sustainable growth;
- performance criteria should be stringent and correspond to the key drivers of the Company's profitable and sustainable growth, and more generally be aligned with the Company's short and long-term objectives;
- a significant proportion of variable compensation is based on the Company's performance relating to Corporate Social Responsibility;
- lastly, the compensation policy, which is simple and transparent, must ensure a certain level of attractiveness for company officers while continuing to be fair and acceptable to stakeholders.

When the offices of Chairman and Chief Executive Officer were separated, the Board of Directors undertook to define the compensation structures and levels applicable to the Chairman of the Board of Directors and to the Chief Executive Officer in accordance with the principles mentioned above as well as market practices and the compensation observed for similar functions in CAC 40 companies.

6.2.1.2 COMPENSATION POLICY FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH RESPECT TO 2019

At its meeting on March 20, 2019, and upon the recommendation of the Compensation Committee, the Board of Directors, taking market practices into account and in accordance with the recommendations of the Code of Corporate Governance, decided that, as for 2018, the compensation structure that is most suited to the Chairman of the Board of Directors for the 2019 financial year consisted of making fixed compensation the sole compensation component.

The Board of Directors decided that the annual fixed compensation of the Chairman of the Board of Directors, Mr. Gilles Schnepp, will amount to €625,000 for 2019, the same as that granted to him with respect to 2018. This amount of annual fixed compensation for the Chairman of the Board of Directors was determined by the Board of Directors, upon the proposal of the Compensation Committee, in accordance with the principles set out in section 6.2.1.1 of this chapter, and in line with the responsibilities and duties assumed by the Chairman and related to the office, as provided by the law, the Articles of Association and the internal rules. The main elements taken into account in determining this compensation were (i) the key role of the Chairman of the Board of Directors in connection with all the responsibilities of the Board and its committees as well as the expertise and experience required to fulfill those responsibilities and (ii) the analysis, through market studies, of practices relating to compensation paid to non-executive chairmen of CAC 40 companies.

No other component of compensation (whether annual variable compensation, long-term compensation, attendance fees, extraordinary compensation or any commitment covered by article L. 225-42-1 of the French Commercial Code) is provided for in the compensation policy applicable to the Chairman of the Board of Directors.

6.2.1.3 COMPENSATION POLICY FOR THE CHIEF EXECUTIVE OFFICER WITH RESPECT TO 2019

A – Overall structure of compensation attributable to the Chief Executive Officer for the 2019 financial year

At its meeting on March 20, 2019, and upon the recommendation of the Compensation Committee, the Board of Directors, taking into account market practices and in accordance with the recommendations of the Code of Corporate Governance, determined the total compensation attributable to the Chief Executive Officer, based on all the criteria defined in section 6.2.1.1. This compensation comprises three components:

- fixed compensation;
- annual variable compensation linked to financial and extra-financial performance during the year;
- long-term compensation linked to financial and extra-financial performance over the long term. Depending on the year, this can take the form of either of the following financial instruments:
  - performance shares (corresponding to long-term compensation, attributable to the Chief Executive Officer for the 2019 financial year),
  - future performance units paid in cash (no "Future Performance Units" are attributable to the Chief Executive Officer for 2019 financial year).

On the basis of the Compensation Committee's recommendation, the Board of Directors decided that the Chief Executive Officer's compensation structure for 2019 would be the same as that approved for 2018. The Board of Directors has therefore decided to continue placing the emphasis on annual variable compensation and long-term compensation in order to make them a retention tool and to encourage financial and extra-financial performance as well as long-term value creation.

The Board of Directors has therefore established the following compensation structure for the Chief Executive Officer for 2019:

Component	Strategic purpose	Operation	Amount/Weighting as % of fixed compensation
Fixed	**Compensate the scope and level of responsibilities**	Determined by the Board of Directors, fairly and competitively, upon a recommendation of the Compensation Committee, in consideration of: ■ level of responsibility; ■ experience; ■ market practices of CAC 40 companies; ■ potential changes of role and responsibility.	€700,000
Annual variable	**Encourage the achievement of the Company's financial and extra-financial annual targets**	Determined by the Board of Directors, upon a recommendation from the Compensation Committee, according to strategic priorities, of the following elements: ■ annual objectives to be achieved; ■ type and weighting of performance criteria; ■ proportion between quantifiable and qualitative criteria.. ***Of which quantifiable (75%):*** structured so as to incentivize the achievement of specific and ambitious performance criteria: ■ financial criteria (adjusted operating margin before acquisitions, organic growth, external growth); ■ extra-financial criteria (achievement rate of the Group's CSR roadmap) ***Of which qualitative (25%):*** structured so as to take account of the year's initiatives deployed to support growth and risk management.	Minimum value: 0% of fixed compensation Target value: 100% of fixed compensation Maximum value: 150% of fixed compensation
Long-term	**Incentivize long-term financial and extra-financial performance** **Retain and develop loyalty over the long term**	Determined by the Board of Directors upon a recommendation from the Compensation Committee: ■ objectives to be achieved; ■ type and weighting of future performance criteria. Determined after application of a presence condition and four demanding performance criteria (each counting for a quarter) measured over three years: ■ target for adjusted operating margin before acquisitions (three-year average of achievements); ■ target for organic sales growth (3-year average of achievements); ■ rate of achievement of the Group's CSR roadmap (3-year average of achievements); ■ Legrand share price performance as compared with the performance of the CAC 40 index (difference in performance measured over a 3-year period).	Minimum value: 0% Initially awarded value (target value): 200% of fixed compensation, converted into shares Maximum value: 150% of the number of shares initially awarded depending on the achievement of future performance criteria

Implementation for 2019

At its meeting on March 20, 2019, the Board of Directors, on the recommendation of the Compensation Committee, approved the following principles regarding the compensation policy applicable to the Chief Executive Officer for the 2019 financial year:

- **fixed annual compensation amounting to €700,000**. This amount was set by the Board of Directors on March 20, 2019, after considering the level of responsibility, profile and experience of the new Chief Executive Officer as well as market practices. This amount is identical to the annual fixed compensation amount arising from the 2018 compensation policy;
- **variable compensation, the target value of which was set at 100% of fixed compensation (three quarters quantifiable and one quarter qualitative)**, potentially ranging between 0% and 150% of fixed compensation, depending on the level of achievement of the predefined quantifiable and qualitative criteria presented on pages 211-212. It should be noted that variable compensation as a percentage of total compensation remains unchanged compared with the 2018 compensation policy. The Board of Directors wished thereby to continue placing the emphasis on annual variable compensation in order to incentivize financial and extra-financial performance;
- **long-term compensation in the form of performance share plans**, the target value of which has been set at 200% of the fixed compensation and which will be converted into shares. The number of shares can range thereafter between 0% and 150% of the initial award based on the level of achievement of four financial and extra-financial criteria measured on the basis of a three-year average and detailed on pages 212-214. It should be noted that long-term compensation as a percentage of total compensation and the nature of performance criteria remain unchanged compared with the 2018 compensation policy.

B – Determination of the calculation principles, criteria and weightings applicable to the annual and long-term variable compensation components attributable to the Chief Executive Officer for the 2019 financial year

Annual variable compensation of the Chief Executive Officer for the 2019 financial year

The principles for the calculation of variable compensation for the 2019 financial year, including applicable criteria and their weighting shown in the table below, were determined by the Board of Directors at its meeting held on March 20, 2019 on the recommendation of the Compensation Committee.

At its meeting on March 20, 2019, on the recommendation of the Compensation Committee, the Board of Directors decided to maintain unchanged the weighting of quantifiable and qualitative criteria of annual variable compensation that had been established for the 2018 financial year, along with its target and maximum amounts. The Board of Directors and the Compensation Committee, as part of the 2018 compensation policy, increased the Chief Executive Officer's variable compensation as a percentage of his total compensation, thereby seeking to place the emphasis on annual variable compensation in order to incentivize financial and extra-financial performance.

The nature of the annual variable compensation criteria remained unchanged except for:

- the CSR criterion relating to the quantifiable portion of annual variable compensation: the criterion concerning Legrand's inclusion in benchmark CSR indices has been replaced by a criterion linked to the Group CSR roadmap achievement rate. That alteration is justified by the intention to ensure that the quantifiable CSR criterion used to determine the Chief Executive Officer's variable compensation is aligned with that applied to Executive Committee members;
- the general criteria relating to the qualitative portion of annual variable compensation which are three (i) risk management, (ii) workforce-related initiatives and dialogue (iii) diversity and gender equality.

Choice of performance criteria for annual variable compensation and target-setting method

Performance criterion	Reason for criterion	Target-setting method
Adjusted operating margin before acquisitions	Alignment with published annual targets	The ranges of the performance targets to be reached correspond to the Company's annual targets, disclosed to the market upon publication of the annual financial statements of the previous year (in February).
Organic sales growth	Alignment with published annual targets	
Acquisitions	Consistency with the Group's growth model	Consistency with the Group's growth model (measured by sales growth during the year resulting from changes in scope).
Achievement rate of the CSR roadmap	The CSR roadmap is central to the Group's business model. It aims to ensure that the Group achieves profitable, sustainable growth while respecting all stakeholders.	Consistency with the Group's social responsibility commitments as part of its CSR roadmap.

6

Criteria and targets for annual variable compensation for 2019

				Min	Target	Max
Quantifiable portion: 3/4 of annual variable i.e. 75% of target fixed compensation	Operating margin	2019 adjusted operating margin (at 2018 scope)	As a % of fixed compensation	0%	**40%**	60%
			Indicator value	19.9%	20.3%	20.7%
	Organic sales growth	2019 organic sales growth	As a % of fixed compensation	0%	**15%**	22.5%
			Indicator value	0%	2%	4%
	Acquisitions	2019 sales growth resulting from changes in scope	As a % of fixed compensation	0%	**10%**	15%
			Indicator value	0%	5%	10%
	Corporate Social Responsibility (CSR)	Group CSR roadmap achievement rate	As a % of fixed compensation	0%	**10%**	15%
			Indicator value	70%	100%	130%
	QUANTIFIABLE TOTAL			**0%**	**75%**	**112.5%**
Qualitative portion: 1/4 of annual variable i.e. 25% of target fixed compensation	Sales growth	Changes in market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies		0%	**10%**	15%
	Acquisitions policy	Compliance with priorities, emphasis on multiples paid, emphasis on any dilutive effects of acquisitions on the Group's performance, integration of acquisitions already made		0%	**10%**	15%
	General criteria	Risk management, workforce-related initiatives and dialogue, diversity and gender equality		0%	**5%**	7.5%
	QUALITATIVE TOTAL			**0%**	**25%**	**37.5%**
VARIABLE TOTAL AS A % OF FIXED COMPENSATION				**0%**	**100%**	**150%**

Long-term compensation paid to the Chief Executive Officer for the 2019 financial year

In respect of 2019 financial year, the Chief Executive Officer's long-term compensation consists of a performance share plan (the "**2019 Performance Share Plan**"), decided by the Board of Directors at its meeting on March 20, 2019 on the recommendation of the Compensation Committee. This initial award, which will be converted into performance shares when the Board of Directors meets on May 29, 2019 at the end of the 2019 General Meeting, corresponds to 200% of the target amount of fixed compensation, with a possible variation between 0% and 150% of the initial award based on future performance criteria.

It should be noted that long-term compensation as a percentage of total compensation and the nature of performance criteria remain unchanged compared with the 2018 compensation policy.

Choice of performance criteria for long-term variable compensation and target-setting method

It should be noted that:

- the first two performance criteria are aligned with the Company's targets disclosed in February. These are annual targets concerning adjusted operating margin before acquisitions and organic sales growth. These indicators are central to Legrand's profitable growth-based business model;
- the third criterion is of an extra-financial nature, based on the achievement of the Group's commitments in terms of Corporate Social Responsibility within the framework of its CSR roadmap, which is central to Legrand's model and aims to ensure sustainable growth with respect to all stakeholders;
- the last criterion is based on Legrand's share price performance compared with that of the CAC 40 index, thus making it possible to assess performance in relative terms, on the understanding that the principle of non-payment if the share price underperforms the CAC 40 index (as described in point 4 below) would apply to this criterion.

The proposed performance criteria thus reflect the Company's model based on profitable and sustainable growth aligned with the interests of shareholders, and are transparent.

Performance criterion	Description of criteria and target-setting method	Weighting
Target for adjusted operating margin before acquisitions	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Target of organic sales growth	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Annual Group's CSR roadmap achievement rates	Target: arithmetic average over 3 years of the annual CSR roadmap achievement rates.	1/4
Legrand share price performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand share price and that of the CAC 40 index over a 3-year period.	1/4

Accordingly, the performance criteria are measured over a three-year period and the number of performance shares ultimately awarded to the Chief Executive Officer is calculated according to the following method:

1) Adjusted operating margin before acquisitions criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2019, 2020 and 2021	Lower than (LE(2) – 50 bps)	Between (LE(2) - 50 bps) and LE	**Equal to LE(2)**	Between LE(2) and UE(3)	**Equal to UE(3)**	Between UE(3) and (UE(3) + 50 bps)	Above (UE(3) + 50 bps)

Determination of the 3-year target based on the 2019 award plan

	Lower End of the annual target range	Upper End of the annual target range
Year 1: 2019	Equal to 19.9%	Equal to 20.7%
Year 2: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
Year 3: 2021	Disclosed to the market in February 2021	Disclosed to the market in February 2021
3-year target: Average of annual targets	**LE(2)**	**UE(3)**

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

2) Organic sales growth criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2019, 2020 and 2021	Lower than (LE(2) – 2 points)	Between (LE(2) – 2 points) and LE(2)	**Equal to LE(2)**	Between LE(2) and UE(3)	**Equal to UE(3)**	Between UE(3) and (UE(3) + 2 points)	Above (UE(3) + 2 points)

Determination of the 3-year target based on the 2019 award plan	Lower End of the annual target range	Upper End of the annual target range
Year 1: 2019	Equal to 0.0%	Equal to 4.0%
Year 2: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
Year 3: 2021	Disclosed to the market in February 2021	Disclosed to the market in February 2021
3-year target: Average of annual targets	**LE**[(2)]	**UE**[(3)]

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

3) Annual Group CSR roadmap achievement rates

Payment rate[(1)]	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

4) Legrand share price performance

Payment rate[(1)]	0%	30%	Between 30% and 150%	150%
Difference between the performance of Legrand's share price and that of the CAC 40 index[(2)]	Below 0 points	Equal to 0 points	Between 0 points and 15 points	Above 15 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) For the 2019 award plan, 3-year performance will be measured over the 2019-2021 period using the following calculation method:

- *Legrand share price performance: comparison of the average daily closing prices in the second half of the third year of the plan (second half of 2021) with the average daily closing market prices in the second half of the year preceding the first year of the plan (second half of 2018), i.e. €58.94;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing level in the second half of the third year of the plan (second half of 2021) with the average CAC 40 closing level in the second half of the year preceding the first year of the plan (second half of 2018), i.e. 5,213.7 points.*

The difference between these two performances will be measured by the difference, in percentage points, between the change in the Legrand share price and the change in the CAC 40 index.

Vesting period and outcome of performance shares in the event that the Chief Executive Officer departs before the end of the vesting period

The vesting period for the Chief Executive Officer is three years, while the (additional) holding period is two years. At the end of the vesting period of the performance shares awarded in 2019, the performance criteria and the presence condition will be verified, it being stipulated that the following rules shall apply to the Chief Executive Officer with regard to the presence condition:

- should the Chief Executive Officer resign during the vesting period, the shares initially awarded by the Board of Directors will not vest;
- in the event of dismissal, non-renewal or retirement of the Chief Executive Officer during the vesting period, only part of the shares will vest, subject to the performance criteria on the date the vesting period ends, calculated in proportion to his presence in the Company during the vesting period;
- in the event of death during the vesting period, the Chief Executive Officer's heirs may request that ownership of all shares that the Board of Directors initially awarded to the deceased Chief Executive Officer be transferred to them, in accordance with statutory arrangements, without waiting until the end of the vesting period;
- in the event that the Chief Executive Officer becomes permanently disabled, within the meaning of French law or that of his country of residence, he or she may, under French law, ask that ownership of all shares that the Board of Directors initially awarded be transferred to him/her without waiting until the end of the vesting period.

Holding obligation

Pursuant to article L. 225-197-1 of the French Commercial Code specified in the Code of Corporate Governance, the Chief Executive Officer must retain in registered form a certain percentage, to be determined by the Board of Directors, of the shares awarded until his/her term of office ends.

The Board of Directors has decided that the Chief Executive Officer shall be required to hold at least 30% of all performance shares acquired under performance share plans until his term of office ends.

Undertaking not to complete any hedging transactions

It is specified that the Company has not put in place any hedging instruments for performance shares. Furthermore, the Chief Executive Officer has formally undertaken to refrain from using any hedging instruments in relation to the performance shares awarded to him. To the Company's knowledge, no hedging instruments for performance shares have been put in place.

C – Other elements of compensation

Attendance fees

The Chief Executive Officer receives no compensation in the form of attendance fees or other fees in respect of the office he holds in Group companies.

Extraordinary compensation

There are no plans to award extraordinary compensation.

Undertakings governed by article L. 225-42-1 of the French Commercial Code

Pension plans

There is no commitment corresponding to a defined-benefit pension plan.

The Chief Executive Officer continues to benefit from the mandatory collective defined-contribution pension plan that falls within the scope of supplementary article 83 of the French General Tax Code, applicable to the Group's French executives, to which he was affiliated before his appointment as Chief Executive Officer, under the same terms as the rest of the employees concerned.

All of the Group's French executives qualify for the defined-contribution pension plan (supplementary article 83 of the French General Tax Code). Contributions are based on the A, B and C Tranches of compensation as defined for the calculation of contributions to the mandatory supplementary pension plans (ARRCO-AGIRC). Entitlements accrue through the payment of annual contributions equal to 1.5% of the A, B and C Tranches. The Company pays half of this amount (0.75%) and the beneficiaries pay the other half (0.75%).

For 2019, the Company's contribution for the Chief Executive Officer would represent an amount of €2,431. This amount is given for information purposes only for 2019.

In accordance with the procedure relating to related party agreements and undertakings, this undertaking was authorized by the Board of Directors on February 7, 2018 and approved by the Company's shareholders in the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).

Termination benefits

The Chief Executive Officer does not benefit from any undertaking corresponding to components of compensation, indemnities or other benefits that are or may be due as a result of or subsequent to the termination of his term of office or assignment to a different position ("golden parachutes"), even in the event of a change in control.

Non-compete clause

Given the profile of the new Chief Executive Officer and to protect the interests of the Company and its shareholders, the meeting of the Board of Directors held on March 20, 2018, on the recommendation of the Compensation Committee, authorized a non-compete agreement between the Company and the Chief Executive Officer, whereby the Chief Executive Officer undertakes not to carry out any activity that will compete with that of Legrand for a one-year period starting from the date his term of office ends.

The Company's Board of Directors will decide, after the Chief Executive Officer's term of office ends, whether or not to apply this non-compete clause, and may unilaterally decide to waive the application of this clause.

If applied, the Chief Executive Officer's fulfilment of this undertaking would result, for a one-year period after the end of his term of office as Chief Executive Officer, in the payment by the Company of monthly compensation equal to the monthly average of the reference salary received during the last twelve months of presence in the company, it being stipulated that the reference salary includes the annual fixed and variable salary and excludes sums received as long-term variable compensation, which will be an amount lower than the cap recommended by the Code of Corporate Governance.

The Company's shareholders approved that undertaking made in favor of the Chief Executive Officer in the Combined Shareholders' General Meeting of May 30, 2018 (seventh resolution).

Contract of employment of the Chief Executive Officer

In accordance with the Code of Corporate Governance, no employment contract remains between the Chief Executive Officer and the Company.

Incentive and profit-sharing plan

The Company has for many years implemented an exceptional incentive and profit-sharing plan in favor of all of its employees and those of its main French subsidiaries. The Chief Executive Officer no longer benefits from this plan since his appointment as Chief Executive Officer on February 8, 2018.

Other non-monetary compensation components (company car, pension plan, supplementary health insurance coverage etc.)

The Chief Executive Officer has the use of an executive car.

Furthermore, at its meeting held on February 7, 2018, the Board of Directors decided that the Chief Executive Officer would continue to benefit from "medical expenses" supplementary health insurance and "death, incapacity and invalidity" insurance available to the Group's French executives, since he is regarded, in social security and tax terms, as an executive. He receives those benefits on the same terms as the other employees in that category.

For 2019, the Company's contribution for Benoît Coquart would represent an amount of €6,579. This amount is given for information purposes only for 2019.

The Company's shareholders approved this undertaking made in favor of the Chief Executive Officer in the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).

Signing bonuses

The Chief Executive Officer did not receive any compensation for taking up his duties, intended to make up for the loss of benefits resulting from his appointment.

6.2.2 – Compensation and benefits of company officers in respect of the 2018 financial year

6.2.2.1 COMPENSATION AND BENEFITS OF MR. GILLES SCHNEPP FOR 2018

The tables summarizing all components of compensation paid and awarded for the 2017 and 2018 financial years to Mr. Gilles Schnepp, Chairman and Chief Executive Officer until February 7, 2018 and Chairman of the Board of Directors from February 8, 2018, are presented below.

Table 1 – Summary of compensation, stock options and shares awarded to Mr. Gilles Schnepp

		2017	2018
Mr. Gilles Schnepp, Chairman and Chief Executive Officer until February 7, 2018 and Chairman of the Board of Directors from February 8, 2018			
Compensation due in respect of the year (see Table 2 below for details)			
	(in euros)	1,160,000	625,000
Valuation of the options awarded during the year (see Table 4 below for details)			
	Number of options	-	-
	(in euros)	-	-
Valuation of performance shares awarded during the year (see Table 6 below for details)			
	Number of shares	-	-
	Value *(in euros)*	668,394[(1)]	-
Valuation of long-term variable compensation awarded during the financial year			
	Number of shares	-	-
	Value *(in euros)*	-	-
TOTAL		**1,828,394**	**625,000**

(1) Value of performance shares awarded in 2017, as determined by an independent expert pursuant to IFRS 2, and subject to the future performance criteria detailed in the section on "Existing performance share plans" contained in the registration document.

Table 2 – Summary of compensation awarded to Mr. Gilles Schnepp

	2017		2018	
(in euros)	Amounts due	Amounts paid in connection with the previous year	Amounts due	Amounts paid in connection with the previous year
Mr. Gilles Schnepp, Chairman and Chief Executive Officer until February 7, 2018 and Chairman of the Board of Directors from February 8, 2018				
Fixed compensation	625,000	625,000	625,000	625,000
Annual variable compensation	535,000(1)	535,000	-	-
Long-term variable compensation(2)	-	-	-	-
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind(3)	0	0	0	0
TOTAL	**1,160,000**	**1,160,000**	**625,000**	**625,000**

(1) Mr. Gilles Schnepp's variable compensation for the 2017 financial year is €535,000, identical to the variable compensation for the 2016 financial year because Mr. Gilles Schnepp, on his own initiative, waived a portion of his variable compensation for 2017, maintaining it at the 2016 level. Aside from the amount waived, the variable compensation for the 2017 financial year, determined by the Board of Directors on the recommendation of the Compensation Committee, should have been €677,500, corresponding to an achievement rate of 90.3% (equal to 108.4% divided by 120%) of the maximum, i.e. 135.5% (equal to 108.4% divided by 80%) of the target for all quantifiable and qualitative targets. Details of the calculations are given below in the section entitled "Annual variable compensation paid to the Chief Executive Officer" below, on pages 198-199 of the 2017 registration document.

(2) There was no award during the last financial year.

Regarding the 2013 Performance Unit Plan, note that the vesting period expired on March 7, 2016 and that the achievement rate of the future performance criteria was 100.2%. The 2013 Future Performance Units are subject to an additional two-year lock-in period. The reference value for these units is €63 each, which was the closing price of the Legrand stock on the NYSE Euronext Paris on the last day of the two-year lock-in period, i.e. on March 7, 2018. The total theoretical amount calculated (on the basis of the future performance criteria achievement rate of 100.2% and the share price of €63), i.e. €1,237,670.28, has been capped at €937,500 in accordance with the rule mentioned on pages 172 and 173 of the 2013 registration document. The amount corresponding to 2013 Future Performance Units allotted to Mr. Gilles Schnepp and approved by the Shareholders' General Meeting at the time of their award and at the end of the vesting period was paid to Mr. Gilles Schnepp in June 2018.

Regarding the 2014 Performance Unit Plan, note that the vesting period expired on March 6, 2017 and that the future performance criteria achievement rate was 92.2% of the target and 61.5% of the maximum. The 2014 Future Performance Units are also subject to a further two-year lock-in period as from March 6, 2017, at the end of which their unit value will be determined on the basis of the average daily closing price of Legrand's shares on the NYSE Euronext Paris market over those two years. The value of Future Performance Units is €60.33 each, equal to Legrand's average closing share price on NYSE Euronext Paris on the last day of the two-year lock-in period, i.e. on March 7, 2019. The total amount calculated – on the basis of the future performance criteria achievement rate (92.2%), the average share price (€60.33) and the capitalization of 2017 and 2018 dividends – is €849,037.

(3) At the date of registration of this registration document, the Group does not fund any benefit.

Fixed compensation

For the 2018 financial year, the fixed compensation paid to Mr. Gilles Schnepp was €625,000, unchanged since 2011.

Annual variable compensation

Mr. Gilles Schnepp waived, on his own initiative, his annual variable compensation in his capacity as Chairman and Chief Executive Officer for the 2018 financial year, i.e. between January 1, and February 7, 2018. In addition, he does not receive annual variable compensation as Chairman of the Board of Directors.

Long-term compensation

Future Performance Units

In 2018, no award was made in respect of the previous financial year.

Stock options

In 2018, no options to purchase or subscribe shares were awarded.

Performance shares

In 2018, no performance shares were awarded.

Table 4 – Stock options allocated by the Company and by any Group company to Mr. Gilles Schnepp during the financial year

Neither the Company nor any other Group company granted any stock options to Mr. Gilles Schnepp during the 2018 financial year.

Existing stock option plans

General principles

Stock option and performance share plans put in place by the Company in respect of previous financial years are described in sections 7.2 and 7.3 of the Company's registration document.

No discount was applied at the time of their implementation. In addition, the Company has not put in place any hedging instruments for stock options or performance shares. Mr. Gilles Schnepp has formally undertaken to refrain from using any hedging instruments for the options and/or performance shares awarded to him. Therefore, to the Company's knowledge, no hedging instruments for options or performance shares have been put in place.

The Company is in compliance with the rules relating to awards of options and performance shares defined in the Code of Corporate Governance.

Stock option plans

Since March 4, 2010, no stock options have been allocated.

Table 5 – Stock options exercised by Mr. Gilles Schnepp during the financial year

Name of company officer	Date of plan	Number of options exercised during the year	Exercise price(1)
Gilles Schnepp	2010 plan (03/04/2010)	-	21.32

(1) As mentioned in chapter 7.2 of the registration document, the number and exercise price of stock options was adjusted to take into account the impact of these transactions on the interests of stock-option beneficiaries, in accordance with article L. 228-99 of the French Commercial Code, given the dividend payment arrangements approved in the Company's Combined Shareholders' General Meetings of May 29, 2015, May 27, 2016, May 31, 2017 and May 30, 2018.

Table 6 – Performance shares awarded by the Shareholders' General Meeting during the financial year to Mr. Gilles Schnepp by the Company and by any Group company

Name of company officer	Date of plan	Number of shares awarded during the year	Valuation of the shares according to the method used for the consolidated financial statements	Vesting date	End of lock-in period	Performance criteria
Gilles Schnepp	N/A	Nil	N/A	N/A	N/A	N/A

Existing performance share plans

On the recommendation of the Compensation Committee, the Board of Directors, at its meetings of May 29, 2015, May 27, 2016 and May 31, 2017, approved the creation of performance share plans (the "**2015 Performance Share Plan**", "**2016 Performance Share Plan**" and the "**2017 Performance Share Plan**", respectively) which benefit Mr. Gilles Schnepp in particular.

The number of performance shares that will be finally awarded to Mr. Gilles Schnepp will vary between 0% and 150% of the number of shares initially awarded, subject to a presence condition and various performance criteria as described in the tables below.

Type of performance criteria	Description of performance criteria	Weighting of performance criteria by plan	
		2015	2016-2017
"External" financial performance criterion	Comparison between the arithmetic mean of Legrand's consolidated EBITDA margin(1) over a three-year period as published in the consolidated financial statements and the arithmetic mean of EBITDA margins achieved by companies forming part of the MSCI World Capital Goods index over the same period.	50%	$33^{1/3}$%
"Internal" financial performance criterion	Arithmetic mean of normalized free cash flow(1) as a percentage of sales over a three-year period, as published in the consolidated financial statements.	50%	$33^{1/3}$%
Extra-financial performance criterion	Arithmetic mean of the average achievement rate of Group CSR Roadmap priorities over a three-year period.	0%	$33^{1/3}$%

(1) As stated on page 201 of the 2017 registration document, it should be noted that a change in accounting standard (IFRS 16) will affect EBITDA and free cash flow in 2019. For more information, please refer to the section on IFRS 16, "Leases", which can be found in Chapter 8, note 1, section 1.2.1.3 on page 259-260 of the registration document.

Given this change, on March 20, 2019 the Board of Directors, based on a recommendation by the Compensation Committee and regarding the performance measurement for 2019 with respect to the 2017 plan, decided to replace the EBITDA and free cash flow criteria with operating margin and adjusted organic growth before acquisitions criteria, in line with the Company's publicly stated 2019 targets. The method of calculating 2019 performance with respect to the 2017 plan is detailed on page 220.

The procedure for calculating the number of performance shares definitively awarded to Gilles Schnepp is as follows:

6

"External" financial performance criterion

Payment rate(1)	0%	100%	150%
Average gap in EBITDA margin in Legrand's favor between Legrand and the MSCI average over a three-year period	2015 Plan	2015 Plan	2015 Plan
	Lower than or equal to 4 points	Equal to 8.3 points	Equal or higher than 10.5 points
	2016 Plan	2016 Plan	2016 Plan
	Lower than or equal to 3.5 points	Equal to 7.8 points	Equal or higher than 10.0 points
	2017 Plan	2017 Plan	2017 Plan
	Lower than or equal to 3.1 points	Equal to 7.4 points	Equal or higher than 9.6 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

"Internal" financial performance criteria

Payment rate(1)	0%	100%	150%
Average normalized free cash flow as a percentage of sales over a three-year period	2015 Plan	2015 Plan	2015 Plan
	Lower than or equal to 9.4%	Equal to 12.8%	Equal to or higher than 14.5%
	2016 Plan	2016 Plan	2016 Plan
	Lower than or equal to 8.8%	Equal to 12.2%	Equal to or higher than 13.9%
	2017 Plan	2017 Plan	2017 Plan
	Lower than or equal to 8.6%	Equal to 12.0%	Equal to or higher than 13.7%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Extra-financial performance criterion (applicable to the 2016 and 2017 performance share plans)

Payment rate(1)	0%	Between 70% and 90%	Between 90% and 97%	Between 97% and 150%	Capped at 150%
Average achievement rate of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 90%	Between 90% and 125%	Between 125% and 213%	Over 213%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Financial performance criteria (applicable to the measurement of 2019 performance under the 2017 plan)

1) Adjusted operating margin before acquisitions criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Adjusted operating margin before acquisitions	Lower than 19.4%	Between 19.4% and 19.9%	**Equal to 19.9%**	Between 19.9% and 20.7%	**Equal to 20.7%**	Between 20.7% and 21.2%	Above 21.2%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

2) Organic sales growth criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
2019 organic growth	Lower than -2.0%	Between -2.0% and 0.0%	**Equal to 0.0%**	Between 0.0% and 4.0%	**Equal to 4.0%**	Between 4.0% and 6.0%	Above 6.0%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Table 7 – Performance share freely allocated that became available in 2018 for Mr. Gilles Schnepp

Name of company officer	Date of plan	Number of shares that vested during the year	Vesting conditions
Gilles Schnepp	N/A	Nil	N/A

Table 10 – Summary of multi-year variable compensation attributed to Mr. Gilles Schnepp for previous financial years by the Company and by any Group company

	2013	2014
Gilles Schnepp	2013 Future Performance Unit Plan	2014 Future Performance Unit Plan
Date of plan	March 6, 2013	March 5, 2014
Min Target Max *(as a % of fixed compensation)*	0% 100% 150%	0% 100% 150%
IFRS valuation *(in euros)* before indexation to stock price and application of performance criteria	605,221	600,508
Performance criteria	For a description of the applicable performance criteria, see pages 222-223 of this registration document.	
Date on which presence and performance criteria were verified	March 6, 2016	March 6, 2017
Future performance criteria achievement rate	100.2%	92.2% of the target and 61.5% of the maximum
Method used to index the value of Future Performance Units to the share price	For a description of the method used to index the value of Future Performance Units to the stock price during the two-year lock-in period, please refer to page 223 of this registration document	

Under the 2013 Performance Unit Plan, the value of Future Performance Units is equal to €63 each, which was Legrand's closing share price on NYSE Euronext Paris on the last day of the two-year lock-in period, i.e. on March 7, 2018. The total theoretical amount calculated (on the basis of the future performance criteria achievement rate of 100.2% and the share price of €63), which is €1,237,670.28, has been capped at €937,500 in accordance with the rule mentioned on pages 172 and 173 of the 2013 registration document.

Under the 2014 Performance Unit Plan, the value of Future Performance Units is equal to €60.33 each, Legrand's average daily closing share price on NYSE Euronext Paris on the last day of the two-year lock-in period, i.e. on March 7, 2019. The total theoretical amount calculated – on the basis of the future performance criteria achievement rate (92.2%), the average share price (€60.33) and the capitalization of 2017 and 2018 dividends – is €849,037.

Existing performance unit plans

For 2013 and 2014, the long-term variable compensation approved by the Board of Directors and presented in the table above consists of Future Performance Unit Plans.

On the recommendation of the Compensation Committee, the Board of Directors, at its meetings of March 6, 2013 and March 5, 2014, decided to put in place Future Performance Unit plans (the "**2013 Performance Unit Plan**" and the "**2014 Performance Unit Plan**" respectively) which benefit Mr. Gilles Schnepp in particular.

The target value of these plans was set at 100% of fixed compensation (for 2013 and 2014) and may vary between 0% and indexing to the share price and 150% (maximum) of said fixed compensation, depending on the achievement of external and internal performance criteria, and depending on indexation to the share price.

Overview of the Performance Unit Plans in practice

The 2013 and 2014 Performance Unit Plans are subject to presence and performance criteria. Details are provided in the chart below:

STAGE 1

Allocation by the Board of Directors of an initial number of Future Performance Units

This number is theoretical as it corresponds to the target achievement rate of the future performance criteria related to the Future Performance Units

3-year vesting period

STAGE 2

Review of the presence condition and the performance criteria related to Future Performance Units based on the Group's future achievements over the next 3 years

Subject to compliance with a presence condition, determination of the final number of vested Future Performance Units depending to the achievement of performance criteria

STAGE 3

Application of an additional 2-year lock-in period

During this period, no payment will be made in respect of the Future Performance Units

2-year lock-in period

STAGE 4

Payment of Future Performance Units

After taking into account the indexing of the Future Performance Units to Legrand's stock price during the lock-in period

Nature of the performance criteria attached to the Future Performance Units and measured after a three-year vesting period from the date of the initial award of Future Performance Units

The applicable performance criteria, which cover all performance units, are identical to those attached to the Performance Shares, as described in the section "Existing Performance Shares Plans" on page 228-230 of this registration document, except with respect to the extra-financial performance criterion introduced in 2016, relating to the average achievement rate of the Group's CSR roadmap priorities over three years and to the criterion based on the stock market performance of Legrand, introduced in 2018.

For each Future Performance Unit Plan, based on the recommendations of the Compensation Committee, the Board of Directors determines the target "external" and "internal" performance criteria, which will be measured over a three-year period. The target level is set to ensure that the performance criteria are demanding. After the three-year vesting period, the performance criteria will be measured and the number of Future Performance Units finally awarded to beneficiaries will be calculated according to the following method:

2013 Performance Unit Plan

"External" financial performance criterion

Payment rate(1)	0%	100%	145%	Actual: 90.8%
Average difference, in favor of Legrand, between Legrand's EBITDA margin and the MSCI average over a three-year period	Lower than or equal to 4 points	Equal to 8.3 points	Equal to or highter than 12 points	Actual: 8.0 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

"Internal" financial performance criteria

Payment rate(1)	0%	100%	145%	Actual: 109.6%
Average normalized free cash *flow as* a percentage of sales over a three-year period	Lower than or equal to 9%	Equal to 12.4%	Equal to or higher than 16%	Actual: 13.2%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Overall achievement rate of the 2013 Performance Unit Plan: 100.2%.

2014 Performance Unit Plan

"External" financial performance criterion

Payment rate[1]	0%	100%	150%	Actual: 81.4%
Average difference, in favor of Legrand, between Legrand's EBITDA margin and the MSCI average over a three-year period	Lower than or equal to 4 points	Equal to 8.3 points	Equal to or highter than 10.5 points	Actual: 7.5 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

"Internal" financial performance criteria

Payment rate[1]	0%	100%	150%	Actual: 102.9%
Average normalized free cash *flow as* a percentage of sales over a three-year period	Lower than or equal to 9.4%	Equal to 12.8%	Equal to or higher than 14.5%	Actual: 12.9%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Overall achievement rate of the 2014 Performance Unit Plan: 92.2% of the target and 61.5% of the maximum.

Methodology for indexing the value of vested Future Performance Units to the share price during the additional two-year lock-in period

An additional two-year lock-in period is required after the three-year vesting period, during which no payment may be made in respect of the Future Performance Units. During this period, the value of the Future Performance Units is indexed to the Legrand stock price.

Under the 2013 Performance Unit Plan, the value of Future Performance Units is equal to €63 each, Legrand's closing share price on NYSE Euronext Paris on the last day of the two-year lock-in period, i.e. on March 7, 2018. The total theoretical amount calculated (on the basis of the future performance criteria achievement rate of 100.2% and the share price of €63), which is €1,237,670.28, has been capped at €937,500 in accordance with the rule mentioned on pages 172-173 of the 2013 registration document.

Under the 2014 Performance Unit Plan, the value of each Future Performance Unit is equal to €60.33, corresponding to the average daily closing price of Legrand shares on NYSE Euronext Paris during the two-year lock-in period. The change in the calculation of each unit's value compared with the 2013 Performance Unit Plan aims to ensure that long-term variable compensation is closely connected to the company's share price performance.

At the end of the two-year lock-in period, the amount to be paid to Mr. Gilles Schnepp will be equal to the unit value of his Future Performance Units, plus an amount equivalent to dividends per share paid on Legrand shares during the two-year lock-in period and capitalized over said period and then multiplied by the number of Future Performance Units held by Mr. Schnepp. As stated, the amount that will be paid to Mr. Gilles Schnepp may not, in any event, exceed 150% of his fixed compensation.

Table 11 – Compensation and benefits due on termination of Mr. Gilles Schnepp position in the Company

Company officer	Employment contract		Supplementary pension plan		Indemnities or benefits due or which may become due as a result of termination or change of office		Non-compete compensation	
	Yes	No	Yes	No	Yes	No	Yes	No
Gilles Schnepp								
Chairman and Chief Executive Officer		X		X		X		X
Start of term of office: 05/27/2014								
End of term of office: 02/07/2018								
Chairman of the Board of Directors		X		X		X		X
Start of term of office: 08/02/2018								

6.2.2.2 COMPENSATION AND BENEFITS OF MR. BENOÎT COQUART FOR 2018

The tables summarizing all components of compensation paid and allotted for the 2018 financial years to Mr. Benoît Coquart, Chief Executive Officer from February 8, 2018, are presented below.

Table 1 – Summary of compensation, stock options and shares allotted to Mr. Benoît Coquart

		2018
Benoît Coquart, Chief Executive Officer from February 8, 2018		
Compensation due in respect of the year (see Table 2 below for details)		
	(in euros)	1,285,025
Value of options awarded during the year		
	Number of options	-
	(in euros)	-
Valuation of performance shares awarded during the year (see table 6 below for details)		
	Number of shares	-
	Value *(in euros)*	1,098,757[1]
Valuation of long-term variable compensation awarded during the year		
	Number of shares	-
	Value *(in euros)*	-
TOTAL		**2,383,782**

(1) Value – adjusted on a prorata basis from the date on which the Chief Executive Officer was appointed, i.e. 8 February 2018 and as determined by an independent expert pursuant to IFRS 2 – of performance shares awarded in 2018 and subject to the future performance criteria detailed in the "Existing performance share plan" section of the Company's registration document. The amount of Mr. Benoît Coquart's long-term compensation with respect to 2018, on an annual basis, was €1,226,528.

Table 2 – Summary of compensation awarded to Mr. Benoît Coquart

	2018	
(in euros)	Amounts due	Amounts paid in connection with the previous year
Benoît Coquart, Chief Executive Officer from February 8, 2018		
Fixed compensation	627,083(1)	-
Annual variable compensation	654,048(2)	-
Long-term compensation	-	-
Extraordinary compensation	-	-
Attendance fees	-	-
Benefits in kind(3)	3,894(4)	
TOTAL	**1,285,025**	**-**

(1) *Amount adjusted on a prorata basis from the date the Chief Executive Officer was appointed, i.e. February 8, 2018. The amount of Mr. Benoît Coquart's fixed compensation on an annual basis with respect to 2018 was €700,000.*

(2) *Amount adjusted on a prorata basis from the date the Chief Executive Officer was appointed, i.e. February 8, 2018. The amount of Mr. Benoît Coquart's variable compensation on an annual basis with respect to 2018 was €730,100, corresponding to a 69.5% achievement rate (equal to 104.3% divided by 150%) of the maximum, i.e. 104.3% (equal to 104.3% divided by 100%) of the target of all quantifiable and qualitative targets. Details of the calculations are given below in the section entitled "Annual variable compensation" below, on pages 226-227 of the registration document.*

(3) *At the date of registration of this registration document, the Group pays for an executive car.*

(4) *Amount adjusted on a prorata basis from the date the Chief Executive Officer was appointed, i.e. February 8, 2018. The amount of benefits in kind on an annual basis is €4,346.*

Fixed compensation

With respect to 2018, the amount of Mr. Benoît Coquart's fixed compensation was €700,000 (on an annual basis).

Annual variable compensation

The variable compensation of Mr. Benoît Coquart for the 2018 financial year was determined by the Board of Directors on March 20, 2019, based on the recommendation of the Compensation Committee and after applying the criteria set by the Compensation Committee and subsequently approved by the Board of Directors as presented in the table below.

				Min	Target	Max	Actual
Quantifiable portion: 3/4 of annual variable i.e. 75% of target fixed compensation	Operating margin	2018 adjusted operating margin (at 2017 scope)	As a % of fixed compensation	0%	40%	60%	32.0%
			Indicator value	20%	20.25%	20.5%	20.2%
	Organic sales growth	2018 organic sales growth	As a % of fixed compensation	0%	**15%**	22.5%	22.5%
			Indicator value	1%	2.5%	4%	4.9%
	Acquisitions	2018 sales growth resulting from changes in scope	As a % of fixed compensation	0%	**10%**	15%	12.8%
			Indicator value	0%	5%	10%	7.8%
	Corporate Social Responsibility (CSR)	Legrand's inclusion in CSR benchmark indices	As a % of fixed compensation	0%	**10%**	15%	4.0%
			Indicator value	7	12	14	9
	QUANTIFIABLE TOTAL			**0%**	**75%**	**112.5%**	**71.3%**
Qualitative portion: 1/4 of annual variable i.e. 25% of target fixed compensation	Sales growth	Changes in market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies		0%	**10%**	15%	12.0%
	Acquisitions policy	Compliance with priorities, emphasis on multiples paid, emphasis on any dilutive effects of acquisitions on the Group's performance, integration of acquisitions already made		0%	**10%**	15%	15%
	General criteria	Risk management, workforce-related initiatives and dialogue, diversity and gender balance, succession plans		0%	**5%**	7.5%	6%
	QUALITATIVE TOTAL			**0%**	**25%**	**37.5%**	**33%**
VARIABLE TOTAL AS A % OF FIXED COMPENSATION				**0%**	**100%**	**150%**	**104.3%**

Therefore, for the 2018 financial year, the achievement rate of quantifiable and qualitative targets was 69.5% (equal to 104.3% divided by 150%) of the maximum annual variable compensation and 104.3% (equal to 104.3% divided by 100%) of the target, i.e. €730,100 on an annual basis and €654,048 on a prorata basis from February 8, 2018.

The principles (as well as the achievements) governing the determination of the variable portion of Mr. Benoît Coquart's 2018 annual compensation, as calculated in the above table, are as follows:

a) the target value of the quantifiable portion was set at 75% of the fixed compensation, with a possible variation between 0% and 112.5% of said fixed compensation. The 2018 achievement rate for this quantifiable portion equaled 71.3% of fixed compensation, determined as follows:

- 40% of the target fixed compensation based on a 20.25% achievement rate for 2018 adjusted operating margin (based on the 2017 scope). The compensation rate can vary between 0% and 60% of fixed compensation for an adjusted operating margin (based on the 2018 scope) of between 20.0% and 20.5% (annual target disclosed to the market at the beginning of 2018). The performance achieved in 2018 was 20.2%, giving an entitlement equal to 32% of fixed compensation,
- 15% of the target fixed compensation based on the achievement of organic sales growth of +2.5%. The compensation rate can vary between 0% and 22.5% of fixed compensation for organic sales growth of between +1.0% and +4.0% (annual target disclosed to the market at the beginning of 2018). The performance achieved in 2018 was +4.9%, giving an entitlement equal to 22.5% of fixed compensation,
- 10% of the target fixed compensation based on the achievement of 2018 sales growth through acquisitions of +5%. The compensation rate can vary between 0% and 15% of fixed compensation for sales growth through acquisitions of between +0% and +10.0%. The performance achieved in 2018 was +7.8%, giving an entitlement equal to 12.8% of fixed compensation,
- 10% of target fixed compensation based on Legrand's membership of 12 benchmark CSR indices. The compensation rate can vary between 0% and 15% of fixed compensation if Legrand is a member of between 7 and 14 benchmark CSR indices. The performance achieved for 2018 was 9, giving an entitlement equal to 4.0% of fixed compensation;

b) the target value of the quantifiable portion was set at 25% of the fixed compensation, with a possible variation between 0% and 37.5% of said fixed compensation. The 2018 achievement rate for this qualitative portion equaled 33% of the fixed compensation. The Compensation Committee considered, in the light of the criteria below, that particularly significant efforts had been made in these areas. This 2018 achievement rate was determined on the basis of the following criteria:

- 12% of fixed compensation (10% target) based on sales growth: attributable in particular to the increase in market share, in particular highly satisfactory performance in terms of organic growth and general outperformance of competitors; new products, with a particular build-up in products developed as part of the Eliot program; sales policies; accessing new markets; and alliances and partnerships (including outside France) including numerous alliances and partnerships that provide attractive opportunities for growth in key areas for the Group,
- 15% of fixed compensation (10% target) linked to the external growth policy: attributable in particular to compliance with set geographical and business priorities; a steady pace of acquisitions including a strong pipeline of potential targets in line with defined priorities; emphasis on multiples paid compared to those of the market and to those paid for peers under the same market and geographical conditions; emphasis on the potential dilutive effects of acquisitions on the Group's performance; the quality of integration with respect to acquisitions already made, particularly the very efficient integration of Milestone AV Technologies, acquired in 2017, and its outperformance relative to the valuation model,
- 6% of the fixed compensation (5% target) linked to other general criteria and in particular risk management, workforce-related initiatives and dialogue, diversity and gender balance, and succession plans.

Long-term compensation

Future Performance Units

In 2018, no award of Future Performance Units was made in respect of the previous financial year.

Stock options

In 2018, no options to purchase or subscribe shares were awarded.

Performance shares

As concerns the award of performance shares in 2018, Mr. Benoît Coquart was awarded 19,366 performance shares subject to the future performance criteria detailed in the section "Existing performance share plans" on pages 228-230 of this registration document. Their value was determined by an independent expert pursuant to IFRS 2 and amounts to €1,098,757. The award corresponds to the annual amount provided for by the compensation policy for the Chief Executive Officer, detailed on page 211 of the 2018 registration document, reduced in proportion to the period during which Mr. Benoît Coquart held the role of Chief Executive Officer (i.e. from February 8, 2018).

The vesting period of the performance shares awarded in 2018 will end on June 16, 2021. On that date, performance and presence criteria will be verified, bearing in mind that with respect to presence, the following rules are applicable to Mr. Benoît Coquart:

- should the Chief Executive Officer resign during the vesting period, the shares initially awarded by the Board of Directors will not vest;
- in the event of dismissal, non-renewal or retirement of the Chief Executive Officer during the vesting period, only part of the shares will vest, subject to the performance criteria on the date the vesting period ends, calculated in proportion to his presence in the Company during the vesting period;
- in the event of death during the vesting period, the Chief Executive Officer's heirs may request that ownership of all shares that the Board of Directors initially awarded to the deceased Chief Executive Officer be transferred to them, in accordance with statutory arrangements, without waiting until the end of the vesting period;
- in the event that the Chief Executive Officer becomes permanently disabled, within the meaning of French law or that of his country of residence, he or she may, under French law, ask that ownership of all shares that the Board of Directors initially awarded be transferred to him/her without waiting until the end of the vesting period.

Table 6 – Shares awarded free of charge by the Shareholders' General Meeting during the financial year to the Chief Executive Officer by the Company and by any Group company

Name of company officer	Date of plan	Number of shares awarded during the year	Valuation of the shares according to the method used for the consolidated financial statements	Vesting date	End of lock-in period	Performance criteria
Benoît Coquart	2018 plan (05/30/2018)	19,366	€1,098,757(1)	06/16/2021	05/31/2023	For a description of the applicable performance criteria, see pages 228-230 of this registration document.

(1) The value of the 19,366 shares awarded to Mr. Benoît Coquart was determined by an independent expert pursuant to IFRS 2. The award corresponds to the annual amount provided for by the compensation policy for the Chief Executive Officer, detailed on page 211 of the 2018 registration document, reduced in proportion to the period during which Mr. Benoît Coquart held the role of Chief Executive Officer (i.e. from February 8, 2018).

Existing performance share plans

On the recommendation of the Compensation Committee, the Board of Directors on May 30, 2018 approved the creation of the performance share plan of which Mr. Benoît Coquart is a beneficiary (the "**2018 Performance Share Plan**").

The number of performance shares that will be finally awarded to Mr. Benoît Coquart will vary between 0% and 150% of the number of shares initially awarded, subject to a presence condition and various performance criteria as described in the tables below.

Performance criterion	Description of criteria and target-setting method	Weighting
Target of adjusted operating margin before acquisitions	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Target of organic sales growth	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Annual Group CSR roadmap achievement rates	Target: arithmetic average over 3 years of the annual Group CSR roadmap achievement rates.	1/4
Legrand share price performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand share price and that of the CAC 40 index over a 3-year period.	1/4

Accordingly, the performance criteria are measured over a three-year period and the number of performance shares ultimately awarded to the Chief Executive Officer is calculated according to the following method:

Criterion of adjusted operating margin before acquisitions

Payment rate[(1)]	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2018, 2019 and 2020	Below (LE[(2)] - 50 bps)	Between (LE[(2)] - 50 bps) and LE	**Equal to LE[(2)]**	Between LE[(2)] and UE[(3)]	**Equal to UE[(3)]**	Between UE[(3)] and (UE[(3)] + 50 bps)	Above (UE[(3)] + 50 bps)

Illustration of the determination of the 3-year target based on the 2018 award plan

	Lower end of the annual target range	Upper end of the annual target range
Year 1: 2018	Equal to 20.0%	Equal to 20.5%
Year 2: 2019	Equal to 19.9%	Equal to 20.7%
Year 3: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
3-year target: Average of annual targets	**LE[(2)]**	**UE[(3)]**

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

Organic sales growth criterion

Payment rate[(1)]	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2018, 2019 and 2020	Below (LE[(2)] - 2 points)	Between (LE[(2)] - 2 points) and LE[(2)]	**Equal to LE[(2)]**	Between LE[(2)] and UE[(3)]	**Equal to UE[(3)]**	Between UE[(3)] and (UE[(3)] + 2 points)	Above (UE[(3)] + 2 points)

Illustration of the determination of the 3-year target based on the 2018 award plan

	Lower end of the annual target range	Upper end of the annual target range
Year 1: 2018	Equal to 1.0%	Equal to 4.0%
Year 2: 2019	Equal to 0.0%	Equal to 4.0%
Year 3: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
3-year target: Average of annual targets	**LE[(2)]**	**UE[(3)]**

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

Group CSR roadmap annual achievement rates

Payment rate[(1)]	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Legrand share price performance

Payment rate[(1)]	0%	30%	Between 30% and 150%	150%
Difference in between the performance of Legrand's share price and that of the CAC 40 index[(2)]	Lower than 0 point	Equal to 0 point	Between 0 point and 15 points	Higher than 15 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) For the 2018 award plan, 3-year performance will be measured over the 2018-2020 period using the following calculation method:

- *Legrand share price performance: comparison of the average daily closing prices in the second half of the third year of the plan (second half of 2020) with the average daily closing market prices in the second half of the year preceding the first year of the plan (second half of 2017), or €61.30;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing level in the second half of the third year of the plan (second half of 2020) with the average CAC 40 closing level in the second half of the year preceding the first year of the plan (second half of 2017), i.e. 5275.8 points.*

The difference between these two performances will be measured by the difference, in percentage points, between the change in the Legrand share price and the change in the CAC 40 index.

Table 11 – Compensation and benefits due on termination of the Chief Executive Officer's position in the Company

	Employment contract		Supplementary pension plan		Indemnities or benefits due or which may become due as a result of termination or change of office		Non-compete compensation	
Company officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Benoît Coquart								
Chief Executive Officer		X	X			X	X	
Start of term of office: 08/02/2018								

6.2.2.3 COMPENSATION OF NON-EXECUTIVE OFFICERS

Rules for apportioning director attendance fees

The Board of Directors apportions attendance fees between Directors based on the recommendation of the Compensation Committee and on the total amount of attendance fees authorized by the Shareholders' General Meeting.

The maximum amount of attendance fees authorized by the May 30, 2018 Shareholders' General Meeting is €900,000. This amount remains valid until a new resolution setting out a new amount is adopted by the Shareholders' General Meeting.

The Chairman of the Board of Directors does not receive attendance fees and attendance fees are therefore distributed among the other directors including the Director representing employees.

The apportionment of attendance fees between directors takes into account directors' participation in the Board of Directors and its specialized committes. Specific duties, such as those of the Lead Director, may result in the award of additional attendance fees or the payment of exceptional compensation subject to the application of the procedure for related party agreements.

The Board of Directors has decided, from the 2018 financial year, to apportion the attendance fees paid to Directors as follows:

- €20,000 a year paid to each director as the fixed portion of attendance fees, to which is added €5,000 each time the director attends a Board meeting. As the Board of Directors met eight times in 2018, the maximum variable portion of attendance fees for the year 2018 amounted to €40,000, in line with the Code of Corporate Governance which recommends that the variable portion of attendance fees be predominant;
- €2,000 is also paid to each director who is also a member of a specialized committee for each specialized committee meeting they attend (thus, a director who fails to attend any meetings of the specialized committee to which he/she belongs would receive no attendance fees in this regard); and
- an additional €20,000 is paid to the Chairman of the Audit Committee and an additional €10,000 paid to the Chairmen of the other specialized committes.

With regard to the Lead Director, and in view of her specific duties, the Board of Directors decided to award her additional attendance fees corresponding to the fixed portion of her attendance fees for one year (information regarding the Lead Director's duties is provided in section 6.1.2 of the Company's registration document).

These rules for apportioning attendance fees comply with the Code of Corporate Governance.

Lastly, according to the Company's internal rules, each director is required to acquire, during his/her term of office, a number of shares (which he/she will personally hold) equivalent to one full year of his/her portion of attendance fees. For calculation purposes, it is assumed that the director concerned attends, over one financial year, all meetings of the Board and of the special committee(s) to which he/she belongs, and the reference Legrand share price is the average Legrand share price over the previous financial year. The minimum number of shares to be held personally and kept throughout his/her term of office mandate is set at 500.

Summary of amounts paid to directors in respect of attendance fees for 2017 and 2018

The table below presents the amounts paid in respect of attendance fees for 2018 and 2017 for directors' participation in the work done in the previous year. The amount of attendance fees is adjusted according to actual attendance at meetings of the Board of Directors and, in the case of committee members, meetings of Board committees.

Table 3 – Attendance fees and other payments to non-executive officers

Non-executive officers	Gross amounts paid during 2017 financial year *(in euros)*	Gross amounts paid during the 2018 financial year *(in euros)*
Olivier Bazil		
Attendance fees	66,000	64,000
Other payments	0	0
Isabelle Boccon-Gibod		
Attendance fees	33,167	66,000
Other payments	0	0
Christel Bories		
Attendance fees	78,000	70,000
Other payments	0	0
Angeles Garcia-Poveda		
Attendance fees	112,000	105,000
Other payments	0	0
François Grappotte(1)		
Attendance fees	50,000	50,000
Other payments	0	0
Gérard Lamarche(2)		
Attendance fees	20,833	0
Other payments	0	0
Thierry de La Tour d'Artaise(1)		
Attendance fees	51,000	51,000
Other payments	0	0
Dongsheng Li(1)		
Attendance fees	25,000	35,000
Other payments	0	0
Annalisa Loustau Elia		
Attendance fees	56,000	56,000
Other payments	0	0
Éliane Rouyer-Chevalier		
Attendance fees	78,000	90,000
Other payments	0	0
TOTAL	**570,000**	**587,000**

(1) Director not renewed on May 30, 2018.

(2) Director not renewed on May 27, 2016.

The Board of Directors meeting of March 20, 2019 approved the payment of €653,000 of attendance fees in 2019 in respect of the 2018 financial year.

Mr. Gilles Schnepp has waived his right to receive attendance fees since 2011.

6.2.3 – Company officers' shareholdings in the Company

Please refer to pages 368-378 of this registration document.

6.2.4 – Other benefits granted to company officers

The Company has not granted any loan, advance or guarantee to any of its company officers.

6.2.5 – Compensation policy due in respect of the 2019 financial year and compensation components paid or awarded in respect of the 2018 financial year to company officers, submitted for the approval of shareholders

6.2.5.1 COMPENSATION POLICY APPLICABLE TO COMPANY OFFICERS IN RESPECT OF THE 2019 FINANCIAL YEAR, SUBMITTED FOR THE APPROVAL OF SHAREHOLDERS

In accordance with article L. 225-37-2 of the French Commercial Code, the principles and criteria for the determination, apportionment and award of fixed, variable and exceptional components of overall compensation and any benefits attributable to the Chairman of the Board of Directors and the Chief Executive Officer for the 2019 financial year, in respect of their terms of office and constituting the compensation policy applicable to them, are submitted to shareholder approval at the next Shareholders' General Meeting convened in 2019 to approve the financial statements for the 2018 financial year.

The amounts that would result from the implementation of these principles and criteria will be submitted for shareholder approval at the Shareholders' General Meeting convened in 2020 to approve the financial statements for the 2019 financial year, it being stipulated that payment of variable and exceptional compensation components is conditional on approval by the 2020 Shareholders' General Meeting.

Compensation policy for the Chairman of the Board of Directors with respect to the 2019 financial year submitted to the approval of shareholders

The components that make up the policy relating to the 2019 compensation attributable to the Chairman of the Board of Directors are presented in the table below:

Compensation components attributable in respect of the 2019 financial year	Amount/weighting as percentage of fixed compensation	Details
Fixed compensation	€625,000	Gross annual fixed compensation approved by the Board of Directors on March 20, 2018 and renewed by the Board of Directors on March 20, 2019, on the recommendation of the Compensation Committee. This amount of annual fixed compensation for the Chairman of the Board of Directors was determined by the Board of Directors, upon a proposal from the Compensation Committee, in accordance with the principles recalled in section 6.2.1.1 of this chapter, and in line with the responsibilities and duties assumed by the Chairman and related to that office, as provided for by law, the Articles of Association and the internal rules. The main elements taken into account in determining this compensation were (i) the key role of the Chairman of the Board of Directors in connection with all the responsibilities that fall upon the Board and its committees as well as the expertise and experience required to fulfill these responsibilities and (ii) the analysis in 2018, through market studies, of practices relating to compensation paid to non-executive chairmen of CAC 40 companies.
Annual variable compensation	Not applicable	There are no plans to award any annual variable compensation. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable	There are no plans to award any long-term cash compensation. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Stock options, performance shares or any other long-term compensation component	Stock-options: not applicable	There are no plans to award any stock options. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
	Performance shares	There are no plans to award any performance shares. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance. Nevertheless, he could receive performance shares awarded before February 2018 under the 2015, 2016 and 2017 performance share plans provided that the performance criteria are met.
	Other awards of securities: not applicable	There are no plans to make other awards of securities. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Extraordinary compensation	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	The Chairman of the Board of Directors does not receive attendance fees in respect of his office within the Company or its subsidiaries.
Value of benefits of any kind	Not applicable	

Compensation components to be submitted to the approval by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings

Compensation components to be submitted to the approval by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings	Amounts	Details
Severance payment	Not applicable	There is no undertaking in this regard.
Non-compete compensation	Not applicable	There is no undertaking in this regard.
Supplementary pension plan	Not applicable	There is no undertaking in this regard.

Signing bonus in the event of appointment of a new Chairman of the Board of Directors during the 2019 financial year

There is no provision for any signing bonus intended to compensate for loss of benefits in the event that a new Chairman of the Board of Directors is appointed in the course of the 2019 financial year.

Compensation policy for the Chief Executive Officer in respect of 2019 financial year submitted or the approval of shareholders

The components that make up the policy relating to the 2019 compensation attributable to the Chief Executive Officer are presented in the table below:

Compensation components attributable in respect of the 2019 financial year	Amount/weighting as percentage of fixed compensation	Details
Fixed compensation	€700,000	Gross annual fixed compensation set by the Board of Directors on March 20, 2019, on the recommendation of the Compensation Committee, after considering the levels of responsibility, profile and experience of the new Chief Executive Officer as well as market practices. As indicated on page 211 of the Company's registration document, the annual fixed compensation of the Chief Executive Officer was not altered compared to that provided for under the 2018 compensation policy.
Annual variable compensation	Minimum value: 0% of fixed compensation Target value: 100% Maximum value: 150% of fixed compensation	At its meeting on March 20, 2019, on the recommendation of the Compensation Committee, the Board of Directors decided to maintain unchanged the weightings of quantifiable and qualitative criteria relating to annual variable compensation that had been established for the 2018 financial year, along with its target and maximum amounts. The Board of Directors and the Compensation Committee, as part of the 2018 compensation policy, increased the Chief Executive Officer's variable compensation as a percentage of his total compensation, thereby seeking to place the emphasis on annual variable compensation in order to incentivize financial and extra-financial performance. As regards the types of compensation criteria adopted, all quantifiable and qualitative criteria remained unchanged compared with 2018 with the exception of: ■ the CSR criterion relating to the quantitative portion of annual variable compensation: the criterion concerning Legrand's inclusion in benchmark CSR indices has been replaced by a CSR criterion relates to the Group CSR roadmap achievement rate. That alteration is justified by the desire to ensure that the quantifiable CSR criterion used to determine the Chief Executive Officer's variable compensation is aligned with that applied to Executive Committee members; ■ the general criteria relating to the qualitative portion of annual variable compensation which are three (i) risk management, (ii) workforce-related initiatives and dialogue and (iii) diversity and gender equality. The Board of Directors thus decided that the variable compensation paid to the Chief Executive Officer in respect of the 2019 financial year could vary between 0% and 150% of fixed annual compensation (with a target value set at 100% of fixed annual compensation) and would be determined as follows: ■ a quantifiable portion representing 3/4 of this annual fixed compensation: it could therefore vary from 0% to 112.5% of the annual fixed compensation (with a target value set at 75%) and will be calculated on the basis of criteria relating to (i) the achievement of a certain level of 2019 adjusted operating margin before acquisitions, (ii) 2019 organic sales growth, (iii) 2019 sales growth resulting from acquisitions (scope effect) and (iv) the Group CSR roadmap achievement rate; and ■ a qualitative portion representing 1/4 of this annual variable compensation: it can therefore vary from 0% to 37.5% of the annual fixed compensation (with a target value set at 25%) and will be calculated on the basis of criteria relating to (i) sales growth (increased market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies), (ii) the external growth policy (compliance with agreed priorities, emphasis on multiples paid, emphasis on any potential dilutive effects of acquisitions on the Group's performance, quality of integration for acquisitions already made), and (iii) other general criteria, particularly risk management, workforce-related initiatives and dialogue, diversity and gender equality. These quantifiable and qualitative criteria, as well as the targets set, are described in detail in section 6.2.1.3 of the Company's 2018 registration document.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable	There are no plans to award any long-term cash compensation.

Compensation components attributable in respect of the 2019 financial year	Amount/weighting as percentage of fixed compensation	Details
Stock options, performance shares or any other long-term compensation component	Stock options: not applicable	There are no plans to award any stock options.
	Performance shares Minimum value: 0% Initially awarded value (target value): 200% Maximum value: 150% of the number of shares initially awarded according to achievement of future performance criteria	On the recommendation of the Compensation Committee, the Board of Directors on March 20, 2019 decided to set up a long-term compensation plan for the 2019 financial year in the form of a 2019 Performance Share Plan. The target value of this plan is set at 200% of fixed compensation and will be converted into shares. The number of shares that will be definitively awarded will range between 0% and 150% of the number of shares initially awarded based on the level of achievement of four financial and extra-financial criteria calculated as three-year averages and detailed on pages 212-214. It should be noted that long-term compensation as a percentage of total compensation and the nature of performance criteria remain unchanged compared with the 2018 compensation policy. This plan is described (particularly the performance criteria applicable to the awarded shares and the calculation method for determining the number of shares ultimately vested) in section 6.2.1.3 of the Company's 2018 registration document. It should be noted that: ■ the first two performance criteria are aligned with the targets disclosed by the Company in February 2019. These are annual targets concerning adjusted operating margin before acquisitions and organic sales growth. These indicators are central to Legrand's profitable growth-based business model; ■ the third criterion is of an extra-financial nature, based on the fulfilment of the Group's commitments in terms of corporate social responsibility within the framework of its CSR roadmap, which is central to Legrand's model and aims to ensure sustainable growth while respecting all stakeholders; ■ the last criterion is based on Legrand's share price performance compared with that of the CAC 40 index, thus making it possible to assess performance in relative terms, on the understanding that the principle of non-payment if the share price underperforms the CAC 40 index (as described on page 214) would apply to this criterion. The proposed performance criteria thus reflect the Company's model based on profitable and sustainable growth aligned with the interests of shareholders, and are transparent. As stated previously, the Board of Directors took its decision on May 20, 2019 on the basis of an authorization granted by the General Meeting on May, 30, 2018, in its seventeenth resolution (Authorization to allocate performance shares)
	Other awards of securities: not applicable	There are no plans to make other awards of securities.
Extraordinary compensation	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	The Chief Executive Officer does not receive attendance fees in respect of his office within the subsidiaries of the Company.
Value of benefits of any kind	€5,406	An executive car will be available to the Chief Executive Officer. This amount is given for information purposes.

Compensation components voted upon by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings

Compensation components voted upon by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings	Amounts	Details
Severance payment	Not applicable	There is no undertaking in this regard.
Non-compete compensation	1 year of the reference salary (annual fixed + variable) at the Company's sole initiative	Given the profile of the new Chief Executive Officer and to protect the interests of the Company and its shareholders, the meeting of the Board of Directors held on March 20, 2018, on the recommendation of the Compensation Committee, authorized a non-compete agreement between the Company and the Chief Executive Officer, whereby the Chief Executive Officer undertakes not to carry out any activity that will compete with that of Legrand for a one-year period starting from the date his term of office ends. The Company's Board of Directors will decide, after the Chief Executive Officer's term of office ends, whether or not to apply this non-compete clause, and may unilaterally decide to waive the application of this clause. If applied, the Chief Executive Officer's fulfilment of this undertaking would result, for a one-year period after the end of his term of office as Chief Executive Officer, in the payment by the Company of monthly compensation equal to the monthly average of the reference salary received during the last twelve months of presence in the company, it being stipulated that the reference salary includes the annual fixed and variable salary and excludes sums received as long-term variable compensation, which will be an amount lower than the cap recommended by the Code of Corporate Governance. In accordance with the procedure relating to related party agreements and undertakings, this agreement was authorized by the Board of Directors on March 20, 2018 and was approved by the Combined Shareholders' General Meeting of May 30, 2018 (seventh resolution).
Supplementary pension plan	€2,431	There is no commitment corresponding to a defined-benefit pension plan. The Chief Executive Officer continues to benefit from the mandatory collective defined-contribution pension plan that falls within the scope of supplementary article 83 of the French General Tax Code, applicable to the Group's French executives, to which he was affiliated before his appointment as Chief Executive Officer, under the same terms as the rest of the employees concerned. All of the Group's French executives qualify for the defined-contribution pension plan (supplementary article 83 of the French General Tax Code). Contributions are based on the A, B and C Tranches of compensation as defined for the calculation of contributions to the mandatory supplementary pension plans (ARRCO-AGIRC). Entitlements accrue through the payment of annual contributions equal to 1.5% of the A, B and C Tranches. The Company pays half of this amount (0.75%) and the beneficiaries pay the other half (0.75%). This amount is given for information purposes only for 2019. In accordance with the procedure relating to related party agreements and undertakings, this commitment was authorized by the Board of Directors on February 7, 2018 and was approved by the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).
Pension and medical expenses plan	€6,579	The Chief Executive Officer benefits from "medical expenses" supplementary health insurance and "death, incapacity and invalidity" insurance available to the Group's French executives, since he is regarded, in social security and tax terms, as an executive. He receives those benefits on the same terms as the other employees in that category. This amount is given for information purposes only for 2019. In accordance with the procedure relating to related party agreements and undertakings, this commitment was authorized by the Board of Directors on February 7, 2018 and was approved in the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).

Signing bonus in the event of appointment of a new Chief Executive Officer in the course of 2019

There is no provision for any signing bonus intended to compensate for loss of benefits in the event that a new Chief Executive Officer is appointed in the course of the 2019 financial year.

6.2.5.2 COMPENSATION COMPONENTS PAID OR AWARDED TO COMPANY OFFICERS WITH RESPECT TO 2018 SUBMITTED TO THE APPROVAL OF SHAREHOLDERS

In accordance with articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the components of compensation paid or awarded for the 2018 financial year to Mr. Gilles Schnepp and to Mr. Benoît Coquart will be submitted for approval by shareholders at the Shareholders' General Meeting convened in 2019 to consider the financial statements of the 2018 financial year, it being stipulated that the payment of the variable and exceptional components of compensation is conditional upon the approval by said General Meeting.

Compensation components paid or awarded with respect to 2018 to Mr. Gilles Schnepp

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	Amount/ percentage of fixed compensation	Details
Fixed compensation	€625,000	Gross annual fixed compensation approved by the Board of Directors on March 20, 2018, on the recommendation of the Compensation Committee and corresponding to the amount attributable to Mr. Gilles Schnepp, in respect of his office as Chairman of the Board of Directors after the roles of Chairman and Chief Executive Officer were separated. This amount of annual fixed compensation for the Chairman of the Board of Directors was determined by the Board of Directors, upon a proposal from the Compensation Committee, in accordance with the principles set out in section 6.2.1.1 of the Company's registration document, and in line with the responsibilities and duties assumed by the Chairman and related to that office, as provided for by the law, the Articles of Association and the internal rules. The main elements taken into account in determining this compensation were (i) the key role of the Chairman of the Board of Directors in connection with all the responsibilities that fall upon the Board and its committees as well as the expertise and experience required to carry out these responsibilities and (ii) the analysis, through market studies, of practices relating to compensation paid to non-executive chairmen of CAC 40 companies.
Annual variable compensation	Not applicable	There are no plans to award any annual variable compensation. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable(1)	There are no plans to award any long-term cash compensation. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.

(1) €937,500 corresponding to 2013 Future Performance Units allotted to Mr. Gilles Schnepp and approved by the Shareholders' General Meeting at the time of their award and at the end of the vesting period, as detailed on pages 221-223 of the Company's 2018 registration document, was paid to Mr. Gilles Schnepp in June 2018.

6

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	Amount/ percentage of fixed compensation	Details
Stock options, performance shares or any other long-term compensation component	Stock-options: not applicable	There are no plans to award any stock options. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
	Performance shares	There are no plans to award any performance shares. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance. Nevertheless, he could receive performance shares awarded before February 2018 under the 2015, 2016 and 2017 performance share plans provided that the performance criteria are met.
	Other awards of securities: not applicable	There are no plans to make other awards of securities. The Chairman of the Board of Directors is excluded from all variable compensation systems, including performance share plans or any other long-term compensation components existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Extraordinary compensation	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	The Chairman of the Board of Directors does not receive attendance fees in respect of his office within the Company or its subsidiaries.
Value of benefits of any kind	Not applicable	

Compensation components paid or awarded with respect to the 2018 financial year to Mr. Benoît Coquart from February 8, 2018, submitted to the approval of shareholders

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	Amounts or accounting valuation submitted for vote	Details
Fixed compensation	Annual amount: €700,000 Amount adjusted on a prorata basis from February 8, 2018: €627,083	Gross annual fixed compensation set by the Board of Directors on March 20, 2018 and unchanged since that date, on the recommendation of the Compensation Committee, after considering the levels of responsibility, profile and experience of the new Chief Executive Officer as well as market practices, which were identified by an independent consulting firm relating to compensation practices for similar functions in CAC 40 companies. The annual fixed compensation of the Chief Executive Officer has been moderately increased compared to that featuring in the 2017 compensation policy applicable to the Chairman and Chief Executive Officer, given that: ■ there had been no increase in Mr. Gilles Schnepp's fixed compensation since 2011; ■ it was positioned below comparables; ■ the change in Chief Executive Officer, his situation, profile and his experience made it necessary to position his compensation at a consistent and reasonable level compared with the market in order to ensure that the retention objective was met satisfactorily. It is important to note that, even after the increase, the amount of his annual fixed compensation remains lower than the first decile of the CAC 40 in accordance with the external study carried out in 2018, which the Board of Directors considers to be reasonable.
Annual variable compensation(1)	Annual amount: €730,100 Amount adjusted on a prorata basis from February 8, 2018: €654,048	The Board of Directors decided that Mr. Benoît Coquart's variable compensation in respect of the 2018 financial year could vary between 0% and 150% of annual fixed compensation (with a target value set at 100% of annual fixed compensation) and would be determined as follows: ■ a quantifiable portion representing 3/4 of this annual fixed compensation, therefore potentially varying from 0% to 112.5% of the annual fixed compensation (with a target value set at 75%) and calculated on the basis of criteria relating to (i) the achievement of a certain level of 2018 adjusted operating margin before acquisitions, (ii) 2018 organic sales growth , (iii) 2018 sales growth resulting from acquisitions (scope effect) and (iv) Legrand's inclusion in benchmark CSR indices; and ■ a qualitative portion representing 1/4 of this annual variable compensation, therefore potentially varying from 0% to 37.5% of the annual fixed compensation (with a target value set at 25%) and calculated on the basis of criteria relating to (i) sales growth (increased market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies), (ii) the external growth policy (compliance with priorities, emphasis on multiples paid, emphasis on any potential dilutive effects of acquisitions on the Group's performance, quality of integration for acquisitions already made), and (iii) other general criteria, particularly risk management, workforce-related initiatives and dialogue, diversity and gender balance and succession plans. Based on work done and proposals made by the Compensation Committee, the Board, at its meeting on March 20, 2019, set: ■ at 71.3% of the annual fixed compensation the variable portion of 2018 compensation resulting from the achievement of quantifiable targets; and ■ at 33% of annual fixed compensation the variable portion of 2018 compensation resulting from the achievement of qualitative targets; therefore corresponding to an achievement rate of 69.5% (equal to 104.3% divided by 150%) of maximum annual variable compensation and 104.3% (equal to 104.3% divided by 100%) of the target, i.e. €730,100 on an annual basis and €654,048 adjusted on a prorata basis from February 8, 2018, when Mr. Benoît Coquart was appointed (details of the achievement rate of quantifiable and qualitative criteria are described in section 6.2.2.2 of the Company's registration document).
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable(3)	There are no plans to award any long-term cash compensation.

6

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	**Amounts or accounting valuation submitted for vote**	**Details**
Stock options, performance shares or any other long-term compensation component	Stock options: not applicable	There are no plans to award any stock options.
	Performance shares/valuation: Annual amount: €1,226,528 Pro rata amount as of February 8, 2018 €1,098,757	On the recommendation from the Compensation Committee, the Board of Directors on May 30, 2018 decided to set up a 2018 Performance Share Plan. This plan (including the performance criteria applicable to the shares awarded) is described in section 6.2.2.2 of the Company's registration document, on pages 228-230, and in section 7.3 of the Company's registration document, page 248. The award benefiting Mr. Benoît Coquart in respect of this plan corresponds to 3.72% of the overall award[2]. The number of performance shares awarded to Mr. Benoît Coquart is 19,366. This number of shares that will definitively vest may subsequently vary in a range between 0% and 150% of the number of shares initially awarded, according to the level of achievement of "external" and "internal" financial performance criteria and an extra-financial performance criterion. The Board of Directors took its decision on May 30, 2018 on the basis of an authorization granted by the General Meeting on May 30, 2018, in its seventeenth resolution (Authorization to award performance shares).
	Other awards of securities: not applicable	There are no plans to make other awards of securities.
Extraordinary compensation[1]	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	Mr. Benoît Coquart does not receive attendance fees in respect of his office within the subsidiaries of the Company.
Value of benefits of any kind	Annual amount: €4,347 Amount adjusted on a prorata basis from February 8, 2018: €3,894	An executive car was made available to the Chief Executive Officer in 2018.

(1) *Compensation component whose payment is subject to the approval of the Annual Combined General Meeting of May 29, 2019, pursuant to paragraph 2 of section II of article L. 225-100 of the French Commercial Code.*

(2) *This calculation takes into account the adjustment of the number of performance shares made in view of the dividend payment arrangements decided upon by the Company's Combined Shareholders' General Meeting on May 30, 2018, to acknowledge the impact of this transaction on the interests of beneficiaries of performance shares (for details, please refer to chapter 7.3 of the 2018 registration document).*

(3) *€656,929, corresponding to 2013 Future Performance Units awarded to Mr. Benoît Coquart with respect to his role prior to his appointment as Chief Executive Officer, was paid to him in June 2018.*

7

SHARE OWNERSHIP

7.1 – SHARE CAPITAL OWNERSHIP STRUCTURE 244

7.1.1 – Shareholder structure at December 31, 2018 and changes to the shareholder structure in 2018 244

7.1.2 – Shareholder structure at December 31, 2017 and changes to the shareholder structure in 2017 245

7.1.3 – Shareholder structure at December 31, 2016 and changes to the shareholder structure in 2016 245

7.1.4 – Shareholders' agreement and specific agreements 245

7.2 – STOCK OPTION PLANS 246

7.3 – PERFORMANCE SHARES 248

7.4 – REGULATED AGREEMENTS AND COMMITMENTS 249

7.4.1 – Description and designation 249

7.4.2 – Statutory Auditors' special report on regulated agreements and commitments 249

7.1 – SHARE CAPITAL OWNERSHIP STRUCTURE

Unless otherwise stated, the information presented in this chapter is accurate as at December 31, 2018.

7.1.1 – Shareholder structure at December 31, 2018 and changes to the shareholder structure in 2018

7.1.1.1 SHAREHOLDER STRUCTURE AT DECEMBER 31, 2018

	Shares comprising the share capital		Theoretical voting rights		Voting rights exercisable in Shareholders' General Meetings	
Shareholders	**Number**	**%**	**Number**	**%**	**Number**	**%**
Employees and similar[1]	10,371,821	3.89	10,371,821	3.88	10,371,821	3.89
Treasury stock[2]	905,347	0.34	905,347	0.34	0	0
Free float	256,217,981	95.78	256,217,981	95.78	256,217,981	96.11
TOTAL	**267,495,149**	**100**	**267,495,149**	**100**	**266,589,802**	**100**

(1) Relates to shares held in registered form by current and former employees and executive officers of the Group, and to shares held by current and former employees through an employee savings investment fund (FCPE).

(2) Voting rights not exercisable in Shareholders' General Meetings.

7.1.1.2 CHANGES IN THE SHAREHOLDER STRUCTURE DURING THE 2018 FINANCIAL YEAR AND INFORMATION ON CROSSINGS OF STATUTORY OWNERSHIP THRESHOLDS

The Company was notified of the following crossings of statutory ownership thresholds during the 2018 financial year:

Company	Declaration date	Date threshold crossed	Statutory threshold	Increase/ decrease	% of capital	% of voting rights
Massachusetts Financial Services Company	04/24/2018	04/19/2018	10% of the capital	Increase	10.01%	10.01%
Massachusetts Financial Services Company	04/25/2018	04/23/2018	10% of the capital	Decrease	9.97%	9.97%
Massachusetts Financial Services Company	11/07/2018	11/02/2018	10% of the capital	Increase	10.06%	10.06%

Between the end of the 2018 financial year and the date of this Registration Document, the Company was notified that the following legal thresholds had been breached:

Company	Declaration date	Date of breach	Legal threshold	Direction of breach	% of capital	% of voting rights
Massachussets Financial Services (MFS) Company	14/01/2019	13/01/2019	10% of the capital	Increase	11.14%	11.14%

To the best of the Company's knowledge, and based on the threshold disclosures filed with the French Financial Markets Authority ("AMF"), no shareholder, other than Massachusetts Financial Services ("MFS") Company, holds, directly or indirectly, alone or in concert, more than 5% of its share capital or voting rights at the date of this Registration Document.

7.1.2 – Shareholder structure at December 31, 2017 and changes to the shareholder structure in 2017

The Company's shareholder structure at December 31, 2017 was as follows:

	Shares comprising the share capital		Theoretical voting rights		Voting rights exercisable in Shareholders' General Meetings	
Shareholders	**Number**	**%**	**Number**	**%**	**Number**	**%**
Employees and similar(1)	10,228,162	3.83	10,228,162	3.83	10,228,162	3.83
Treasury stock(2)	45,128	0.02	45,128	0.02	0	0
Free float	256,532,461	96.15	256,532,461	96.15	256,532,461	96.17
TOTAL	**266,805,751**	**100**	**266,805,751**	**100**	**266,760,623**	**100**

(1) Relates to shares held in registered form by current and former employees and executive officers of the Group, and to shares held by current and former employees through an employee savings investment fund (FCPE).

(2) Voting rights not exercisable in Shareholders' General Meetings.

Information on crossings of statutory ownership thresholds and changes to the shareholder structure during the 2017 financial year can be found in section 7.1.1 of the 2017 registration document filed with the AMF under no. D.18-0292.

7.1.3 – Shareholder structure at December 31, 2016 and changes to the shareholder structure in 2016

The Company's shareholder structure at December 31, 2016 was as follows:

	Shares comprising the share capital		Theoretical voting rights		Voting rights exercisable in Shareholders' General Meetings	
Shareholders	**Number**	**%**	**Number**	**%**	**Number**	**%**
Employees and similar(1)	10,771,429	4.03	10,771,429	4.03	10,771,429	4.05
Treasury stock(2)	1,365,561	0.51	1,365,561	0.51	0	0
Free float	255,190,384	95.46	255,190,384	95.46	255,190,384	95.95
TOTAL	**267,327,374**	**100**	**267,327,374**	**100**	**265,961,813**	**100**

(1) Relates to shares held in registered form by current and former employees and executive officers of the Group, and to shares held by current and former employees through an employee savings investment fund (FCPE).

(2) Voting rights not exercisable in Shareholders' General Meetings.

Information on crossings of statutory ownership thresholds and changes to the shareholder structure during the 2016 financial year can be found in section 7.1.1 of the 2016 registration document filed with the AMF under no. D.17-0285.

7.1.4 – Shareholders' agreement and specific agreements

To the best of the Company's knowledge, there is no shareholders' agreement in effect as at the date of this registration document that governs relations between its shareholders, nor are any shareholders acting in concert.

7.2 – STOCK OPTION PLANS

Table 8 – Stock option awards

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2008 Plan	2009 Plan	2010 Plan
Date approved by shareholders	05/15/2007	05/15/2007	05/15/2007
Grant date	03/05/2008	03/04/2009	03/04/2010
Total number of options granted	2,024,675(1)	1,192,949(1)	3,283,257(1)
o/w to executive officers	*142,738(1)*	*95,459(1)*	*222,807(1)*
■ *Gilles Schnepp*	*72,824(1)*	*48,711(1)*	*137,537(1)*
■ *Olivier Bazil*	*69,914(1)*	*46,748(1)*	*85,270(1)*
Start of exercise period	03/06/2012	03/05/2013	03/05/2014
End of exercise period	03/05/2018	03/04/2019	03/04/2020
Exercise price	€20.21(1) Average closing price over the 20 trading days preceding the grant date	€12.82(1) Average closing price over the 20 trading days preceding the grant date	€21.32(1) Average closing price over the 20 trading days preceding the grant date
Exercise terms (plans comprising several tranches)	(2)(3)	(2)(3)	(2)(3)
Number of shares subscribed as of December 31, 2018	(1,880,609)	(992,360)	(2,341,653)
Number of options cancelled or forfeited	(144,066)	(108,813)	(240,817)
Stock options outstanding as of December 31, 2018	**0**	**91,776**	**700,787**

(1) Given the dividend payment arrangements approved in the Shareholders' General Meetings of May 29, 2015, May 27, 2016, May 31, 2017, May 30, 2018, the number and exercise price of stock options was adjusted to take into account the impact of these transactions on the interests of stock option beneficiaries, in accordance with article L. 228-99 of the French Commercial Code.

(2) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(3) All these plans were subject to performance conditions. For more details, see Note 12 to the consolidated financial statements for the year ended December 31, 2014.

The weighted average market price of the Company's shares upon exercise of stock options in 2018 was €62.92.

If all these options were to be exercised (i.e. 792,563 options), the Company's capital would be diluted at most by 0.3% (which is a maximum dilution as it does not take into account the exercise price of these options) as of December 31, 2018.

The cost of stock options is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model.

Stock options granted under all of these plans are considered as having a five-year life.

Table 9 – Options granted to and exercised by the top ten employees who are not corporate officers

The table below shows the options granted to and exercised by the top ten employees who were not corporate officers of the Company during the financial year ended December 31, 2018:

Stock options granted to and exercised by the top ten employees who are not corporate officers	Total number of options granted/ shares subscribed or purchased	Weighted average price	2010 Plan		2009 Plan		2008 Plan		2007 Plan
			before adjustment(1)	after adjustment(1)	before adjustment(1)	after adjustment(1)	before adjustment(1)	after adjustment(1)	before adjustment(1)
		18.297	21.427	21.316	12.885	12.818	20.205		
Options granted, during the year, by the issuer and by all companies within the scope of the option plan, to the ten employees of the issuer and of those companies included in this scope, to whom the highest number of options was granted (total)	Nil	-	-	-	-	-	-	-	-
Options previously granted, by the issuer and the aforesaid companies, and exercised during the course of the year by the ten employees of the issuer and of these companies who purchased or subscribed the highest number of shares (total)	130,907		26,158	46,581	3,796	40,949	13,423		

(1) In view of the dividend payment terms approved by the Combined Ordinary and Extraordinary Shareholders' General Meeting of May 31, 2017, the number and exercise price of the stock options were adjusted, in accordance with article L. 228-99 of the French Commercial Code, to take into account the impact of this transaction on the beneficiaries' interests.

Information on the options granted to and exercised by Company officers during the year ended December 31, 2018 is included in section 6.2.2.1 of the Company's registration document.

Company officers are subject to the requirement to hold at least 30% of all shares acquired (including options and performance shares) until the termination of his duties.

7.3 – PERFORMANCE SHARES

Table 10 – Bonus share grants

2015, 2016, 2017 and 2018 performance share plans

The following performance share plans were also approved by the Company's Board of Directors:

	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Date approved by shareholders	05/24/2013	05/24/2013	05/27/2016	05/27/2016
Grant date	05/29/2015	05/27/2016	05/31/2017	05/30/2018
Total number of performance shares granted free of charge	390,866(1)	498,323(1)	487,532(1)	518,900
total number of performance shares granted free of charge to corporate officers	*14,659(1)*	*15,361(1)*	*12,388(1)*	*19,366(1)*
■ *Gilles Schnepp*	*14,659*	*15,361*	*12,388*	*0*
■ *Benoît Coquart*	*n/a*	*n/a*	*n/a*	*19,366*
Total IFRS 2 charge *(in € millions)*	16.3(2)	20.3(2)	24.8(2)	28.5(2)
End of vesting period	06/17/2019	06/17/2020	06/17/2021	06/15/2021(3) 06/15/2022(4)
End of lock-up period	06/17/2019	06/17/2020	06/17/2021	06/15/2023(3) 06/15/2022(4)
Number of performance shares subscribed as of December 31, 2018	0	0	0	0
Cumulative number of performance shares cancelled, forfeited or adjusted	(56,530)(5)	(19,078)	(15,961)	(2,692)
Performance shares granted free of charge but unvested as of December 31, 2018	**334,336**	**479,245**	**471,571**	**516,208**

(1) Given the dividend payment arrangements approved in the Shareholders' General Meetings of May 29, 2015, May 27, 2016, May 31, 2017, May 30, 2018, the number of performance shares granted was adjusted to take into account the impact of these transactions on the interests of performance share beneficiaries, in accordance with article L. 228-99 of the French Commercial Code. Moreover, the number of performance shares has been reduced following Gilles Schnepp's decision to waive part of his entitlement to performance shares granted under the 2015 and 2016 plans.

(2) Total charge estimated at the grant date assuming 100% achievement of each performance criterion. This charge is spread over the 4 years of the vesting period.

(3) Date applicable to the Executive Officer and the members of the Executive Committee.

(4) Date applicable to beneficiaries other than the Executive Officer and members of the Executive Committee.

(5) Including performance shares adjusted in view of performance conditions being 90.8% attained.

If all these shares from the 2015, 2016, 2017 and 2018 plans were allotted according to the target grants before the application of performance criteria (i.e., 1,801,360 shares), that would represent a 0.7% dilution of the Company's capital at December 31, 2018.

Under the 2018 Plan, in respect of the 2018 financial year, 87,703 performance shares were awarded free of charge to the 10 non-corporate officer employees of the Company with the highest share awards, before applying the performance and employment conditions attached to said shares.

Information on the shares awarded to Company Officers or vested during the financial year ended December 31, 2018 is included in section 6.2.2.1 of the Company's registration document.

Company Officers are subject to the requirement to hold at least 30% of all shares acquired (including options and performance shares) until the termination of his duties.

7.4 – REGULATED AGREEMENTS AND COMMITMENTS

7.4.1 – Description and designation

In accordance with AMF recommendation no. 2012-05 of July 2, 2012 on "General meetings of shareholders of listed companies" and particularly Proposition 20, the Company has adopted an internal charter relating to the designation of agreements, which can be viewed on the Company's website at *www.legrand.com*.

7.4.2 – Statutory Auditors' special report on regulated agreements and commitments

Annual General Meeting held to approve the financial statements for the year ended December 31, 2018

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments report of Legrand issued in French and it is provided solely for the convenience of English speaking users. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (code de commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To Annual General Meeting of Legrand

In our capacity as statutory auditors of your Company, we hereby report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code (code de commerce), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized and concluded during the year to be submitted to the approval of the Shareholders' Meeting pursuant to article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY ANNUAL GENERAL MEETING

Agreements and commitments approved during previous years

a) with continuing effect during the year

Pursuant to article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Annual General Meetings of prior years, have remained in force during the year.

Commitments in relation to the collective mandatory defined contribution pension plan, the mandatory supplementary healthcare scheme and the death & disability insurance scheme:

Person concerned: Mr. Benoît Coquart, Chief Executive Officer of Legrand SA since February 8, 2018.

Nature, purpose, terms and conditions and justification: the Board of Directors' meeting of February 7, 2018 authorized Mr. Benoît Coquart to continue benefiting from these schemes following his appointment as Chief Executive Officer of the Company.

The Board of Directors justified this decision on the basis of market practice and the compensation observed for similar functions in CAC 40 companies.

b) without continuing effect during the year

We have been informed that the following agreements and commitments, previously approved by Annual General Meetings of prior years, have not remained in force during the year.

Non-compete commitment between Legrand SA and its Chief Executive Officer:

Person concerned: Mr. Benoît Coquart, Chief Executive Officer of Legrand SA since February 8, 2018.

Nature, purpose, terms and conditions and justification: the Board of Directors' meeting of March 20, 2018 authorized the setting-up of a non-compete agreement between Legrand SA and its Chief Executive Officer, covering a period of one year commencing the date of termination of his functions.

The Company may unilaterally decide to waive application of this agreement. If it is implemented, compliance with this commitment by the Chief Executive Officer would result in the payment by the Company of a monthly compensation equal to the monthly average of the reference salary received during the last twelve months of presence in the company for a one-year period after the termination of his functions as Chief Executive Officer, it being specified that the reference salary includes the fixed salary and the annual variable salary and excludes sums received as long-term variable salary.

The Board of Directors justified this decision citing the need to protect the interests of the Company and shareholders in the event of the departure of the Chief Executive Officer, Mr. Benoît Coquart.

Neuilly-sur-Seine and Paris-La Défense, April 8, 2019

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Édouard Sattler	Jean-François Viat

8

CONSOLIDATED FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, LIABILITIES, FINANCIAL POSITION AND RESULTS

8.1 –	CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017	252
8.1.1 –	Consolidated key figures	252
8.1.2 –	Consolidated statement of income	253
8.1.3 –	Consolidated statement of comprehensive income	254
8.1.4 –	Consolidated balance sheet	254
8.1.5 –	Consolidated statement of cash flows	256
8.1.6 –	Consolidated statement of changes in equity	257
8.1.7 –	Notes to the consolidated financial statements	258
8.2 –	STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2018	302
8.3 –	STATUTORY AUDITORS' FEES	306
8.4 –	DIVIDEND DISTRIBUTION POLICY	307
8.5 –	LEGAL AND ARBITRATION PROCEEDINGS	308
8.6 –	MATERIAL CHANGES IN THE COMPANY'S FINANCIAL OR TRADING POSITION	308
8.7 –	MATERIAL AGREEMENTS	308
8.8 –	CAPITAL EXPENDITURE	309
8.8.1 –	Capital expenditure and capitalized development costs	309
8.8.2 –	Investments in equity interests: the Group's primary acquisitions	309
8.8.3 –	The Group's primary acquisitions in 2019 and principal investments in process	310

8.1 – CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

8.1.1 – Consolidated key figures

(in € millions)	2018	2017
Net sales	**5,997.2**	**5,520.8**
Adjusted operating profit(1)	**1,212.1**	**1,104.9**
As % of net sales	*20.2%*	*20.0%*
	*20.2% before acquisitions**	
Operating profit	**1,139.0**	**1,025.6**
As % of net sales	*19.0%*	*18.6%*
Adjusted net profit attributable to the Group(2)	**771.7**	**625.7**
As % of net sales	*12.9%*	*11.3%*
Net profit attributable to the Group	**771.7**	**711.2**
As % of net sales	*12.9%*	*12.9%*
Normalized(3) free cash flow(4)	**893.5**	**735.2**
As % of net sales	*14.9%*	*13.3%*
Free cash flow(4)	**746.3**	**695.8**
As % of net sales	*12.4%*	*12.6%*
Net financial debt at December 31(5)	**2,296.6**	**2,219.5**

* *At 2017 scope of consolidation.*

(1) *Adjusted operating profit is defined as operating profit adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.*

(2) *2017 adjusted net profit attributable to the Group does not take into account the net favorable effect of significant non-recurring gains and expenses resulting from announced changes in tax measures, primarily in France and in the United States. This net favorable effect is adjusted as it does not reflect an underlying performance.*

(3) *Normalized free cash flow is defined as the sum of net cash from operating activities - based on a working capital requirement representing 10% of the last 12 months' sales and whose change at constant scope of consolidation and exchange rates is adjusted for the period considered - and net proceeds of sales from fixed and financial assets, less capital expenditure and capitalized development costs.*

(4) *Free cash flow is defined as the sum of net cash from operating activities and net proceeds from sales of fixed and financial assets, less capital expenditure and capitalized development costs.*

(5) *Net financial debt is defined as the sum of short-term borrowings and long-term borrowings, less cash and cash equivalents and marketable securities.*

The reconciliation of consolidated key figures with the financial statements is available in the appendices to the 2018 results press release.

The reconciliation of adjusted net profit attributable to the Group with net profit attributable to the Group is also presented in the following table:

(in € millions)	2018	2017
Adjusted net profit attributable to the Group	**771.7**	**625.7**
Tax income linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France	0.0	26.4
Tax income resulting from refund of tax on dividends paid since 2013, net of the exceptional corporate income tax on companies in 2017 in France	0.0	18.3
Net tax income linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities	0.0	40.8
Total adjustments	0.0	85.5
Net profit attributable to the Group	**771.7**	**711.2**

8.1.2 – Consolidated statement of income

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Net sales (Notes 2.1 and 2.2)	**5,997.2**	**5,520.8**
Operating expenses (Note 2.3)		
Cost of sales	(2,869.7)	(2,627.0)
Administrative and selling expenses	(1,606.8)	(1,511.6)
Research and development costs	(276.5)	(252.1)
Other operating income (expenses)	(105.2)	(104.5)
Operating profit	**1,139.0**	**1,025.6**
Financial expenses	(79.1)	(92.1)
Financial income	12.0	13.7
Exchange gains (losses)	2.2	(8.3)
Financial profit (loss)	(64.9)	(86.7)
Profit before tax	**1,074.1**	**938.9**
Income tax expense (Note 2.4)	(301.3)	(224.2)
Share of profits (losses) of equity-accounted entities	**(0.4)**	**(1.5)**
Profit for the period	**772.4**	**713.2**
Of which:		
■ **net profit attributable to the Group***	**771.7**	**711.2**
■ **minority interests**	**0.7**	**2.0**
Basic earnings per share *(euros)* (Note 4.1.3)	2.892	2.669
Diluted earnings per share *(euros)* (Note 4.1.3)	2.869	2.646

* *Refer to the previous table.*

The accompanying Notes are an integral part of these consolidated financial statements.

8.1.3 – Consolidated statement of comprehensive income

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Profit for the period	772.4	713.2
Items that may be reclassified subsequently to profit or loss		
Translation reserves	42.6	(333.5)
Income tax relating to components of other comprehensive income	6.0	(16.2)
Items that will not be reclassified to profit or loss		
Actuarial gains and losses (Note 4.5.1.1)	(1.5)	7.6
Deferred taxes on actuarial gains and losses	(0.1)	(5.1)
Other (Note 5.1.1.1)	4.8	0.0
COMPREHENSIVE INCOME FOR THE PERIOD	**824.2**	**366.0**
Of which:		
■ **Comprehensive income attributable to the Group**	**823.5**	**364.3**
■ **Minority interests**	**0.7**	**1.7**

The accompanying Notes are an integral part of these consolidated financial statements.

8.1.4 – Consolidated balance sheet

ASSETS

(in € millions)	December 31, 2018	December 31, 2017
Non-current assets		
Intangible assets (Note 3.1)	2,309.7	2,294.0
Goodwill (Note 3.2)	4,322.0	3,930.3
Property, plant and equipment (Note 3.3)	661.4	622.4
Investments in equity-accounted entities	17.4	15.5
Other investments	2.1	19.6
Other non-current assets	14.3	10.0
Deferred tax assets (Note 4.7)	107.8	104.0
TOTAL NON-CURRENT ASSETS	**7,434.7**	**6,995.8**
Current assets		
Inventories (Note 3.4)	885.9	747.4
Trade receivables (Note 3.5)	666.4	624.9
Income tax receivables	89.6	48.0
Other current assets (Note 3.6)	206.0	184.1
Other current financial assets	1.2	1.1
Cash and cash equivalents (Note 3.7)	1,022.5	823.0
TOTAL CURRENT ASSETS	**2,871.6**	**2,428.5**
TOTAL ASSETS	**10,306.3**	**9,424.3**

EQUITY AND LIABILITIES

(in € millions)	December 31, 2018	December 31, 2017
Equity		
Share capital (Note 4.1)	1,070.0	1,067.2
Retained earnings (Notes 4.2 and 4.3.1)	4,051.8	3,644.6
Translation reserves (Note 4.3.2)	(530.6)	(573.2)
Equity attributable to the Group	4,591.2	4,138.6
Minority interests	5.9	9.5
TOTAL EQUITY	**4,597.1**	**4,148.1**
Non-current liabilities		
Long-term provisions (Notes 4.4 and 4.5.2)	145.2	148.6
Provisions for post-employment benefits (Note 4.5.1)	155.9	153.6
Long-term borrowings (Note 4.6.1)	2,918.6	2,457.1
Deferred tax liabilities (Note 4.7)	701.0	621.1
TOTAL NON-CURRENT LIABILITIES	**3,920.7**	**3,380.4**
Current liabilities		
Trade payables	662.0	612.9
Income tax payables	31.5	37.7
Short-term provisions (Note 4.4)	87.9	75.3
Other current liabilities (Note 4.8)	605.2	583.7
Short-term borrowings (Note 4.6.2)	400.5	585.4
Other current financial liabilities	1.4	0.8
TOTAL CURRENT LIABILITIES	**1,788.5**	**1,895.8**
TOTAL EQUITY AND LIABILITIES	**10,306.3**	**9,424.3**

The accompanying Notes are an integral part of these consolidated financial statements.

8.1.5 – Consolidated statement of cash flows

	12 months ended	
(in € millions)	**December 31, 2018**	**December 31, 2017**
Profit for the period	**772.4**	**713.2**
Adjustments for non-cash movements in assets and liabilities:		
■ Depreciation and impairment of tangible assets (Note 2.3)	100.9	99.8
■ Amortization and impairment of intangible assets (Note 2.3)	78.2	66.6
■ Amortization and impairment of capitalized development costs (Note 2.3)	28.1	32.7
■ Amortization of financial expenses	2.5	1.8
■ Impairment of goodwill (Note 3.2)	0.0	0.0
■ Changes in long-term deferred taxes	64.3	(50.9)
■ Changes in other non-current assets and liabilities (Notes 4.4 and 4.5)	41.5	38.0
■ Unrealized exchange (gains)/losses	6.3	0.6
■ Share of (profits) losses of equity-accounted entities	0.4	1.5
■ Other adjustments	0.8	16.4
■ Net (gains)/losses on sales of assets	5.1	0.1
Changes in working capital requirement:		
■ Inventories (Note 3.4)	(121.4)	(55.7)
■ Trade receivables (Note 3.5)	(11.3)	(30.1)
■ Trade payables	30.3	44.1
■ Other operating assets and liabilities (Notes 3.6 and 4.8)	(72.8)	(14.4)
Net cash from operating activities	**925.3**	**863.7**
■ Net proceeds from sales of fixed and financial assets	5.3	10.3
■ Capital expenditure (Notes 3.1 and 3.3)	(150.6)	(144.6)
■ Capitalized development costs	(33.7)	(33.6)
■ Changes in non-current financial assets and liabilities	1.6	3.8
■ Acquisitions of subsidiaries, net of cash acquired (Note 1.3.2)	(394.4)	(1,638.0)
Net cash from investing activities	**(571.8)**	**(1,802.1)**
■ Proceeds from issues of share capital and premium (Note 4.1.1)	13.2	16.9
■ Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)	(52.1)	1.8
■ Dividends paid to equity holders of Legrand (Note 4.1.3)	(336.8)	(317.1)
■ Dividends paid by Legrand subsidiaries	(0.3)	(1.5)
■ Proceeds from long-term financing (Note 4.6)	418.7	1,402.7
■ Repayment of long-term financing (Note 4.6)	(400.5)	(305.7)
■ Debt issuance costs	(3.7)	(9.7)
■ Net sales (buybacks) of marketable securities	0.0	0.0
■ Increase (reduction) in short- term financing (Note 4.6)	249.2	100.6
■ Acquisitions of ownership interests with no gain of control (Note 1.3.2)	(39.9)	(0.6)
Net cash from financing activities	**(152.2)**	**887.4**
Translation net change in cash and cash equivalents	(1.8)	(66.1)
Increase (decrease) in cash and cash equivalents	**199.5**	**(117.1)**
Cash and cash equivalents at the beginning of the period	823.0	940.1
Cash and cash equivalents at the end of the period (Note 3.7)	**1,022.5**	**823.0**
Items included in cash flows:		
■ Interest paid* during the period	77.9	84.7
■ Income taxes paid during the period	255.0	256.7

* *Interest paid is included in the net cash from operating activities.*

The accompanying Notes are an integral part of these consolidated financial statements.

8.1.6 – Consolidated statement of changes in equity

	Equity attributable to the Group						
(in € millions)	Share capital	Retained earnings	Translation reserves	Actuarial gains and losses*	Total	Minority interests	Total equity
As of December 31, 2016	**1,069.3**	**3,292.4**	**(240.0)**	**(64.6)**	**4,057.1**	**9.3**	**4,066.4**
Profit for the period		711.2			711.2	2.0	713.2
Other comprehensive income		(16.2)	(333.2)	2.5	(346.9)	(0.3)	(347.2)
Total comprehensive income		695.0	(333.2)	2.5	364.3	1.7	366.0
Dividends paid		(317.1)			(317.1)	(1.5)	(318.6)
Issues of share capital and premium	3.1	13.8			16.9		16.9
Cancellation of shares held in treasury	(5.2)	(57.4)			(62.6)		(62.6)
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		64.4			64.4		64.4
Change in scope of consolidation**		2.9			2.9	0.0	2.9
Current taxes on share buybacks		(0.4)			(0.4)		(0.4)
Share-based payments		13.1			13.1		13.1
As of December 31, 2017	**1,067.2**	**3,706.7**	**(573.2)**	**(62.1)**	**4,138.6**	**9.5**	**4,148.1**
Profit for the period		771.7			771.7	0.7	772.4
Other comprehensive income		10.8	42.6	(1.6)	51.8	0.0	51.8
Total comprehensive income		782.5	42.6	(1.6)	823.5	0.7	824.2
Dividends paid		(336.8)			(336.8)	(0.3)	(337.1)
Issues of share capital and premium (Note 4.1.1)	2.8	10.4			13.2		13.2
Cancellation of shares held in treasury (Note 4.1.1)	0.0	0.0			0.0		0.0
Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)		(52.1)			(52.1)		(52.1)
Change in scope of consolidation**		(18.8)			(18.8)	(4.0)	(22.8)
Current taxes on share buybacks		0.7			0.7		0.7
Share-based payments (Note 4.2)		22.9			22.9		22.9
As of December 31, 2018	**1,070.0**	**4,115.5**	**(530.6)**	**(63.7)**	**4,591.2**	**5.9**	**4,597.1**

* *Net of deferred taxes.*

** *Corresponds mainly to acquisitions of additional shares in companies already consolidated and to puts on minority interests.*

The accompanying Notes are an integral part of these consolidated financial statements.

8.1.7 – Notes to the consolidated financial statements

NOTE 1 –	**BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**	**258**
1.1	General information	258
1.2	Accounting policies	258
1.3	Scope of consolidation	262
NOTE 2 –	**RESULTS FOR THE YEAR**	**264**
2.1	Segment information	264
2.2	Net sales	266
2.3	Operating expenses	266
2.4	Income tax expense	267
NOTE 3 –	**DETAILS ON NON-CURRENT AND CURRENT ASSETS**	**268**
3.1	Intangible assets	268
3.2	Goodwill	270
3.3	Property, plant and equipment	273
3.4	Inventories	275
3.5	Trade receivables	275
3.6	Other current assets	276
3.7	Cash and cash equivalents	276
NOTE 4 –	**DETAILS ON NON-CURRENT AND CURRENT LIABILITIES**	**277**
4.1	Share capital and earnings per share	277
4.2	Stock option plans and performance share plans	279
4.3	Retained earnings and translation reserves	285
4.4	Provisions	286
4.5	Provision for post-employment benefits and other long-term employee benefits	287
4.6	Long-term and short-term borrowings	291
4.7	Deferred taxes	293
4.8	Other current liabilities	294
NOTE 5 –	**OTHER INFORMATION**	**295**
5.1	Financial instruments and management of financial risks	295
5.2	Related-party information	300
5.3	Off-balance sheet commitments and contingent liabilities	300
5.4	Statutory auditors' fees	301
5.5	Subsequent events	301

NOTE 1 – BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL INFORMATION

Legrand ("the Company") along with its subsidiaries (together "Legrand" or "the Group") is the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 90 countries and sells its products in over 175 countries.

The Company is a French société anonyme incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny – 87000 Limoges (France).

The 2017 Registration Document was filed with the AMF (French Financial Markets Authority) on April 6, 2018 under no. D. 18-0292.

The consolidated financial statements were approved by the Board of Directors on February 13, 2019.

All amounts are presented in millions of euros unless otherwise specified. Some totals may include rounding differences.

1.2 ACCOUNTING POLICIES

As a company incorporated in France, Legrand is governed by French company laws, including the provisions of the Code de commerce (French Commercial Code).

The consolidated financial statements cover the 12 months ended December 31, 2018. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee publications adopted by the European Union and applicable or authorized for early adoption from January 1, 2018.

None of the IFRS issued by the International Accounting Standards Board (IASB) that have not been adopted for use in the European Union are applicable to the Group.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies.

The areas involving a specific degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.2.3.

The consolidated financial statements have been prepared using the historical cost convention, except for some classes of assets and liabilities in accordance with IFRS. The classes concerned are mentioned in Note 5.1.1.2.

1.2.1 New standards, amendments and interpretations that may impact the Group's financial statements

1.2.1.1 New standards, amendments and interpretations with mandatory application from January 1, 2018 that have an impact on the Group's 2018 financial statements

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts.

IFRS 15 sets out the requirements for recognizing revenue arising from all contracts with customers (except for contracts that fall within the scope of other standards). In addition, the standard requires the reporting entity to disclose certain contract information, particularly in the case of contracts that are expected to extend beyond one year, and to describe the assumptions used by the entity to calculate the revenue amounts to be reported.

Amendments to IFRS 15 – Revenue from Contracts with Customers

In April 2016, the IASB issued amendments to IFRS 15 – Revenue from Contracts with Customers.

These amendments clarify in particular the concept of performance obligations that are not considered "distinct within the context of the contract". Revenue resulting from such performance obligations is to be recognized as a single performance obligation.

The application of IFRS 15 and its amendments had no material impact on the Group's financial statements as of January 1, 2018 (refer to Note 2.2 regarding this lack of material impact).

IFRS 9 – Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9 – Financial Instruments, which replaces most of the guidance in IAS 39 – Financial Instruments: Recognition and Measurement.

The complete standard covers three main topics: classification and measurement, impairment and hedge accounting.

IFRS 9 introduces a single model for determining whether financial assets should be measured at amortized cost or at fair value. This model supersedes the various models set out in IAS 39.

IFRS 9 introduces a single impairment model that also includes a simplified approach for financial assets that fall within the scope of IFRS 15 – Revenue from Contracts with Customers. This model is based in particular on the notion of expected credit losses, which applies regardless of the financial assets' credit quality.

In October 2017, the IASB issued an amendment to IFRS 9 clarifying the accounting for the modification of financial liabilities. The amendment provides that modifications of financial liabilities that do not result in derecognition give rise to an adjustment to the amortized cost of the financial liability on the date of modification. The adjustment must be recognized in full in the income statement.

The application of IFRS 9 had no material impact on the Group's financial statements as of January 1, 2018. It should be noted that the obligation introduced by IFRS 9 to measure other investments (investments in non-consolidated entities) at fair value generated impacts in 2018. These purely balance sheet impacts are described in Note 5.1.1.

1.2.1.2 New standards, amendments and interpretations with mandatory application from January 1, 2018 that have no impact on the Group's 2018 financial statements

Amendment to IFRS 2 – Share-based Payment

In June 2016, the IASB issued an amendment to IFRS 2 – Share-based Payment.

This amendment specifies in particular that, for cash-settled share-based payment plans, non-market performance conditions and service conditions must impact the number of granted shares expected to vest but not their fair value.

In addition, the amendment outlines that, for equity-settled share-based payment plans, the IFRS 2 charge recognized in equity does not have to be reduced by any withholding tax to be paid by the entity to tax authorities on behalf of beneficiaries.

1.2.1.3 New standards, amendments and interpretations adopted by the European Union not applicable to the Group until future periods

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17.

IFRS 16 provides a single lessee accounting model for the majority of leases with a term of more than 12 months. This model requires the lessee to recognize a right-of-use asset and a financial liability in the balance sheet when a lease contract conveys the right to control the use of an identified asset. In addition, the standard requires the lessee to recognize the lease expense partly as a depreciation charge within operating expenses and partly as an interest expense within financial expenses.

This standard is effective for annual periods beginning on or after January 1, 2019.

A new Group-wide process for monitoring and accounting for leases has been implemented since 2018.

The Group decided to apply IFRS 16 from January 1, 2019 using the simplified retrospective transition method ("cumulative catch-up" method), by determining the net value of the assets resulting from its historical lease contracts as if IFRS 16 had been applied since the initial date of each contract.

This transition method also allowed the Group to use, for all its historical lease contracts, a single discount rates table per currency, with the discount rate applied to each contract depending on the estimated initial term and the currency of each contract.

The impacts of the application of IFRS 16 on the opening balance sheet as of January 1, 2019 should mainly result in:

- an increase in net fixed assets (through the recording of right-of-use assets) of approximately €250 million;
- the recording of lease financial liabilities of approximately €270 million; and
- a decrease in equity before deferred tax impacts of approximately €20 million.

The application of IFRS 16 from January 1, 2018 would have had a slightly unfavorable impact on profit for full-year 2018, resulting from:

- the cancellation of the rental expenses accounted for in operating expenses and the recording of the depreciation of right-of-use assets, thus generating a net increase in operating profit of approximately €5 million in 2018;
- the recording of finance costs related to the lease financial liabilities in financial expenses and adjustment to income tax expense.

The application of IFRS 16 from January 1, 2018 would have only had reclassification impacts on the 2018 consolidated statement of cash flows, as the standard has no impact on the Group's cash and cash equivalents:

- improvement of net cash from operating activities, following the replacement of rental expenses by the depreciation of right-of-use assets, partially offset by the portion of rental payments corresponding to the finance costs arising from the lease financial liabilities, thus generating an increase in free cash flow of approximately €60 million in 2018;
- deterioration of net cash from financing activities, following the recording in net cash from financing activities of the portion of rental payments corresponding to principal repayments of lease financial liabilities, representing an approximate amount of €60 million in 2018.

Because of its decision to apply the simplified retrospective transition method, the Group will not publish restated comparative information in its 2019 consolidated financial statements (being understood that, overall, the application of IFRS 16 has no material impact for the Group).

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments.

According to this interpretation, when it is not probable that the relevant tax authority will accept a given tax treatment, this uncertainty should be reflected in income tax calculations, while the risk of detection by the tax authority should be considered as certain.

This interpretation is effective for annual periods beginning on or after January 1, 2019.

The Group reviewed this interpretation, to determine its possible impact on the consolidated financial statements and related disclosures. This interpretation should have no material impact on the Group.

1.2.1.4 New standards, amendments and interpretations not yet adopted by the European Union not applicable to the Group until future periods

Amendments to IAS 19 – Employee Benefits

In February 2018, the IASB issued limited amendments to IAS 19 – Employee Benefits.

These amendments specify that, in case of amendment, curtailment or settlement of a defined benefit pension plan, the entity must use the updated actuarial assumptions to determine the service cost and the net interest cost for the period following the plan amendment.

They also specify that the impact of such cases on any plan surpluses must be accounted for in the income statement even if these surpluses were not previously recognized.

These amendments, which have not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2019.

Amendments to IAS 1 and IAS 8 – Definition of Materiality

In October 2018, the IASB issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

These amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make.

These amendments, which have not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2020.

The Group reviewed these amendments, to determine their possible impact on the consolidated financial statements and related disclosures. These amendments should have no material impact on the Group.

1.2.2 Basis of consolidation

Subsidiaries are consolidated if they are controlled by the Group.

The Group has exclusive control over an entity when it has power over the entity, i.e., it has substantive rights to govern the entity's key operations, is exposed to variable returns from its involvement with the entity, and has the ability to affect those returns.

Such subsidiaries are fully consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Any entity over which the Group has either:

- significant influence (a situation that occurs when the Group holds more than 20% of the voting rights without providing it with substantive rights to govern the entity's key operations); or
- joint control (a situation where the Group's interest gives it substantive rights to govern the entity's key operations jointly with a partner but does not provide exclusive control to the Group);

is consolidated using the equity method.

Such subsidiaries are initially recognized at acquisition cost and consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

1.2.3 Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances.

1.2.3.1 Impairment of goodwill and intangible assets

Trademarks with indefinite useful lives and goodwill are tested for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Future events could cause the Group to conclude that evidence exists that certain intangible assets acquired in a business combination are impaired. Any resulting impairment loss could have a material adverse effect on the Group's consolidated financial statements and in particular on the Group's operating profit.

Discounted cash flow estimates (used for impairment tests on goodwill and trademarks with indefinite useful lives) are based on management's estimates of key assumptions, especially discount rates, long term growth and profitability rates and royalty rates for trademarks with indefinite useful lives.

1.2.3.2 Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available, based on management-approved taxable profit forecasts.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on management's estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable.

1.2.3.3 Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, share-based payments, provisions for contingencies and charges, capitalized development costs, and any annual volume rebates offered to customers.

1.3 SCOPE OF CONSOLIDATION

1.3.1 List of main consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and its 202 subsidiaries.

The main operating subsidiaries as of December 31, 2018, all of which being 100% owned and fully consolidated, are as follows:

France		
Legrand France	France	Limoges
Legrand SNC	France	Limoges
Italy		
Bticino SpA	Italy	Varese
Rest of Europe		
Legrand Group Belgium	Belgium	Diegem
Legrand ZRT	Hungary	Szentes
Legrand Nederland BV	Netherlands	Boxtel
Legrand Polska	Poland	Zabkowice
Legrand LLC	Russia	Moscow
Legrand Group España	Spain	Madrid
Inform Elektronik	Turkey	Istanbul
Legrand Elektrik	Turkey	Gebze
Legrand Electric	United Kingdom	Birmingham
North and Central America		
Bticino de Mexico SA de CV	Mexico	Querétaro
Finelite Inc.	United States	Union City
Legrand AV Inc.	United States	Eden Prairie
Ortronics Inc.	United States	New London
Pass & Seymour Inc.	United States	Syracuse
Pinnacle Architectural Lighting Inc.	United States	Denver
Raritan Inc.	United States	Somerset
Server Technology Inc.	United States	Reno
The WattStopper Inc.	United States	Santa Clara
The Wiremold Company	United States	West Hartford
Rest of the world		
Legrand Group Pty Ltd	Australia	Sydney
GL Eletro-Eletronicos Ltda	Brazil	Sao Paulo
HDL Da Amazonia Industria Eletronica Ltda	Brazil	Manaus
Electro Andina Ltda	Chile	Santiago
DongGuan Rocom Electric	China	Dongguan
TCL International Electrical	China	Huizhou
TCL Wuxi	China	Wuxi
Legrand Colombia	Colombia	Bogota
Novateur Electrical and Digital Systems	India	Mumbai
Legrand SNC FZE	United Arab Emirates	Dubaï

1.3.2 Changes in the scope of consolidation

The contributions to the Group's consolidated financial statements of companies acquired since January 1, 2017 were as follows:

2017	March 31	June 30	September 30	December 31
Full consolidation method				
OCL	Balance sheet only	5 months' profit	8 months' profit	11 months' profit
AFCO Systems		Balance sheet only	5 months' profit	8 months' profit
Finelite		Balance sheet only	4 months' profit	7 months' profit
Milestone			Balance sheet only	5 months' profit
Server Technology				Balance sheet only
Equity method				
Borri		Balance sheet only	Balance sheet only	8 months' profit

2018	March 31	June 30	September 30	December 31
Full consolidation method				
OCL	3 months' profit	6 months' profit	9 months' profit	12 months' profit
AFCO Systems	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Finelite	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Milestone	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Server Technology	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Modulan	Balance sheet only	Balance sheet only	6 months' profit	9 months' profit
GemNet		Balance sheet only	Balance sheet only	7 months' profit
Shenzen Clever Electronic			Balance sheet only	6 months' profit
Debflex				Balance sheet only
Netatmo				Balance sheet only
Kenall				Balance sheet only
Trical				Balance sheet only
Equity method				
Borri	3 months' profit	6 months' profit	9 months' profit	12 months' profit

The main acquisitions carried out in 2018 were as follows:

- the Group acquired a majority stake in Modulan, specialized in custom-made cabinet systems for data centers in Germany. Modulan reports annual sales of about €8 million;
- the Group acquired GemNet, a UPS specialist in United Arab Emirates. GemNet reports annual sales of approximately €4 million;
- the Group acquired Shenzhen Clever Electronic, a Chinese leader in intelligent PDUs for data centers. Shenzhen Clever Electronic reports annual sales of around €24 million;
- the Group acquired a majority stake in Debflex, a French frontrunner in electrical equipment for DIY activities. Debflex reports annual sales of approximately €35 million;
- the Group acquired Netatmo, a French leading smart home company. Legrand has been a minority shareholder of Netatmo since 2015. Netatmo reports annual sales of around €51 million;
- the Group acquired Kenall, an American leader in lighting solutions for specific applications and critical non-residential environments (public buildings and infrastructures). Kenall reports annual sales of around $100 million; and
- the Group acquired Trical, a New Zealander front-runner in electrical and digital enclosures and switchboards for residential and commercial buildings. Trical reports annual sales of nearly €6 million.

In all, acquisitions of subsidiaries (net of cash acquired) came to a total of €394.4 million in *2018* (*plus* €39.9 million for acquisitions of ownership interests without gain of control), versus €1,638.0 million in *2017* (plus €0.6 million for acquisitions of ownership interests without gain of control).

NOTE 2 – RESULTS FOR THE YEAR

2.1 SEGMENT INFORMATION

In accordance with IFRS 8, operating segments are determined based on the reporting made available to the chief operating decision maker of the Group and to the Group's management.

Given that Legrand activities are carried out locally, the Group is organized for management purposes by countries or groups of countries which are allocated for internal reporting purposes into five operating segments:

- France;
- Italy;
- Rest of Europe, mainly including Benelux, Germany, Iberia (including Portugal and Spain), Poland, Russia, Turkey, and the United Kingdom;
- North and Central America, including Canada, Mexico, the United States, and Central American countries; and
- Rest of the world, mainly including Australia, China, India, Saudi Arabia and South America (including particularly Brazil, Chile and Colombia).

These operating segments are allocated to three geographical segments: Europe, North and Central America, and Rest of the world, each of which are under the responsibility of a segment manager who is directly accountable to the chief operating decision maker of the Group.

The economic models of subsidiaries within these segments are quite similar. Indeed, their sales are made up of electrical and digital building infrastructure products in particular to electrical installers mainly through third-party distributors.

12 months ended December 31, 2018	Geographical segments					
	Europe			North and	Rest of	
(in € millions)	France	Italy	Rest of Europe	Central America	the world	Total
Net sales to third parties	**1,032.4**	**578.8**	**978.3**	**2,223.2**	**1,184.5**	**5,997.2**
Cost of sales	(392.8)	(197.5)	(546.8)	(1,069.6)	(663.0)	(2,869.7)
Administrative and selling expenses, R&D costs	(414.1)	(165.8)	(242.9)	(746.4)	(314.1)	(1,883.3)
Other operating income (expenses)	(28.7)	(4.2)	(7.7)	(29.5)	(35.1)	(105.2)
Operating profit	**196.8**	**211.3**	**180.9**	**377.7**	**172.3**	**1,139.0**
■ of which acquisition-related amortization, expenses and income						
■ accounted for in cost of sales						0.0
■ accounted for in administrative and selling expenses, R&D costs	(1.2)	(0.2)	(4.7)	(53.6)	(11.2)	(70.9)
■ accounted for in other operating income (expenses)	0.0	0.0	(2.2)	0.0	0.0	(2.2)
■ of which goodwill impairment						0.0
Adjusted operating profit	**198.0**	**211.5**	**187.8**	**431.3**	**183.5**	**1,212.1**
■ of which depreciation expense	(26.8)	(17.6)	(14.3)	(19.3)	(23.8)	(101.8)
■ of which amortization expense	(2.6)	(4.5)	(0.5)	(2.8)	(0.9)	(11.3)
■ of which amortization of development costs	(17.6)	(7.4)	(1.9)	0.0	(1.2)	(28.1)
■ of which restructuring costs	(6.9)	(1.5)	(2.7)	(4.4)	(12.4)	(27.9)
Capital expenditure	(46.1)	(28.5)	(26.3)	(22.0)	(27.7)	(150.6)
Capitalized development costs	(21.0)	(9.0)	(1.8)	0.0	(1.9)	(33.7)
Net tangible assets	194.8	125.5	94.5	119.1	127.5	661.4
Total current assets	844.9	155.0	477.0	647.3	747.4	2,871.6
Total current liabilities	739.8	205.7	131.9	320.3	390.8	1,788.5

12 months ended December 31, 2017	Geographical segments					
	Europe			North and	Rest of the	
(in € millions)	France	Italy	Rest of Europe	Central America	world	Total
Net sales to third parties	**1,012.6**	**544.7**	**914.5**	**1,857.4**	**1,191.6**	**5,520.8**
Cost of sales	(386.5)	(187.8)	(513.2)	(887.0)	(652.5)	(2,627.0)
Administrative and selling expenses, R&D costs	(397.7)	(162.1)	(234.3)	(641.0)	(328.6)	(1,763.7)
Other operating income (expenses)	(29.7)	(2.7)	(9.4)	(28.9)	(33.8)	(104.5)
Operating profit	**198.7**	**192.1**	**157.6**	**300.5**	**176.7**	**1,025.6**
■ of which acquisition-related amortization, expenses and income						
■ accounted for in cost of sales	0.0	0.0	0.0	(16.8)	0.0	(16.8)
■ accounted for in administrative and selling expenses, R&D costs	(3.5)	(0.7)	(4.1)	(41.2)	(12.3)	(61.8)
■ accounted for in other operating income (expenses)	0.0	0.0	(0.7)	0.0	0.0	(0.7)
■ of which goodwill impairment						0.0
Adjusted operating profit	**202.2**	**192.8**	**162.4**	**358.5**	**189.0**	**1,104.9**
■ of which depreciation expense	(27.2)	(17.4)	(13.6)	(15.5)	(25.4)	(99.1)
■ of which amortization expense	(4.8)	(3.8)	(1.5)	(3.1)	(1.1)	(14.3)
■ of which amortization of development costs	(21.7)	(8.8)	(1.5)	0.0	(0.7)	(32.7)
■ of which restructuring costs	(9.1)	0.1	1.0	(3.9)	(9.3)	(21.2)
Capital expenditure	(38.5)	(24.8)	(25.4)	(27.4)	(28.5)	(144.6)
Capitalized development costs	(20.1)	(8.9)	(2.3)	0.0	(2.3)	(33.6)
Net tangible assets	178.4	119.7	93.7	101.6	129.0	622.4
Total current assets	663.8	120.3	411.7	525.2	707.5	2,428.5
Total current liabilities	882.5	194.7	172.1	275.5	371.0	1,895.8

2.2 NET SALES

The Group derived the large majority of its revenue from product sales to generalist and specialist distributors. The two largest distributors accounted for close to 18% of consolidated net sales in 2018. The Group estimates that no other customer accounted for more than 5% of consolidated net sales.

Contracts with distributors are signed for a one-year period. As a general rule, there is only one performance obligation in these contracts, which is to sell and deliver products to the customer (sale and delivery are not distinct performance obligations within the context of the contract).

Within the context of these contracts, the Group owns the main risks and benefits resulting from the products sales, and therefore acts as the principal (and not as an agent).

Net sales are generally recognized at one point in time, corresponding to the date on which the control of the asset (products or, more rarely, services) is transferred to the customer, usually the date of shipment in the case of product sales. In the specific case of service sales where the customer consumes the benefits of the services as and when they are provided, net sales are recognized over time, i.e. spread over the period in which the services are provided to the customer.

Contracts with customers generally include variable payments in their favor, primarily deferred discounts and rebates, and occasionally commercial returns. These variable payments to customers are estimated at their most likely amount and accounted for when net sales are recognized, so that they will not subsequently generate any significant adverse adjustments. By default, variable payments to customers are accounted for as a deduction from net sales. Only payments made to customers in exchange for the transfer of products or services by these customers are accounted for as selling expenses, for the portion of these payments corresponding to the fair value ot the transferred products or services.

In 2018, the Group's consolidated net sales came to €5,997.2 million, up +8.6% in total compared with 2017 due to organic growth (+4.9%), changes in scope of consolidation (+7.8%) and the unfavorable impact of exchange rates (-3.9%).

The Group sells its products in mature countries as well as many new economies (Eastern Europe and Turkey in the Rest of Europe segment, Central America in the North and Central America segment, and Asia excluding Australia and South Korea, Latin America, Africa and the Middle East in the Rest of the world segment).

Net sales in these two geographical areas are as follows:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Mature countries	4,280.0	3,805.1
New economies	1,717.2	1,715.7
TOTAL	**5,997.2**	**5,520.8**

2.3 OPERATING EXPENSES

Operating expenses include the following main categories of costs:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Raw materials and component costs	(1,972.4)	(1,768.3)
Personnel costs	(1,512.3)	(1,411.3)
Other external costs	(1,060.2)	(1,001.1)
Depreciation and impairment of tangible assets	(100.9)	(99.8)
Amortization and impairment of intangible assets	(106.3)	(99.3)
Restructuring costs	(27.9)	(21.2)
Goodwill impairment	0.0	0.0
Other	(78.2)	(94.2)
OPERATING EXPENSES	**(4,858.2)**	**(4,495.2)**

"Other" primarily includes impairment losses and reversals on inventories (Note 3.4), trade receivables (Note 3.5), and provisions for contingencies (Note 4.4). In addition in 2017, "Other" included the non recurring impact of the reversal of Milestone's inventory step-up (i.e. a €(16.8) million expense).

The Group had an average of 38,377 employees in 2018 (versus 37,356 in 2017), of which 30,957 back-office employees and 7,420 front-office employees (versus 30,085 and 7,271, respectively, in 2017).

2.4 INCOME TAX EXPENSE

Income tax expense consists of the following:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Current taxes:		
France	(52.8)	(27.6)
Outside France	(188.6)	(244.6)
TOTAL	**(241.4)**	**(272.2)**
Deferred taxes:		
France	3.4	30.9
Outside France	(63.3)	17.1
TOTAL	**(59.9)**	**48.0**
Total income tax expense:		
France	(49.4)	3.3
Outside France	(251.9)	(227.5)
TOTAL	**(301.3)**	**(224.2)**

Income tax expense amounted to €(301.3) million for full-year 2018 and, once adjusted for the following non-recurring favorable impacts, €(309.7) million for full-year 2017:

- the favorable accounting impact representing respectively a €26.4 million tax income in 2017, linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France;
- the favorable accounting impact representing a €18.3 million tax income in 2017 in France, resulting from refund of tax on dividends paid since 2013, net of the exceptional income tax on companies in 2017 in France; and
- the favorable accounting impact representing a €40.8 million net tax income in 2017 linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities.

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows, based on profit before tax of €1,074.1 million in 2018 (versus €938.9 million in 2017):

	12 months ended	
(Tax rate)	December 31, 2018	December 31, 2017
Standard French income tax rate	**34.43%**	**34.43%**
Increases (reductions):		
■ Effect of foreign income tax rates	(8.92%)	(5.85%)
■ Non-taxable items	1.41%	0.40%
■ Income taxable at specific rates	(0.17%)	(0.13%)
■ Other	0.39%	2.32%
	27.14%	**31.17%**
Impact on deferred taxes of:		
■ Changes in tax rates	0.39%	(7.67%)
■ Recognition or non-recognition of deferred tax assets	0.52%	0.38%
EFFECTIVE TAX RATE	**28.05%**	**23.88%**

The effective tax rate represents 28.05% in 2018 and, once adjusted for the favorable accounting impacts mentioned above, 33.00% in 2017.

NOTE 3 – DETAILS ON NON-CURRENT AND CURRENT ASSETS

3.1 INTANGIBLE ASSETS

(in € millions)	December 31, 2018	December 31, 2017
Trademarks	1,820.1	1,810.3
Patents	92.7	81.7
Other intangible assets	396.9	402.0
NET VALUE AT THE END OF THE PERIOD	**2,309.7**	**2,294.0**

3.1.1 Trademarks with indefinite and finite useful lives

The Legrand and Bticino brands represent close to 98% of the total value of trademarks with indefinite useful lives. These trademarks with indefinite useful lives are used internationally, and therefore contribute to all of the Group's cash-generating units.

They should contribute indefinitely to future consolidated cash flows because management plans to continue using them indefinitely. The Group performs periodical reviews of these trademarks' useful lives.

Trademarks with finite useful lives are amortized over their estimated useful lives ranging:

- from 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- to 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term.

Amortization of trademarks is recognized in the income statement under administrative and selling expenses.

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	2,042.4	1,917.8
■ Acquisitions	35.5	184.3
■ Adjustments	0.0	0.0
■ Disposals	0.0	0.0
■ Translation adjustments	14.8	(59.7)
Gross value at the end of the period	**2,092.7**	**2,042.4**
Accumulated amortization and impairment at the beginning of the period	(232.1)	(220.0)
■ Amortization expense	(36.9)	(33.4)
■ Reversals	0.0	0.0
■ Translation adjustments	(3.6)	21.3
Accumulated amortization and impairment at the end of the period	**(272.6)**	**(232.1)**
NET VALUE AT THE END OF THE PERIOD	**1,820.1**	**1,810.3**

To date, no impairment has been recognized for these trademarks.

Each trademark with an indefinite useful life is tested for impairment separately, in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment tests are performed using the relief from royalty method. This method consists of measuring the royalties that the company would have to pay to license the trademark from a third party. The theoretical value of these royalties is then measured by estimating future revenue generated by the trademark over its useful life, as if the trademark were owned by a third party.

The following impairment testing parameters were used in the period ended December 31, 2018:

(in € millions)	Recoverable amount	Carrying amount of trademarks with indefinite useful lives	Value in use – Discount rate (before tax)	Value in use – Growth rate to perpetuity
	Value in use	1,408.0	9.8 to 11.1%	2.9 to 3.1%

No impairment was recognized in the period ended December 31, 2018.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes. Based on the results of these tests, a 50-basis point unfavorable change in these rates would not lead to any impairment losses being recognized on trademarks with an indefinite useful life.

The following impairment testing parameters were used in the period ended December 31, 2017:

(in € millions)	Recoverable amount	Carrying amount of trademarks with indefinite useful lives	Value in use – Discount rate (before tax)	Value in use – Growth rate to perpetuity
	Value in use	1,408.0	9.5 to 10.3%	2.9 to 3.1%

No impairment was recognized in the period ended December 31, 2017.

3.1.2 Patents

Patents can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	672.9	619.5
■ Acquisitions	17.3	67.1
■ Disposals	0.0	0.0
■ Translation adjustments	7.1	(13.7)
Gross value at the end of the period	**697.3**	**672.9**
Accumulated amortization and impairment at the beginning of the period	(591.2)	(594.7)
■ Amortization expense	(10.4)	(5.6)
■ Reversals	0.0	0.0
■ Translation adjustments	(3.0)	9.1
Accumulated amortization and impairment at the end of the period	**(604.6)**	**(591.2)**
NET VALUE AT THE END OF THE PERIOD	**92.7**	**81.7**

To date, no impairment has been recognized for these patents.

3.1.3 Other intangible assets

Other intangible assets are recognized at cost less accumulated amortization and impairment. They include in particular:

- costs incurred for development projects (relating to the design and testing of new or improved products). They are amortized from the date of sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not exceeding 10 years. Costs incurred for projects that do not meet the IAS 38 definition of an intangible asset are recorded in research and development costs for the year in which they are incurred;
- softwares, which are mostly purchased from external suppliers and generally amortized over 3 years;
- customer relationships acquired in business combinations. Corresponding to contractual relationships with key customers, they are measured using the discounted cash flow method and are amortized over a period ranging from 3 to 20 years.

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Capitalized development costs	381.1	353.0
Softwares	133.6	129.3
Other	368.2	353.0
Gross value at the end of the period	**882.9**	**835.3**
Accumulated amortization and impairment at the end of the period	(486.0)	(433.3)
NET VALUE AT THE END OF THE PERIOD	**396.9**	**402.0**

To date, no material impairment has been recognized for these items.

3.2 GOODWILL

To determine the goodwill for each business combination, the Group applies the partial goodwill method whereby goodwill is calculated as the difference between the consideration paid to acquire the business combination and the portion of the acquisition date fair value of the identifiable net assets acquired and liabilities assumed that is attributable to the Group.

Under this method no goodwill is allocated to minority interests. Changes in the percentage of interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill.

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Within the Legrand Group, the level at which goodwill is measured (cash-generating units) corresponds to individual countries or to groups of countries, when they either have similar market characteristics or are managed as a single unit.

Value in use is estimated based on discounted cash flows for the next five years and a terminal value calculated from the final year of the projection period. The cash flow data used for the calculation is taken from the most recent medium-term business plans approved by Group management. Business plan projections are based on the latest available external forecasts of trends in the Group's markets. Cash flows beyond the projection period of five years are estimated by applying a growth rate to perpetuity.

The discount rates applied derive from the capital asset pricing model. They are calculated for each individual country, based on financial market and/or data from valuation services firms (average data over the last three years). The cost of debt used in the calculations is the same for all individual countries (being equal to the Group's cost of debt).

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
France	867.3	688.0
Italy	381.5	381.5
Rest of Europe	325.0	327.2
North and Central America	2,082.5	1,911.6
Rest of the world	665.7	622.0
NET VALUE AT THE END OF THE PERIOD	**4,322.0**	**3,930.3**

France, Italy and North and Central America are each considered to be a single cash-generating unit (CGU), whereas both the Rest of Europe and Rest of the world regions include several CGUs.

In the Rest of Europe and Rest of the world regions, no final amount of goodwill allocated to a CGU represents more than 10% of total goodwill. Within these two regions, China, India and South America are the largest CGUs.

Changes in goodwill can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	3,967.8	3,159.9
■ Acquisitions	382.9	1,510.6
■ Adjustments	(42.1)	(486.0)
■ Translation adjustments	50.4	(216.7)
Gross value at the end of the period	**4,359.0**	**3,967.8**
Impairment value at the beginning of the period	(37.5)	(38.0)
■ Impairment losses	0.0	0.0
■ Translation adjustments	0.5	0.5
Impairment value at the end of the period	**(37.0)**	**(37.5)**
NET VALUE AT THE END OF THE PERIOD	**4,322.0**	**3,930.3**

Adjustments correspond to the difference between provisional and final goodwill.

Changes in goodwill for the period ended December 31, 2017 include Milestone's provisional goodwill of $723 million. Milestone's final goodwill, amounting to $722 million, is detailed as follows:

	(in $ millions)	*(in € millions)*
Trademarks	86	73
Patents	58	49
Other intangible assets	239	204
Tangible assets	25	21
Inventories	60	51
Trade receivables	71	61
Trade payables	32	27
Net financial debt	(9)	(8)
Other net liabilities	28	24
Total net assets excluding final goodwill	**488**	**416**
Purchase price paid*	1,210	1,032
Final goodwill	**722**	**616**

* *This amount, on a cash free basis, shall be read $1,201 million.*

Acquisition price allocations, which are performed within one year of each business combination, are as follows (excluding inventory step-up):

	12 months ended	
(in € millions)	**December 31, 2018**	**December 31, 2017**
Trademarks	35.5	184.3
Deferred taxes on trademarks	(7.7)	(22.4)
Patents	17.3	67.1
Deferred taxes on patents	(3.6)	(6.2)
Other intangible assets	0.0	266.5
Deferred taxes on other intangible assets	0.0	(18.9)
Tangible assets	0.0	0.0
Deferred taxes on tangible assets	0.0	0.0

The following impairment testing parameters were used in the period ended December 31, 2018:

			Value in use	
(in € millions)	**Recoverable amount**	**Carrying amount of goodwill**	**Discount rate (before tax)**	**Growth rate to perpetuity**
France		867.3	8.6%	2.0%
Italy		381.5	10.1%	2.0%
Rest of Europe	Value in use	325.0	8.1 to 19.7%	2.0 to 5.0%
North and Central America		2,082.5	9.5%	3.1%
Rest of the world		665.7	9.6 to 16.1%	2.0 to 5.0%
NET VALUE AT THE END OF THE PERIOD		**4,322.0**		

No goodwill impairment losses were identified in the period ended December 31, 2018 including for CGUs facing a difficult or uncertain macro-economic environment.

Sensitivity tests performed on the discount rates, long-term growth rates and operating margin rates showed that a 50-basis point unfavorable change in each of these three parameters would not lead to any material impairment of goodwill for any of the CGUs taken individually.

The following impairment testing parameters were used in the period ended December 31, 2017:

			Value in use	
(in € millions)	**Recoverable amount**	**Carrying amount of goodwill**	**Discount rate (before tax)**	**Growth rate to perpetuity**
France		688.0	8.4%	2.0%
Italy		381.5	9.1%	2.0%
Rest of Europe	Value in use	327.2	7.8 to 19.7%	2.0 to 5.0%
North and Central America		1,911.6	10.3%	3.2%
Rest of the world		622.0	9.1 to 15.7%	2.0 to 5.0%
NET VALUE AT THE END OF THE PERIOD		**3,930.3**		

No goodwill impairment losses were identified in the period ended December 31, 2017.

3.3 PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets; the most commonly adopted useful lives are the following:

Lightweight buildings	25 years
Standard buildings	40 years
Machinery and equipment	8 to 10 years
Tooling	5 years
Office furniture and equipment	5 to 10 years

Assets acquired under lease agreements that transfer substantially most of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease contract period and the asset's useful life determined in accordance with Group policies.

3.3.1 Changes in property, plant and equipment

	December 31, 2018				
(in € millions)	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
Gross value					
At the beginning of the period	55.6	627.7	1,746.5	306.8	2,736.6
■ Acquisitions	0.0	3.2	34.5	101.5	139.2
■ Disposals	(0.6)	(9.7)	(66.8)	(12.8)	(89.9)
■ Transfers and changes in scope of consolidation	(7.4)	10.9	94.9	(67.0)	31.4
■ Translation adjustments	0.1	0.1	(8.8)	(0.2)	(8.8)
At the end of the period	**47.7**	**632.2**	**1,800.3**	**328.3**	**2,808.5**
Depreciation and impairment					
At the beginning of the period	0.0	(414.7)	(1,505.7)	(193.8)	(2,114.2)
■ Depreciation expense	(0.7)	(19.2)	(65.0)	(15.6)	(100.5)
■ Reversals	0.0	8.2	63.2	12.7	84.1
■ Transfers and changes in scope of consolidation	0.0	(0.9)	(22.5)	3.2	(20.2)
■ Translation adjustments	0.0	(0.3)	5.4	(1.4)	3.7
At the end of the period	**(0.7)**	**(426.9)**	**(1,524.6)**	**(194.9)**	**(2,147.1)**
Net value					
At the beginning of the period	55.6	213.0	240.8	113.0	622.4
■ Acquisitions/Depreciation	(0.7)	(16.0)	(30.5)	85.9	38.7
■ Disposals/Reversals	(0.6)	(1.5)	(3.6)	(0.1)	(5.8)
■ Transfers and changes in scope of consolidation	(7.4)	10.0	72.4	(63.8)	11.2
■ Translation adjustments	0.1	(0.2)	(3.4)	(1.6)	(5.1)
At the end of the period	**47.0**	**205.3**	**275.7**	**133.4**	**661.4**

As of December 31, 2018, total property, plant and equipment includes €5.1 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less disposal costs.

	December 31, 2017				
(in € millions)	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
Gross value					
At the beginning of the period	56.9	622.5	1,721.7	300.4	2,701.5
■ Acquisitions	0.0	7.1	33.9	90.5	131.5
■ Disposals	(1.2)	(18.3)	(46.0)	(11.2)	(76.7)
■ Transfers and changes in scope of consolidation	2.4	31.4	83.9	(51.9)	65.8
■ Translation adjustments	(2.5)	(15.0)	(47.0)	(21.0)	(85.5)
At the end of the period	**55.6**	**627.7**	**1,746.5**	**306.8**	**2,736.6**
Depreciation and impairment					
At the beginning of the period	0.0	(413.2)	(1,498.3)	(192.6)	(2,104.1)
■ Depreciation expense	0.0	(18.5)	(67.1)	(14.2)	(99.8)
■ Reversals	0.0	14.4	45.1	9.9	69.4
■ Transfers and changes in scope of consolidation	0.0	(5.8)	(20.9)	(12.4)	(39.1)
■ Translation adjustments	0.0	8.4	35.5	15.5	59.4
At the end of the period	**0.0**	**(414.7)**	**(1,505.7)**	**(193.8)**	**(2,114.2)**
Net value					
At the beginning of the period	56.9	209.3	223.4	107.8	597.4
■ Acquisitions/Depreciation	0.0	(11.4)	(33.2)	76.3	31.7
■ Disposals/Reversals	(1.2)	(3.9)	(0.9)	(1.3)	(7.3)
■ Transfers and changes in scope of consolidation	2.4	25.6	63.0	(64.3)	26.7
■ Translation adjustments	(2.5)	(6.6)	(11.5)	(5.5)	(26.1)
At the end of the period	**55.6**	**213.0**	**240.8**	**113.0**	**622.4**

3.3.2 Property, plant and equipment held under finance leases

(in € millions)	December 31, 2018	December 31, 2017
Buildings	35.9	36.1
Other	0.3	0.3
Gross value at the end of the period	**36.2**	**36.4**
Less accumulated depreciation	(13.0)	(12.0)
NET VALUE AT THE END OF THE PERIOD	**23.2**	**24.4**

3.3.3 Liabilities recorded in the balance sheet arising from finance leases

(in € millions)	December 31, 2018	December 31, 2017
Long-term borrowings	6.5	8.0
Short-term borrowings	1.5	1.3
TOTAL	**8.0**	**9.3**

3.3.4 Future minimum lease payments under finance leases

(in € millions)	December 31, 2018	December 31, 2017
Due in less than one year	1.7	1.4
Due in one to two years	1.7	1.6
Due in two to three years	1.6	1.5
Due in three to four years	1.4	1.5
Due in four to five years	2.1	1.3
Due beyond five years	0.0	2.1
Gross value of future minimum lease payments	**8.5**	**9.4**
Of which accrued interest	(0.5)	(0.1)
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	**8.0**	**9.3**

3.4 INVENTORIES

Inventories are measured at the lower of cost (of acquisition or production) or net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment provisions are recognized when inventories are considered wholly or partially obsolete, and for finished goods inventories when their net realizable value is lower than their net book value.

Inventories are as follows:

(in € millions)	December 31, 2018	December 31, 2017
Purchased raw materials and components	347.6	289.7
Sub-assemblies, work in progress	98.5	87.4
Finished products	563.7	491.0
Gross value at the end of the period	**1,009.8**	**868.1**
Impairment	(123.9)	(120.7)
NET VALUE AT THE END OF THE PERIOD	**885.9**	**747.4**

3.5 TRADE RECEIVABLES

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost.

In accordance with IFRS 9, expected credit losses on trade receivables are estimated based on a provision table, by applying provision rates depending on the age of the receivables.

Furthermore, a provision can be recognized in the income statement when there is objective evidence of impairment such as:

- when a debtor has defaulted; or
- when a debtor's credit rating has been downgraded or its business environment has deteriorated.

Trade receivables can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Trade receivables	750.4	703.9
Impairment	(84.0)	(79.0)
NET VALUE AT THE END OF THE PERIOD	**666.4**	**624.9**

The Group uses factoring contracts to reduce the risk of late payments.

During 2018, a total of €494.3 million in receivables were transferred under the terms of the factoring contracts. The resulting costs were recognized in financial profit (loss) for an amount of less than €1.0 million.

The factoring contract terms qualify the receivables for derecognition under IFRS 9. The amount derecognized as of December 31, 2018 was €126.2 million (€95.2 million as of December 31, 2017).

Past-due trade receivables can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Less than 3 months past due receivables	128.5	117.6
From 3 to 12 months past due receivables	32.0	30.5
More than 12 months past due receivables	35.2	30.0
TOTAL	**195.7**	**178.1**

Provisions for impairment of past-due trade receivables amounted to €76.3 million as of December 31, 2018 (€71.0 million as of December 31, 2017). These provisions break down as follows:

(in € millions)	December 31, 2018	December 31, 2017
Provisions for less than 3 months past due receivables	13.4	13.7
Provisions for 3 to 12 months past due receivables	27.7	27.3
Provisions for more than 12 months past due receivables	35.2	30.0
TOTAL	**76.3**	**71.0**

3.6 OTHER CURRENT ASSETS

Other current assets are as follows:

(in € millions)	December 31, 2018	December 31, 2017
Employee advances	3.4	3.4
Prepayments	49.1	39.1
Taxes other than income tax	110.3	109.8
Other receivables	43.2	31.8
NET VALUE AT THE END OF THE PERIOD	**206.0**	**184.1**

These assets are valued at amortized cost.

3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity of less than three months. The other financial assets maturing in less than three months are readily convertible to known amounts of cash and are not subject to any material risk of change in value.

Cash and cash equivalents that are unavailable in the short term for the Group correspond to the bank accounts of certain subsidiaries facing complex, short-term fund repatriation conditions due mainly to regulatory reasons.

Cash and cash equivalents totaled €1,022.5 million as of December 31, 2018 (€823.0 million as of December 31, 2017) and corresponded primarily to deposits with an original maturity of less than three months. Of this amount, about €2.1 million were not available to the Group in the short term as of December 31, 2018 (€4.7 million as of December 31, 2017).

NOTE 4 – DETAILS ON NON-CURRENT AND CURRENT LIABILITIES

4.1 SHARE CAPITAL AND EARNINGS PER SHARE

Share capital as of December 31, 2018 amounted to €1,069,980,596 represented by 267,495,149 ordinary shares with a par value of €4 each, for 267,495,149 theoretical voting rights and 266,589,802 exercisable voting rights (after subtracting shares held in treasury by the Group as of this date).

As of December 31, 2018, the Group held 905,347 shares in treasury, versus 45,128 shares as of December 31, 2017, i.e. 860,219 additional shares corresponding to:

- the net acquisition of 550,000 shares outside of the liquidity contract;
- the net purchase of 310,219 shares under the liquidity contract (Note 4.1.2.2).

As of December 31, 2018, among the 905,347 shares held in treasury by the Group, 555,128 shares have been allocated according to the allocation objectives described in Note 4.1.2.1, and 350,219 shares are held under the liquidity contract.

4.1.1 Changes in share capital

Changes in share capital in 2018 were as follows:

	Number of shares	Par value	Share capital *(euros)*	Premiums *(euros)*
As of December 31, 2017	266,805,751	4	1,067,223,004	799,689,420
Exercise of options under the 2008 plan	263,189	4	1,052,756	4,264,978
Exercise of options under the 2009 plan	148,476	4	593,904	1,314,708
Exercise of options under the 2010 plan	277,733	4	1,110,932	4,832,108
Repayment of paid-in capital*				(88,886,788)
As of December 31, 2018	267,495,149	4	1,069,980,596	721,214,426

* *Portion of dividends distributed in June 2018 deducted from the premium account.*

In 2018, 689,398 shares were issued under the 2008 to 2010 stock option plans, resulting in a capital increase representing a total amount of €13.2 million (premiums included).

4.1.2 Share buybacks and transactions under the liquidity contract

As of December 31, 2018, the Group held 905,347 shares in treasury (45,128 as of December 31, 2017, out of which 5,128 under the share buyback program and 40,000 under the liquidity contract) which can be analysed as follows:

4.1.2.1 Share buybacks

As of December 31, 2018, the Group held 555,128 shares, acquired at a total cost of €35.3 million. These shares are being held for the following purposes:

- for allocation upon exercise of performance share plans (5,128 shares purchased at a cost of €0.2 million); and
- for cancellation of 550,000 shares acquired at a cost of €35.1 million.

4.1.2.2 Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF (French Financial Markets Authority) on March 22, 2005. €15.0 million in cash was allocated by the Group to the liquidity contract.

As of December 31, 2018, the Group held 350,219 shares under this contract, purchased at a total cost of €19.4 million.

During 2018, transactions under the liquidity contract led to a cash outflow of €17.0 million corresponding to the net purchase of 310,219 shares.

4.1.3 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the weighted number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated according to the treasury stock method, by dividing profit attributable to equity holders of Legrand by the weighted average number of ordinary shares outstanding during the period, plus the number of dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding used in these calculations is adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

		12 months ended	
		December 31, 2018	December 31, 2017
Net profit attributable to the Group *(in € millions)*	A	771.7	711.2
Average number of shares (excluding shares held in treasury)	B	266,878,862	266,432,980
Average dilution from:			
■ *performance shares*		*1,425,121*	*1,109,736*
■ *stock options*		*719,713*	*1,251,154*
Average number of shares after dilution (excluding shares held in treasury)	C	269,023,696	268,793,870
Number of stock options and performance share grants outstanding at the period end		2,593,923	2,829,361
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(860,219)	20,433
Shares allocated during the period under performance share plans		0	0
Basic earnings per share *(euros)*	A/B	2.892	2.669
Diluted earnings per share *(euros)*	A/C	2.869	2.646
Dividend per share *(euros)*		1.260	1.190

In 2017, net profit attributable to the Group benefited from the following non recurring favorable impacts:

- the favorable accounting impact representing respectively a €26.4 million tax income in 2017, linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France;
- the favorable accounting impact representing a €18.3 million tax income in 2017 in France, resulting from refund of tax on dividends paid since 2013, net of the exceptional income tax on companies in 2017 in France; and
- the favorable accounting impact representing a €40.8 million net tax income in 2017 linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities.

The corresponding basic earnings per share and diluted earnings per share are as follows:

		12 months ended	
		December 31, 2018	December 31, 2017
Adjusted net profit attributable to the Group *(in € millions)*	D	771.7	625.7
Adjusted basic earnings per share *(euros)*	D/B	2.892	2.348
Adjusted diluted earnings per share *(euros)*	D/C	2.869	2.328

As mentioned above, during 2018, the Group:

- acquired 550,000 shares for cancellation;
- issued 689,398 shares under stock option plans;
- purchased a net 310,219 shares under the liquidity contract.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2018, earnings per share and diluted earnings per share would have amounted to €2.895 and €2.868 respectively for the 12 months ended December 31, 2018.

During 2017, the Group:

- issued 778,377 shares under stock option plans; and
- sold a net 20,433 shares under the liquidity contract.

These movements were taken into account on an accrual basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2017, basic earnings per share and diluted earnings per share would have amounted to €2.666 and €2.640 respectively for the 12 months ended December 31, 2017.

4.2 STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS

The cost of stock options or performance shares is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under personnel costs on a straight-line basis over the vesting period with a corresponding adjustment to equity. Changes in the fair value of stock options after the grant date are not taken into account.

The expense recognized by crediting equity is adjusted at each period-end during the vesting period to take into account changes in the number of shares that are expected to be delivered to employees when the performance shares vest or the stock options are exercised.

4.2.1 Performance share plans

The following performance share plans were also approved by the Company's Board of Directors:

	2015 Plan	2016 Plan	2017 Plan	2018 Plans
Date approved by shareholders	May 24, 2013	May 24, 2013	May 27, 2016	May 27, 2016
Grant date	May 29, 2015	May 27, 2016	May 31, 2017	May 30, 2018
Total number of performance share rights initially granted	390,866(1)	498,323(1)	487,532(1)	518,900(1)
o/w to Executive Director	*14,659(1)*	*15,361(1)*	*12,388(1)*	*19,366(1)*
■ *Gilles Schnepp*	*14,659*	*15,361*	*12,388*	*0*
■ *Benoît Coquart*	*N/A*	*N/A*	*N/A*	*19,366*
Total IFRS 2 charge *(in € millions)*	16.3(2)	20.3(2)	24.8(2)	28.5(2)
End of vesting period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2021(3) June 15, 2022(4)
End of lock-up period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2023(3) June 15, 2022(4)
Number of performance shares acquired as of December 31, 2018	0	0	0	0
Number of performance share rights cancelled, forfeited or adjusted	(56,530)(5)	(19,078)	(15,961)	(2,692)
PERFORMANCE SHARE RIGHTS OUTSTANDING AS OF DECEMBER 31, 2018	**334,336**	**479,245**	**471,571**	**516,208**

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018, the number of remaining performance shares was adjusted to take into account the impact of these transactions on the interests of performance share beneficiaries in accordance with article L. 228-99 of the French Commercial Code. Moreover, the number of performance shares has been reduced following the Gilles Schnepp's decision to waive part of his entitlement to performance shares granted under the 2015 and 2016 plans.

(2) Total charge estimated at the grant date assuming a 100% achievement for each performance criteria. This charge is spread over the four years of the vesting period.

(3) Date applicable to the executive officer and members of the Executive Committee.

(4) Date applicable to beneficiaries other than the executive officer and members of the Executive Committee.

(5) Including the number of performance shares adjusted for the performance criteria fulfillment at 90.8%.

4.2.1.1 2015, 2016 and 2017 performance share plans

The final number of shares ultimately granted to beneficiaries is determined based on a service condition and several performance criteria. The vesting period is four years.

Type of performance criteria	Description of performance criteria	Weight of performance criteria by plan 2015	2016-2017
"External" financial performance criterion	Comparison between the arithmetic mean of Legrand's consolidated EBITDA margin over a three-year period as published in the consolidated financial statements and the arithmetic mean of EBITDA margins achieved by companies forming part of the MSCI World Capital Goods index over the same period.	1/2	1/3
"Internal" financial performance criterion	Arithmetic mean of levels of normalized free cash flow as a percentage of sales over a three-year period, as published in the consolidated financial statements.	1/2	1/3
Non-financial performance criterion	Arithmetic mean of average rate of attainment of Group CSR Roadmap priorities over a three-year period.	N/A	1/3

The number of shares ultimately granted to beneficiaries is calculated as follows:

"External" financial performance criterion

Pay-out rate[1]	0%	100%	150%
Average gap in EBITDA margin in Legrand's favor between Legrand and the MSCI average over a three-year period	**2015 Plan:**	**2015 Plan:**	**2015 Plan:**
	4 points or less	8.3 points	10.5 points or more
	2016 Plan:	**2016 Plan:**	**2016 Plan:**
	3.5 points or less	7.8 points	10.0 points or more
	2017 Plan:	**2017 Plan:**	**2017 Plan:**
	3.1 points or less	7.4 points	9.6 points or more

(1) For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way.

"Internal" financial performance criterion

Pay-out rate[1]	0%	100%	150%
Average normalized free cash flow as a percentage of sales over a three-year period	**2015 Plan:**	**2015 Plan:**	**2015 Plan:**
	9.4% or less	12.8%	14.5% or more
	2016 Plan:	**2016 Plan:**	**2016 Plan:**
	8.8% or less	12.2%	13.9% or more
	2017 Plan:	**2017 Plan:**	**2017 Plan:**
	8.6% or less	12.0%	13.7% or more

(1) For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way.

Non-financial performance criterion (applicable to the 2016 and 2017 performance share plans)

Applicable to beneficiaries with the exception of the Executive Director					
Pay-out rate(1)	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	Capped at 150%
Average rate of achievement of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%
Applicable to the Executive Director					
Pay-out rate(1)	0%	Between 70% and 90%	Between 90% and 97%	Between 97% and 150%	Capped at 150%
Average rate of achievement of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 90%	Between 90% and 125%	Between 125% and 213%	Above 213%

(1) For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way.

4.2.1.2 2018 performance share plans

The final number of shares granted to beneficiaries is determined on the condition that the beneficiary is present within the Group at the expiry of vesting period and several performance criteria.

For the executive officer and members of the Executive Committee, the vesting period is three years, with an additional two-year holding period; for other beneficiaries, the vesting period is four years, with no holding period.

Performance criteria applicable to the executive officer and members of the Executive Committee

The performance criteria applicable to the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target of organic growth of revenues	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Target of adjusted operating margin before acquisitions(1)	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Annual rates of achievements of the Group's CSR roadmap	Target: arithmetic average over three years of the annual rates of achievement of the Group's CSR roadmap.	1/4
Legrand stock market performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand stock market price and that of the CAC 40 index over a three-year period.	1/4

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

8

The number of shares ultimately granted to beneficiaries is calculated as follows:

Criterion of organic growth of revenues

Pay-out rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than (LR(2) - 2 points)	Between (LR(2) - 2 points) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 2 points)	Higher than (UR(3) + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the three-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponds to the three-year average of the upper ranges of the annual target disclosed to the market.

Criterion of adjusted operating margin before acquisitions

Pay-out rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than (LR(2) - 50 bps)	Between (LR(2) - 50 bps) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 50 bps)	Higher than (UR(3) + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the 3-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponds to the 3-year average of the upper ranges of the annual target disclosed to the market.

Annual rate of achievement of the Group's CSR roadmap

Pay-out rate(1)	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Over 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

Legrand stock market performance

Pay-out rate(1)	0%	30%	Between 30% and 150%	150%
Difference in performance between the Legrand stock market price and that of the CAC 40 index(2)	Lower than 0 point	Equal to 0 point	Between 0 point and 15 points	Higher than 15 points

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) For the 2018 plan, the three-year performance will be measured on the 2018-2020 period with the following calculation method:

- *Legrand stock market performance: comparison of the average daily closing prices of the second half of the third year of the plan (second half of 2020) with the average daily closing market prices of the second half of the year preceding the first year of the plan (second half of 2017), i.e., €61.30;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing indices of the second half of the third year of the plan (second half of 2020) with the average closing indices of the CAC 40 index of the second half of the year preceding the first year of the plan (second half of 2017), i.e.5,275.8 points.*

The difference between these two performances will be measured by the points gap between the percentage of change in the Legrand share price and the percentage of change in the CAC 40 index.

Performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee

The performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target of organic growth of revenues	The target to be reached for this criterion, set annually corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Target of adjusted operating margin before acquisitions(1)	The target to be reached for this criterion, set annually, corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Annual rates of achievement of the Group's CSR roadmap	The annual rate of achievement corresponds to the rate of achievement of the CSR annual roadmap. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of attainment.	1/3

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

The number of shares ultimately granted to beneficiaries is calculated as follows:

Criterion of organic growth of revenues

Annual rate of achievement(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR(2) - 2 points)	Between (LR(2) - 2 points) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 2 points)	Above (UR(3) + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

Criterion of adjusted operating margin before acquisitions

Annual rate of achievement(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR(2) - 50 bps)	Between (LR(2) - 50 bps) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 50 bps)	Above (UR(3) + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

Target for annual achievements of the Group's roadmap objectives

Annual rate of achievement(1)	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Annual rates of achievement of the Group's CSR roadmap	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

The final pay-out rate for each criterion corresponds to the arithmetic average over a three-year period of the annual achievement rates.

If all the performance shares from the 2015 to 2018 plans were to vest according to the target allocation before application of the performance criteria (i.e. 1,801,360 shares), the Company's capital would be diluted by 0.7% as of December 31, 2018.

4.2.2 Stock option plans

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2008 Plan	2009 Plan	2010 Plan
Date approved by shareholders	May 15, 2007	May 15, 2007	May 15, 2007
Grant date	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options granted	2,024,675(1)	1,192,949(1)	3,283,257(1)
o/w to Executive Directors	*142,738(1)*	*95,459(1)*	*222,807(1)*
■ *Gilles Schnepp*	*72,824(1)*	*48,711(1)*	*137,537(1)*
■ *Olivier Bazil*	*69,914(1)*	*46,748(1)*	*85,270(1)*
Start of exercise period	March 6, 2012	March 5, 2013	March 5, 2014
Expiry of exercise period	March 5, 2018	March 4, 2019	March 4, 2020
Exercise price	€20.21(1) Average closing price over the 20 trading days preceding the grant date	€12.82(1) Average closing price over the 20 trading days preceding the grant date	€21.32(1) Average closing price over the 20 trading days preceding the grant date
Exercise terms (plans comprising several tranches)	(2)(3)	(2)(3)	(2)(3)
Number of options exercised as of December 31, 2018	(1,880,609)	(992,360)	(2,341,653)
Number of options cancelled or forfeited	(144,066)	(108,813)	(240,817)
Stock options outstanding as of December 31, 2018	**0**	**91,776**	**700,787**

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018, the number and exercise price of stock options were adjusted to take into account the impact of these transactions on the interests of stock option beneficiaries, in accordance with article L. 228-99 of the French Commercial Code.

(2) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(3) All these plans were subject to performance conditions (see Note 12 to the consolidated financial statements for the 12 months ended December 31, 2014).

The weighted average market price of the Company stock upon exercise of stock options in 2018 was €62.92.

If all these options were to be exercised (i.e. 792,563 options), the Company's capital would be diluted at most by 0.3% (which is a maximum dilution as it does not take into account the exercise price of these options) as of December 31, 2018.

4.2.3 Share-based payments: IFRS 2 charges

In accordance with IFRS 2, a charge of €22.9 million was recorded in 2018 (€13.1 million in 2017) for all of these plans combined. See also Note 4.5.2 for cash-settled long-term employee benefit plans implemented from 2013.

4.3 RETAINED EARNINGS AND TRANSLATION RESERVES

4.3.1 Retained earnings

The Group's consolidated retained earnings as of December 31, 2018 amounted to €4,051.8 million.

As of the same date, the Company had retained earnings including profit for the period of €889.3 million available for distribution.

4.3.2 Translation reserves

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under "Translation reserves", until such potential time as the Group no longer controls the entity.

Translation reserves record the impact of fluctuations in the following currencies:

(in € millions)	December 31, 2018	December 31, 2017
US dollar	(47.0)	(189.7)
Other currencies	(483.6)	(383.5)
TOTAL	**(530.6)**	**(573.2)**

The Group operates in more than 90 countries. It is mainly exposed to a dozen currencies other than the euro and US dollar, including the Indian rupee, Chinese yuan, Brazilian real, British pound, Russian ruble, Australian dollar, Mexican peso, Turkish lira and Chilean peso.

Under IFRS 9, non-derivative financial instruments may be designated as hedges only when they are used to hedge foreign currency risk and provided that they qualify for hedge accounting.

Accordingly, in the case of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized in equity.

Consequently, unrealized foreign exchange gains and losses on US dollar-denominated 8½% Debentures (Yankee bonds) are recognized in translation reserves. Losses on these bonds recognized in translation reserves in 2018 amounted to €15.5 million, resulting in a net negative balance of €61.3 million as of December 31, 2018.

In addition, to hedge a portion of the net investment in British pounds, the Group has entered into a derivative contract. Foreign exchange gains and losses on this derivative financial instrument are recognized in translation reserves. Gains on this derivative financial instrument recognized in translation reserves in 2018 amounted to €1.1 million, resulting in a net positive balance of €18.4 million as of December 31, 2018.

Finally, in accordance with IAS 21, translation gains and losses on receivables or payables considered as part of a net investment in a foreign Group entity are recognized in translation reserves. Losses recognized in translation reserves in 2018 amounted to €2.5 million, resulting in a net positive balance of €5.3 million as of December 31, 2018.

4.4 PROVISIONS

Changes in provisions in 2018 are as follows:

	December 31, 2018					
(in € millions)	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	Total
At beginning of period	29.1	68.7	27.2	15.9	83.0	223.9
Changes in scope of consolidation	0.9	0.0	0.3	0.1	1.3	2.6
Increases	23.8	28.1	7.5	17.1	17.3	93.8
Utilizations	(6.3)	(6.7)	(1.5)	(7.8)	(31.9)	(54.2)
Reversals of surplus provisions	(2.6)	(21.7)	(1.5)	(1.0)	(4.9)	(31.7)
Reclassifications	(0.1)	1.0	(0.5)	0.0	2.1	2.5
Translation adjustments	(0.2)	0.0	(1.3)	(0.2)	(2.1)	(3.8)
AT END OF PERIOD	**44.6**	**69.4**	**30.2**	**24.1**	**64.8**	**233.1**
Of which non-current portion	*29.4*	*36.8*	*18.1*	*3.2*	*57.7*	*145.2*

"Other" includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefit plans described in Note 4.5.2 for an amount of €33.9 million as of December 31, 2018 (see also consolidated statement of changes in equity for performance share plans described in Note 4.2.1).

"Other" also includes a €7.4 million provision for environmental risks as of December 31, 2018, mainly to cover estimated depollution costs related to property assets held for sale.

Changes in provisions in 2017 were as follows:

	December 31, 2017					
(in € millions)	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	Total
At beginning of period	21.0	55.4	26.3	13.3	93.8	209.8
Changes in scope of consolidation	2.4	0.0	0.2	1.5	0.6	4.7
Increases	13.1	27.5	4.5	13.3	27.0	85.4
Utilizations	(5.7)	(5.2)	(0.8)	(9.2)	(30.5)	(51.4)
Reversals of surplus provisions	(1.1)	(9.8)	0.0	(0.5)	(4.0)	(15.4)
Reclassifications	0.4	2.2	0.0	(1.5)	0.3	1.4
Translation adjustments	(1.0)	(1.4)	(3.0)	(1.0)	(4.2)	(10.6)
AT END OF PERIOD	**29.1**	**68.7**	**27.2**	**15.9**	**83.0**	**223.9**
Of which non-current portion	*14.9*	*37.9*	*19.1*	*1.6*	*75.1*	*148.6*

"Other" includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefits plans for an amount of €53.3 million as of December 31, 2017.

"Other" also includes a €8.6 million provision for environmental risks as of December 31, 2017 to cover mainly estimated depollution costs related to property assets held for sale.

4.5 PROVISION FOR POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE BENEFITS

4.5.1 Pension and other post-employment benefit obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are recognized as an expense for the period of payment. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The past service cost arising from changes to pension benefit plans is expensed in full as incurred.

In accordance with IAS 19, the Group recognizes all actuarial gains and losses outside profit or loss, in the consolidated statement of comprehensive income.

Defined benefit obligations are calculated using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

Some Group companies provide post-employment healthcare benefits to their retirees. Entitlement to these benefits is usually conditional on the employee remaining with one of these Group companies up to retirement age and completion of a minimum service period. These benefits are treated as post-employment benefits under the defined benefit scheme.

Pension and other post-employment defined benefit obligations can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
France (Note 4.5.1.2)	85.4	90.5
Italy (Note 4.5.1.3)	35.4	38.1
United Kingdom (Note 4.5.1.4)	99.9	100.4
United States (Note 4.5.1.5)	72.5	76.1
Other countries	39.6	38.6
TOTAL PENSION AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	**332.8**	**343.7**

The total amount of defined benefit obligations was €332.8 million as of December 31, 2018 (€343,7 million as of December 31, 2017) and is analyzed in Note 4.5.1.1.

4.5.1.1 Analysis of pension and other post-employment defined benefit obligations

The total (current and non-current) obligation under the Group's pension and other post-employment defined benefit plans, consisting primarily of plans in France, Italy, the United States and United Kingdom, is as follows:

(in € millions)	December 31, 2018	December 31, 2017
Defined benefit obligation		
Projected benefit obligation at beginning of period	343.7	356.8
Service cost	8.3	9.3
Interest cost	8.6	9.3
Benefits paid or unused	(22.3)	(20.5)
Employee contributions	0.4	0.3
Actuarial losses/(gains)	(7.7)	5.4
Curtailments, settlements, special termination benefits	0.0	0.0
Translation adjustments	1.7	(17.4)
Other	0.1	0.5
PROJECTED BENEFIT OBLIGATION AT END OF PERIOD	**332.8**	**343.7**
Fair value of plan assets		
Fair value of plan assets at beginning of period	182.2	182.7
Expected return on plan assets	5.5	5.6
Employer contributions	7.5	8.2
Employee contributions	0.7	0.7
Benefits paid	(13.2)	(13.6)
Actuarial (losses)/gains	(9.2)	13.0
Translation adjustments	2.8	(14.5)
Other	0.0	0.1
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**176.3**	**182.2**
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**160.5**	**161.5**
Current liability	4.6	7.9
Non-current liability	155.9	153.6
Non-current asset	**4.0**	**0.0**

Actuarial losses recognized in equity in 2018 amounted to €1.5 million.

The €1.5 million actuarial losses resulted from:

- €0.3 million in gains from changes in financial assumptions;
- €0.6 million in gains from changes in demographic assumptions; and
- €2.4 million in experience losses.

The discount rates used are determined by reference to the yield on high-quality bonds based on the following benchmark indices:

- Euro zone: iBoxx € Corporates AA 10+;
- United Kingdom: iBoxx £ Corporates AA 15+;
- United States: Citigroup Pension Liability Index.

Sensitivity tests were performed on:

- the discount rate. According to the results of these tests, a 50-basis point reduction in the rate would lead to the recognition of additional actuarial losses of around €28.0 million and would increase the provision as of December 31, 2018 by the same amount;
- the rate of future salary increases. According to the results of these tests, a 50-basis point increase in the rate would lead to the recognition of additional actuarial losses of around €9.4 million and would increase the provision as of December 31, 2018 by the same amount.

Discounted future payments for the Group's pension and other post-employment benefit plans are as follows:

(in € millions)	
2019	16.1
2020	13.8
2021	14.5
2022	14.5
2023 and beyond	273.9
TOTAL	**332.8**

The impact of service costs and interest costs on profit before tax for the period is as follows:

	12 months ended	
(in € millions)	December 31, 2018	December 31, 2017
Service cost	(8.3)	(9.3)
Net interest cost*	(3.1)	(3.7)
TOTAL	**(11.4)**	**(13.0)**

* *The expected return on assets and interest costs are presented as a net amount in financial expenses.*

The weighted average allocation of pension plan assets is as follows as of December 31, 2018:

(as a percentage)	France	United Kingdom	United States	Weighted total
Equity instruments		50.2	42.0	46.2
Debt instruments		43.5	57.1	50.0
Insurance funds	100.0	6.3	0.9	3.8
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

These assets are marked to market.

4.5.1.2 *Provisions for retirement benefits and supplementary pension benefits in France*

The provisions recorded in the consolidated balance sheet concern the unvested entitlements of active employees. The Group has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

The main defined benefit plan applicable in France concerns statutory length-of-service awards, under which all retiring employees are eligible for a lump-sum payment calculated according to their length of service. This payment is defined either in the collective bargaining agreement to which their company is a party or in a separate company-level agreement, whichever is more advantageous to the employee. The amount generally varies depending on the employee category (manager/non-manager).

In France, provisions recorded in the consolidated balance sheet amounted to €85.2 million as of December 31, 2018 (€90.4 million as of December 31, 2017) corresponding to the difference between the projected benefit obligation of €85.4 million as of December 31, 2018 (€90.5 million as of December 31, 2017) and the fair value of the related plan assets of €0.2 million as of December 31, 2018 (€0.1 million as of December 31, 2017).

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation in 2018 was based on a salary increase rate of 2.8%, a discount rate and an expected return on plan assets of 1.9% (respectively 2.8% and 1.5% in 2017).

4.5.1.3 Provisions for termination benefits in Italy

In Italy, a termination benefit is awarded to employees regardless of the reason for their departure.

Since January 1, 2007, such benefits have been paid either into an independently managed pension fund or to the Italian social security service (INPS). As from that date, the Italian termination benefit plans have been qualified as defined contribution plans under IFRS.

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, based on revised actuarial estimates that exclude the effect of future salary increases.

The resulting provisions for termination benefits, which correspond to the obligation as of December 31, 2006 plus the ensuing actuarial revisions, amounted to €35.4 million as of December 31, 2018 (€38.1 million as of December 31, 2017).

The calculation in 2018 was based on a discount rate of 1.6% (1.3% in 2017).

4.5.1.4 Provisions for retirement benefits and other post-employment benefits in the United Kingdom

The UK plan is a trustee-administered plan governed by article 153 of the 2004 Finance Act, and is managed in a legal entity outside of the Group.

Benefits are paid directly out of funds consisting of contributions paid by the company and by plan participants.

The plan has been closed to new entrants since May 2004.

Active plan participants account for 2.0% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 40.3% and retired participants for 57.7%.

The provisions recorded in the consolidated balance sheet amounted to €17.8 million as of December 31, 2018 (€13.3 million as of December 31, 2017), corresponding to the difference between the projected benefit obligation of €99.9 million as of December 31, 2018 (€100.4 million as of December 31, 2017) and the fair value of the related plan assets of €82.1 million as of December 31, 2018 (€87.1 million as of December 31, 2017).

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation in 2018 was based on a salary increase rate of 4.5%, a discount rate and an expected return on plan assets of 2.9% (respectively 4.2% and 2.7% in 2017).

4.5.1.5 Provisions for retirement benefits and other post-employment benefits in the United States

In the United States, the Group provides pension benefits for employees and health care and life insurance for certain retired employees.

The Legrand North America Retirement Plan is covered by a plan document in force since January 2002 that was last amended in January 2008. The minimum funding requirement is determined based on Section 430 of the Internal Revenue Code.

To meet its obligations under the plan, the Group has set up a trust with Prudential Financial, Inc. The trust assets include several different investment funds. The current trustee is Legrand North America. The Wiremold Company is the Plan Administrator and the Custodian is Prudential Financial, Inc.

The plan has been closed to new entrants since August 2006 for salaried employees and since April 2009 for hourly employees. Since January 1st., 2018, active plan participants can no longer cumulate new rights.

Active plan participants account for 30.8% of the projected benefit obligation, other participants who are no longer accumulating benefit entitlements for 14.9% and retired participants for 54.3%.

The funding policy consists of ensuring that the legal minimum funding requirement is met at all times.

The provisions recorded in the consolidated balance sheet amounted to €0.0 million as of December 31, 2018 (€0.0 million as of December 31, 2017), reflecting the fact that the fair value of the plan assets is higher than the value of the projected benefit obligation.

The calculation in 2018 was based on a discount rate and an expected return on plan assets of 4.3% (3.6% in 2017).

4.5.2 Other long-term employee benefits

The Group implemented cash-settled long-term employee benefit plans for employees deemed to be key for the Group, subject to the grantees' continued presence within the Group after a vesting period of three years.

In addition to the grantee still being present within the Group, the plans can, in certain cases, depend on the Group's achievement of future economic performance conditions which may or may not be indexed to the share price.

Plans indexed to the share price are cash-settled and thus, in accordance with IFRS 2, the corresponding liability has been recorded in the balance sheet and will be remeasured at each period-end until the transaction is settled.

The other plans qualify as long-term employee benefit plans, with a corresponding provision recognized in compliance with IAS 19.

During 2018, a net expense of €(7.0) million was recognized in operating profit in respect to these plans. As mentioned in Note 4.4, the resulting provision amounted to €33.9 million as of December 31, 2018 (including payroll taxes). See also Notes 4.2.1 for performance share plans and Note 4.2.3 for IFRS 2 charges accounted for in the period.

4.6 LONG-TERM AND SHORT-TERM BORROWINGS

The Group actively manages its debt through diversified sources of financing available to support its medium-term business growth while guaranteeing a robust financial position over the long term.

Bonds

In March 2011, the Group carried out a €400.0 million 4.375% seven-year bond issue. The bonds were redeemed at maturity on March 21, 2018.

In April 2012, the Group carried out a €400.0 million 3.375% ten-year bond issue. The bonds will be redeemable at maturity on April 19, 2022.

In December 2015, the Group carried out a €300.0 million 1.875% twelve-year bond issue. The bonds will be redeemable at maturity on December 16, 2027.

In July 2017, the Group carried out a bond issue for a total of €1.0 billion, in two tranches of €500.0 million each, with maturities of 7 and 15 years. The respective maturity dates of these two tranches are July 6, 2024 and July 6, 2032 and their annual coupons are respectively 0.750% and 1.875%.

In October 2017, the Group carried out a €400.0 million 0.5% six-year bond issue. The bonds will be redeemable at maturity on October 9, 2023.

In March 2018, the Group carried out a €400.0 million 1.0% eight-year bond issue. The bonds will be redeemable at maturity on March 6, 2026.

Yankee bonds

On February 14, 1995, Legrand France issued $400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on Yankee bonds is payable semi-annually on February 15 and August 15 of each year, beginning August 15, 1995.

In December 2013, a number of Yankee bondholders offered to sell their securities to the Group. Acting on this offer, the Group decided to acquire Yankee bonds with an aggregate face value of $6.5 million. The acquired debentures were subsequently cancelled.

2011 Credit Facility

In October 2011, the Group signed an agreement with six banks to set up a €900.0 million revolving multicurrency facility (2011 Credit Facility) utilizable through drawdowns. The five-year facility may be extended for two successive one-year periods.

In July 2014, the Group signed an agreement that amends and extends the Credit Facility finalized in October 2011 with all banks party to this contract. This agreement extends the maximum maturity of the €900.0 million revolving credit line by three years, i.e. up to July 2021, including two successive one-year period extension options, and at improved financing terms compared with October 2011.

Drawdowns are subject to an interest rate equivalent to Euribor/ Libor plus a margin determined on the basis of the Group's credit rating.

In addition, the 2011 Credit Facility does not contain any covenants.

As of December 31, 2018, the Credit Facility had not been drawn down.

4.6.1 Long-term borrowings

Long-term borrowings are initially recognized at fair value, taking into account any transaction costs directly attributable to their issue, and are subsequently measured at amortized cost, using the effective interest method.

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Bonds	2,500.0	2,100.0
Yankee bonds	340.4	324.4
Other borrowings	93.8	47.2
Long-term borrowings excluding debt issuance costs	**2,934.2**	**2,471.6**
Debt issuance costs	(15.6)	(14.5)
TOTAL	**2,918.6**	**2,457.1**

No guarantees have been given with respect to these borrowings.

Long-term borrowings (excluding debt issuance costs) break down by currency as follows, after hedging (see Note 5.1.2.2):

(in € millions)	December 31, 2018	December 31, 2017
Euro	2,455.8	2,027.9
US dollar	373.2	327.8
Other currencies	105.2	115.9
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**2,934.2**	**2,471.6**

Long-term borrowings (excluding debt issuance costs) as of December 31, 2018 can be analyzed by maturity as follows:

(in € millions)	Bonds	*Yankee* bonds	Other borrowings
Due in one to two years	0.0	0.0	14.6
Due in two to three years	0.0	0.0	25.8
Due in three to four years	400.0	0.0	42.1
Due in four to five years	400.0	0.0	11.2
Due beyond five years	1,700.0	340.4	0.1
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**2,500.0**	**340.4**	**93.8**

Long-term borrowings (excluding debt issuance costs) as of December 31, 2017 can be analyzed by maturity as follows:

(in € millions)	Bonds	*Yankee* bonds	Other borrowings
Due in one to two years	0.0	0.0	10.6
Due in two to three years	0.0	0.0	12.3
Due in three to four years	0.0	0.0	11.0
Due in four to five years	400.0	0.0	11.2
Due beyond five years	1,700.0	324.4	2.1
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**2,100.0**	**324.4**	**47.2**

Average interest rates on borrowings are as follows:

	12 months ended	
	December 31, 2018	December 31, 2017
Bonds	1.65%	2.34%
Yankee bonds	8.50%	8.50%
Other borrowings	2.87%	2.68%

4.6.2 Short-term borrowings

Short-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Bonds	0.0	400.0
Negotiable commercial paper	363.5	120.0
Other borrowings	37.0	65.4
TOTAL	**400.5**	**585.4**

4.6.3 Changes in long-term and short-term borrowings

Changes in long-term and short-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2018	Cash flows	Variations not impacting cash flows: Acquisitions	Reclassifications	Translation adjustments	Other	December 31, 2017
Long-term borrowings	2,918.6	420.0	2.6	(5.0)	15.7	28.2	2,457.1
Short-term borrowings	400.5	(156.3)	4.4	5.0	0.2	(38.2)	585.4
GROSS FINANCIAL DEBT	**3,319.1**	**263.7**	**7.0**	**0.0**	**15.9**	**(10.0)**	**3,042.5**

4.7 DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The recognized deferred tax assets are expected to be utilized no later than five years from the period-end.

Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Deferred taxes recorded by French companies	(220.6)	(222.9)
Deferred taxes recorded by foreign companies	(372.6)	(294.2)
TOTAL	**(593.2)**	**(517.1)**
Origin of deferred taxes:		
■ Impairment losses on inventories and receivables	54.7	49.5
■ Margin on inventories	23.1	22.0
■ Recognized operating losses carried forward	9.8	8.4
■ Finance leases	(3.1)	(3.3)
■ Fixed assets	(205.4)	(166.9)
■ Trademarks	(445.8)	(441.1)
■ Patents	(9.9)	(7.0)
■ Other provisions	(9.1)	22.9
■ Pensions and other post-employment benefits	31.1	31.7
■ Fair value adjustments to derivative instruments	(0.9)	(1.0)
■ Other	(37.7)	(32.3)
TOTAL	**(593.2)**	**(517.1)**
■ of which deferred tax assets	107.8	104.0
■ of which deferred tax liabilities	(701.0)	(621.1)

Short- and long-term deferred taxes can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Deferred taxes – short-term	91.2	83.3
Deferred taxes – long-term	(684.4)	(600.4)
TOTAL	**(593.2)**	**(517.1)**

Tax losses carried forward break down as follows:

(in € millions)	December 31, 2018	December 31, 2017
Recognized operating losses carried forward	**61.7**	**38.2**
Recognized deferred tax assets	9.8	8.4
Unrecognized operating losses carried forward	**99.7**	**105.1**
Unrecognized deferred tax assets	20.1	20.4
Total net operating losses carried forward	**161.4**	**143.3**

4.8 OTHER CURRENT LIABILITIES

Other current liabilities can be analyzed as follows:

(in € millions)	December 31, 2018	December 31, 2017
Taxes other than income tax	76.1	75.1
Accrued employee benefits expense	260.6	253.1
Statutory and discretionary profit-sharing reserve	25.8	28.1
Payables related to fixed asset purchases	24.3	22.0
Accrued expenses	120.4	104.3
Accrued interest	32.9	42.8
Deferred revenue	25.4	22.0
Other current liabilities	39.7	36.3
TOTAL	**605.2**	**583.7**

NOTE 5 – OTHER INFORMATION

5.1 FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

5.1.1 Financial instruments

5.1.1.1 Impact of financial instruments

	12 months ended				
	December 31, 2018			December 31, 2017	
		Impact on equity			
	Impact on financial profit (loss)	Fair value	Translation adjustment	Impact on financial profit (loss)	Impact on equity
Other investments		4.8		0.0	0.0
Trade receivables	(0.9)			(0.8)	0.0
Cash and cash equivalents	10.9		(1.8)	11.1	(66.1)
Trade payables				0.0	0.0
Borrowings	(74.2)		(15.5)	(80.0)	44.9
Derivatives	8.5		1.1	1.9	3.9
TOTAL	**(55.8)**	**4.8**	**(16.2)**	**(67.8)**	**(17.3)**

In accordance with IFRS 9, other investments are valued at fair value through equity. Therefore, changes in the fair value of other investments only impact the consolidated balance sheet and the consolidated statement of comprehensive income.

Yankee bonds denominated in US dollars and the derivative financial instrument denominated in British pounds are treated as net investment hedges (see Note 4.3.2).

5.1.1.2 Breakdown of balance sheet items by type of financial instrument

	December 31, 2018						December 31, 2017
				Levels of valuation			
(in € millions)	Carrying amount	Amortized cost	Fair value	Level 1[(1)]	Level 2[(2)]	Level 3[(3)]	Carrying amount
ASSETS							
Non-current assets							
Other investments	2.1		2.1			2.1	19.6
Other non-current assets	14.3	10.3	4.0		14.3		10.0
TOTAL NON-CURRENT ASSETS	**16.4**	**10.3**	**6.1**	**0.0**	**14.3**	**2.1**	**29.6**
Current assets							
Trade receivables	666.4	666.4			666.4		624.9
Other current financial assets	1.2		1.2		1.2		1.1
Cash and cash equivalents	1,022.5		1,022.5		1,022.5		823.0
TOTAL CURRENT ASSETS	**1,690.1**	**666.4**	**1,023.7**	**0.0**	**1,690.1**	**0.0**	**1,449.0**
EQUITY AND LIABILITIES							
Non-current liabilities							
Long-term borrowings	2,918.6	52.9	3,035.9	3,025.4	52.9	10.5	2,457.1
TOTAL NON-CURRENT LIABILITIES	**2,918.6**	**52.9**	**3,035.9**	**3,025.4**	**52.9**	**10.5**	**2,457.1**
Current liabilities							
Short-term borrowings	400.5	400.5	0.0	0.0	400.5	0.0	585.4
Trade payables	662.0	662.0			662.0		612.9
Other current financial liabilities	1.4		1.4		1.4		0.8
TOTAL CURRENT LIABILITIES	**1,063.9**	**1,062.5**	**1.4**	**0.0**	**1,063.9**	**0.0**	**1,199.1**

(1) Level 1: quoted prices on an active market;

(2) Level 2: calculations made from directly observable market data.

(3) Level 3: calculations made from non-observable market data.

In accordance with IFRS 13, fair value measurement takes counterparty default risk into account.

In light of the Group's credit rating, the measurement of other current financial liabilities is subject to insignificant credit risk.

5.1.2 Management of financial risks

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving derivative financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department which recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group management. A detailed reporting system has been set up to enable permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

5.1.2.1 Interest rate risk

As part of an interest rate risk management policy aimed mainly at managing the risk of a rate increase, the Group has structured its debt into a combination of fixed and variable rate financing.

Net debt (excluding debt issuance costs) breaks down as follows between fixed and variable interest rates before the effect of hedging instruments:

	December 31, 2018							December 31, 2017
(in € millions)	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years	Total	Total
Financial assets*								
Fixed rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variable rate	1,022.5	0.0	0.0	0.0	0.0	0.0	1,022.5	823.0
Financial liabilities**								
Fixed rate	(6.4)	(10.2)	(20.3)	(428.2)	(411.1)	(2,040.5)	(2,916.7)	(2,868.2)
Variable rate	(394.1)	(4.4)	(5.5)	(13.9)	(0.1)	0.0	(418.0)	(188.8)
Net exposure								
Fixed rate	(6.4)	(10.2)	(20.3)	(428.2)	(411.1)	(2,040.5)	(2,916.7)	(2,868.2)
Variable rate	628.4	(4.4)	(5.5)	(13.9)	(0.1)	0.0	604.5	634.2

* *Financial assets: cash and marketable securities.*

** *Financial liabilities: borrowings (excluding debt issuance costs).*

The following table shows the sensitivity of net debt costs to changes in interest rates, before hedging instruments:

	December 31, 2018		December 31, 2017	
(in € millions)	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
Impact of a 100-bps increase in interest rates	6.7	6.7	5.4	5.4
Impact of a 100-bps decrease in interest rates	(8.6)	(8.6)	(8.3)	(8.3)

The impact of a 100-basis point increase in interest rates would result in a gain of €6.7 million due to a net positive variable-rate exposure. Conversely, the impact of a 100-basis point decrease in interest rates would result in a loss of €8.6 million.

5.1.2.2 Foreign currency risk

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

When relevant, "natural" hedges are preferred. If required, when the acquisition of an asset is financed using a currency other than the functional currency of the country concerned, the Group may enter into forward contracts to hedge its foreign currency risk.

As of December 31, 2018, the Group has set up forward contracts in US dollars, British pounds and Mexican pesos which are accounted for in the balance sheet at their fair value.

8

The following table shows the breakdown of net debt (excluding debt issuance costs) by reporting currency:

	December 31, 2018					December 31, 2017
(in € millions)	Financial assets*	Financial liabilities**	Net exposure before hedging	Hedging	Net exposure after hedging	Net exposure after hedging
Euro	608.6	(2,964.2)	(2,355.6)	22.4	(2,333.2)	(2,331.9)
US dollar	164.1	(348.3)	(184.2)	(29.6)	(213.8)	(144.4)
Other currencies	249.8	(22.2)	227.6	7.2	234.8	242.3
TOTAL	**1,022.5**	**(3,334.7)**	**(2,312.2)**	**0.0**	**(2,312.2)**	**(2,234.0)**

* *Financial assets: cash and marketable securities.*

** *Financial liabilities: borrowings (excluding debt issuance costs).*

The following table shows the sensitivity of gross debt to changes in the exchange rate of the euro against other currencies, before hedging instruments:

	December 31, 2018		December 31, 2017	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
(in € millions)	10% increase		10% increase	
US dollar	0.1	34.4	0.0	32.8
Other currencies	0.2	2.0	0.1	2.2

	December 31, 2018		December 31, 2017	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
(in € millions)	10% decrease		10% decrease	
US dollar	(0.1)	(31.3)	(0,0)	(29.8)
Other currencies	(0.2)	(1.9)	(0.1)	(2.0)

Operating assets and liabilities break down as follows by reporting currency:

	December 31, 2018			December 31, 2017
(in € millions)	Current operating assets excluding taxes	Current operating liabilities excluding taxes	Net exposure	Net exposure
Euro	495.9	618.8	(122.9)	(139.7)
US dollar	565.0	316.9	248.1	195.8
Other currencies	697.4	419.4	278.0	228.4
TOTAL	**1,758.3**	**1,355.1**	**403.2**	**284.5**

The table below presents the breakdown of net sales and operating expenses by reporting currency as of December 31, 2018:

(in € millions)	Net sales		Operating expenses	
Euro	2,075.0	34.6%	1,622.6	33.4%
US dollar	2,153.0	35.9%	1,792.7	36.9%
Other currencies	1,769.2	29.5%	1,442.9	29.7%
TOTAL	**5,997.2**	**100.0%**	**4,858.2**	**100.0%**

When relevant, natural hedges are also set up by matching costs and revenues in each of the Group's operating currencies. Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned. These hedges are for periods of less than 18 months.

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies would have resulted in 2018 in a decrease in net sales of approximately €356.5 million (€322.3 million in 2017) and a decrease in operating profit of approximately €62.2 million (€54.0 million in 2017), while a 10% decrease would have resulted in 2018 in an increase in net sales of approximately €392.2 million (€354.5 million in 2017) and an increase in operating profit of approximately €68.5 million (€59.4 million in 2017).

5.1.2.3 Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials, mainly plastics and metals (steel, copper, brass). Raw materials consumption (except components) amounted to around €557.0 million in 2018.

A 10% increase in the price of the above-mentioned consumption would theoretically feed through to around a €55.7 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting, raise the prices of its products to offset the adverse impact of any such increases over the long term.

Additionally, the Group can set up specific derivative financial instruments (options) for limited amounts and periods to hedge part of the risk of an unfavorable change in copper and certain other raw material prices. The Group did not set up any such hedging contracts in 2018.

5.1.2.4 Credit risk

As explained in Note 2.2, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group actively manages its credit risk by establishing regularly reviewed individual credit limits for each customer, constantly monitoring collection of its outstanding receivables and systematically chasing up past due receivables. In addition, the situation is reviewed regularly with the Corporate Finance Department. When the Group is in a position to do so, it can resort to either credit insurance or factoring.

5.1.2.5 Counterparty risk

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with well-rated financial institutions or corporates with the aim of fragmenting the exposure to these counterparties. Those strategies are decided and monitored by the Corporate Finance Department, which ensures a regular follow up of ratings and credit default swap rates of these main counterparties.

5.1.2.6 Liquidity risk

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity. This approach represents the basis of the Group's financing policy.

The total amount of net debt (€2,296.6 million as of December 31, 2018) is fully financed by financing facilities expiring at the earliest in 2019 and at the latest in 2032. The average maturity of gross debt is 6.2 years.

Legrand is rated "A-" with a negative outlook by Standard & Poor's.

Rating agency	Long-term debt	Outlook
S&P	A-	Negative

5.2 RELATED-PARTY INFORMATION

The only individuals qualifying as related parties within the meaning of IAS 24 are the corporate officers who serve on the Executive Committee and the Chairman of the Board of Directors.

As a reminder, the offices of Chairman and of Chief Executive Officer have been separated since the beginning of 2018, which implied changes in the compensation of the related parties.

Compensation and benefits provided to the members of the Executive Committee and to the Chairman of the Board of Directors for their services are detailed in the following table:

	12 months ended	
	December 31, 2018	December 31, 2017
Compensation (amounts paid during the period)	**7.6**	**7.3**
out of which fixed compensation	4.6	3.9
out of which variable compensation	2.9	3.3
out of which other short-term benefits(1)	0.1	0.1
Long-term compensation (charge for the period)(2)(3)	**6.1**	**4.8**
Termination benefits (charge for the period)	**0.0**	**0.0**
Pension and other post-employment benefits(4)	**(0.3)**	**0.3**

(1) Other short-term benefits include benefits in kind.

(2) As per the long-term employee benefit plans described in Note 4.5.2, with a 100% pay-out rate assumption.

(3) As per the performance share plans described in Note 4.2.1, with a 100% pay-out rate assumption.

(4) Change in the obligation's present value (in accordance with IAS 19).

5.3 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

5.3.1 Specific transactions

Specific commitments and their expiry dates are discussed in the following notes:

- Note 3.3: Property, plant and equipment;
- Note 4.5.1: Pension and other post-employment benefit obligations.

5.3.2 Routine transactions

5.3.2.1 Financial guarantees

(in € millions)	December 31, 2018	December 31, 2017
Guarantees given to banks	136.5	128.2
Guarantees given to other organizations	46.1	52.7
TOTAL	**182.6**	**180.9**

Most of these guarantees are given by the Company to banks for Group subsidiaries located outside of France.

5.3.2.2 Operating leases

The Group uses certain facilities under lease agreements and leases certain equipment. There are no special restrictions related to these operating leases. Future minimum rental commitments under leases are detailed below:

(in € millions)	December 31, 2018	December 31, 2017
Due within one year	65.7	65.4
Due in one to two years	51.2	51.5
Due in two to three years	38.7	37.6
Due in three to four years	28.9	28.6
Due in four to five years	23.4	20.3
Due beyond five years	57.5	41.6
TOTAL	**265.4**	**245.0**

5.3.2.3 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €24.1 million as of December 31, 2018.

5.3.3 Contingent liabilities

The Group is involved in a number of claims and legal proceedings arising in the normal course of business. In the opinion of management, all such matters have been adequately provided for, knowing that no provision is recorded for claims and legal proceedings for which the Group considers that the provision recognition criteria are not met in regards to IFRS.

On September 6, 2018, Legrand was raided, while fully cooperating with the relevant authorities.

5.4 STATUTORY AUDITORS' FEES

The total amount of statutory auditors' fees invoiced to the Group in 2018 can be detailed as follows:

(in euros excluding taxes)	PricewaterhouseCoopers Audit SAS		Deloitte & Associés	
Statutory audit and certification	537,646	94%	551,979	86%
Other work than statutory audit and certification	34,000	6%	87,800	14%
TOTAL	**571,646**	**100%**	**639,779**	**100%**

5.5 SUBSEQUENT EVENTS

No significant events occurred between December 31, 2018 and the date when the consolidated financial statements were prepared.

8.2 – STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

I. OPINION

In compliance with the engagement entrusted to us by your General Meeting of Shareholders, we have audited the accompanying consolidated financial statements of Legrand SA for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Furthermore, the non-audit services that we provided to Legrand SA and its controlled undertakings during the reporting period that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- for both firms: comfort letters for a bond issue by private placement;
- for PricewaterhouseCoopers Audit: an assessment of transfer pricing policy documentation;
- for Deloitte & Associés: verification of the consolidated employment, environmental and social disclosures required under article L. 225-102-1 of the French Commercial Code (Code de commerce).

III. JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and trademarks with indefinite useful lives

Description of risk

At December 31, 2018, the Group's intangible assets were chiefly composed of trademarks with indefinite useful lives (€1.408 million) and goodwill broken down by geographical area (€4.322 million).

There is a risk of impairment due to changes in the internal or external factors affecting these assets and that are likely to have an impact on the projected future cash flows of the cash-generating units (CGUs) to which the assets have been allocated and thus on the calculation of their value in use.

The impairment tests performed each year and whenever there is any indication that the carrying amount of the assets might not be recoverable, and the main assumptions used, are described in Notes 3.1.1 and 3.2. These tests are sensitive to the assumptions used, especially those relating to:

- the estimation of future revenue, both in terms of volume and value, the royalty rate for the trademarks and, more generally, the operating cash flows relating to the assets;
- the calculation of the discount rate applied to future cash flows; and
- the method for grouping the CGUs in order to perform impairment tests.

In light of the Group's external growth strategy, we deemed the measurement of the value in use of these assets to be a key audit matter due to their materiality to the consolidated balance sheet and the high degree of estimation and judgment required from management to determine the assumptions used to perform the impairment tests.

How our audit addressed this risk

We examined the process implemented by the Group to carry out impairment tests. We also verified the consistency of the data used to perform the tests against that contained in the budgets prepared by Group management.

We assessed the consistency and pertinence of the approach taken by management in terms of grouping the relevant CGUs. We adjusted our audit strategy to take into account the level of the risk of impairment, which varies depending on the CGU.

Our valuation experts carried out an independent analysis of certain key assumptions used by management to perform the tests, pertaining in particular to the discount rate, the royalty rate and the perpetual growth rate of future cash flows, referring both to external market data and analyses of comparable companies.

We analyzed the consistency of the projected future cash flows with historical data and our knowledge of the Group's business, supported by interviews with Group management control.

We also tested the mathematical accuracy of the Group's calculations, on a sample basis.

We assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements concerning the measurement of goodwill and trademarks with indefinite useful lives, the underlying assumptions and the sensitivity analyses.

IV. SPECIFIC VERIFICATIONS

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information presented in the Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the management report includes the consolidated non-financial information statement required under article L. 225-102-1 of the French Commercial Code. However, in accordance with article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

V. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Legrand SA by the Ordinary General Meetings of Shareholders held on December 21, 2005 for Deloitte & Associés and June 6, 2003 for PricewaterhouseCoopers Audit.

At December 31, 2018, Deloitte & Associés and PricewaterhouseCoopers Audit were in the fourteenth and sixteenth consecutive year of their engagement, respectively. For both firms, this is the thirteenth year since the Company's securities were admitted to trading on a regulated market.

VI. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

VII. RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No° 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, February 13, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Edouard Sattler	Jean-François Viat

8

8.3 – STATUTORY AUDITORS' FEES

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Amount in euros excluding taxes		*%*		*Amount in euros excluding taxes*		*%*	
	2018	2017	2018	2017	2018	2017	2018	2017
Audit services								
Statutory audit, certification and review of the parent company and consolidated financial statements	1,866,946	1,981,323	88%	75%	2,429,961	2,406,438	89%	90%
Of which								
■ Issuer	322,106	290,523	15%	11%	322,106	290,523	12%	11%
■ Fully consolidated subsidiaries	1,544,840	1,690,800	73%	64%	2,107,855	2,115,915	77%	79%
Other work and services directly related to the statutory audit assignment*	66,898	64,218	3%	2%	87,800	165,708	3%	6%
Of which								
■ Issuer	22,000	44,000	1%	2%	87,800	124,800	3%	5%
■ Fully consolidated subsidiaries	44,898	20,218	2%	0%	0	40,908	0%	1%
SUB-TOTAL, AUDIT	**1,933,844**	**2,045,541**	**92%**	**77%**	**2,517,761**	**2,572,146**	**92%**	**96%**
Other services provided by networks to fully consolidated subsidiaries								
Legal, tax, social security	177,865	622,224	8%	23%	209,734	99,529	8%	4%
Other	0	0	0%	0%	0	0	0%	0%
SUB-TOTAL, OTHER	**177,865**	**622,224**	**8%**	**23%**	**209,734**	**99,529**	**8%**	**4%**
TOTAL	**2,111,709**	**2,667,765**	**100%**	**100%**	**2,727,495**	**2,671,675**	**100%**	**100%**

* *These services mainly concern work conducted in connection with certain acquisitions.*

8.4 – DIVIDEND DISTRIBUTION POLICY

The Company may decide to distribute dividends at the recommendation of the Board of Directors and following a decision of its shareholders in a Shareholders' General Meeting. However, the Company is under no obligation to distribute dividends and the decision on whether or not to recommend the distribution of a dividend and the amount of that dividend will depend on:

- the Company's results and cash flows;
- the Company's financial position;
- the Company's forecasts;
- the interests of the Company's shareholders;
- the general conditions of the Company's operations; and
- any other factor that the Company's Board of Directors deems relevant.

Notwithstanding the factors listed above, there is no formula for determining the amount of dividend to be distributed. In addition, the French Commercial Code and the Company's articles of association limit the Company's right to distribute dividends in certain circumstances.

Dividends distributed in respect of 2015, 2016 and 2017 financial years were as follows:

			Earnings distributed per share	
Financial year	Number of shares entitled to dividends	Dividend per share	Eligible for the 40% income tax allowance mentioned in article 158-3-2 of the French General Tax Code	Not eligible for the 40% income tax allowance mentioned in article 158-3-2 of the French General Tax Code
2015	267,006,775 shares with par value of €4 each	€1.15*	€0.72	€0.00
2016	266,508,331 shares with par value of €4 each	€1.19**	€0.79	€0.00
2017	267,316,360 shares with par value of €4 each	€1.26**	€0.93	€0.00

* *Since €0.43 of the dividend distributed for the 2015 financial year constitutes, for tax purposes, a repayment of paid-in capital as defined by article 112(1)(1) of the French General Tax Code, this sum is not considered as distributed income for tax purposes.*

** *Since €0.40 of the dividend distributed for the 2016 financial year constitutes, for tax purposes, a repayment of paid-in capital as defined by article 112(1)(1) of the French General Tax Code, this sum is not considered as distributed income for tax purposes.*

** *Since €0.33 of the dividend distributed for the 2017 financial year constitutes, for tax purposes, a repayment of paid-in capital as defined by article 112(1)(1) of the French General Tax Code, this sum is not considered as distributed income for tax purposes.*

Subject to approval by shareholders in the Shareholders' General Meeting to be held on May 29, 2019, the Company will distribute a dividend of €1.34 per share[1] for the 2018 financial year, on June 5, 2019.

(1) For more information on the composition of the dividend, please refer to resolution 3 of the draft resolutions and to the related explanatory statement in Appendix 4 of this document.

8.5 – LEGAL AND ARBITRATION PROCEEDINGS

With regard to environmental matters and mainly as a result of previous operations of the Group or of companies acquired by the Group, Legrand is the subject of a number of disputes, including complaints and legal action concerning pollution of groundwater and soil caused by emissions and discharges of hazardous substances and waste. New information or future developments, such as changes in the law (or in its interpretation), environmental conditions or Legrand's operations could, however, result in increased environmental costs and liabilities that could have a material impact on Legrand's results or financial position.

Legrand is involved in various legal proceedings related to the day-to-day running of its operations. The Group does not expect the outcome of these proceedings to have a material adverse impact on its business, financial position or cash flows, either individually or in aggregate.

8.6 – MATERIAL CHANGES IN THE COMPANY'S FINANCIAL OR TRADING POSITION

At the date of publication of this registration document, there have been no material changes in Legrand's financial or trading position since the publication of the 2018 annual financial statements.

8.7 – MATERIAL AGREEMENTS

To the Group's knowledge, other than the agreements entered into in the normal course of business, including those relating to acquisitions, disposals or financing operations mentioned in this registration document (for example, the amended 2011 Credit Facility described in Note 4.6 to the consolidated financial statements mentioned in Chapter 8 of this registration document), there are no other material agreements signed by the companies in the Group in the two years preceding the date of this document, still in force on that date, that include terms giving rise to an obligation or commitment that could have a material impact on the Group's business, financial position or cash flow.

However, under certain agreements, material commitments and guarantees have been granted by Legrand or its subsidiaries. Thus, in its current operations, the Group is committed to the payment of rents spread over several years under operating leases, amounting to €265.4 million at December 31, 2018. All these off-balance sheet commitments are set out in Note 5.3 to the consolidated financial statements in this registration document.

8.8 – CAPITAL EXPENDITURE

8.8.1 – Capital expenditure and capitalized development costs

Capital expenditure and capitalized development costs totaled €184.3 million in 2018 (€178.2 million in 2017 and €160.9 million in 2016), representing 3.1% of the Group's consolidated sales (3.2% in 2017 and 3.2% in 2016). See sections 5.5.1.2 and 5.6 of this registration document for further details on these items.

8.8.2 – Investments in equity interests: the Group's primary acquisitions

8.8.2.1 THE GROUP'S PRIMARY ACQUISITIONS IN 2018

Legrand continued its acquisitions strategy at a steady pace in 2018, announcing the following seven acquisitions:

- the Group acquired a majority stake in Modulan in Germany, which specializes in custom cabinets for datacenters. Modulan has annual sales of approximately €8 million;
- the Group acquired GemNet in the United Arab Emirates, which specializes in UPSs. GemNet has annual sales of approximately €4 million;
- the Group acquired Shenzhen Clever Electronic, a leading Chinese producer of smart PDUs for datacenters. Shenzhen Clever Electronic has annual sales of approximately €24 million;
- the Group acquired a majority stake in Debflex, a leading French producer of electrical equipment for the DIY segment. Debflex has annual sales of approximately €35 million;
- the Group acquired Netatmo, a leading French producer of connected objects for the home, and in which the Group had already owned a minority stake since 2015. Netatmo has annual sales of approximately €51 million;
- the Group acquired Kenall, a leading US producer of lighting solutions for specialist applications and critical non-residential environments (public buildings and infrastructure). Kenall has annual sales of approximately $100 million; and
- the Group acquired Trical, a leading New Zealand-based producer of electrical and digital distribution boards and cabinets for residential and commercial buildings. Trical has annual sales of close to €6 million.

8.8.2.2 THE GROUP'S PRIMARY ACQUISITIONS IN 2017 AND 2016

During the 2017 financial year, Legrand made the following six acquisitions:

- the Group acquired OCL, specializing in architectural lighting solutions for commercial and high-end residential buildings in the United States. OCL has annual sales of about $15 million;
- the Group acquired AFCO Systems in the US, which supplies Voice-Data-Image (VDI) cabinets for datacenters, specializing in customized solutions. AFCO Systems has annual sales of approximately $23 million;
- the Group signed a joint-venture agreement to acquire 49% of Borri, an Italian specialist in UPS. Since this agreement gives the Group joint control with Borri's core shareholders, this entity is accounted for using the equity method;
- the Group acquired Finelite, a leading US player in the design of linear lighting systems for commercial buildings. Finelite has annual sales of around $200 million;
- the Group acquired Milestone AV Technologies LLC, a leading US player in audio-video (AV) power supply and infrastructure. In 2016, Milestone generated sales of $464.1 million; and
- the Group acquired Server Technology Inc., a leading US player in smart power distribution units (PDUs) for datacenters. Server Technology Inc. has annual sales of around $100 million.

During the 2016 financial year, Legrand announced the following eight acquisitions:

- the Group acquired Fluxpower in Germany and Primetech in Italy, both specializing in UPSs. These two companies have combined annual sales of close to €9 million;
- the Group acquired Pinnacle Architectural Lighting, a leading supplier of architectural lighting solutions for commercial buildings in the United States. Pinnacle Architectural Lighting has annual sales of about $105 million;
- the Group acquired Luxul Wireless, America's leading supplier of audio/video infrastructure products for residential buildings and small and medium-sized commercial buildings. Luxul Wireless has annual sales of more than $20 million;
- the Group acquired Jontek, specializing in management solutions for assisted living platforms in the UK. Jontek has annual sales of about £3 million;
- the Group took an 80% stake in Trias, an Indonesian specialist in cable management and distribution cabinets. Trias has annual sales of approximately €6 million;
- the Group acquired CP Electronics, the market leader in energy-efficient lighting control in the UK. CP Electronics has annual sales in the region of £24 million;
- the Group acquired Solarfective, the Canadian specialist in natural lighting management for commercial buildings. Solarfective has annual sales of about €13 million.

8.8.3 – The Group's primary acquisitions in 2019 and principal investments in process

In 2019, the Group plans to pursue its strategy of targeted, value-creating acquisitions and has announced the following transaction:

- the Group has acquired Universal Electronic Corporation, a US company specializing in busways for datacenters. Universal Electronic Corporation has annual sales of more than $175 million.

9

ADDITIONAL INFORMATION

9.1 – INFORMATION ABOUT THE COMPANY 312

- 9.1.1 – Company name 312
- 9.1.2 – Place of registration and registration number 312
- 9.1.3 – Date and duration of incorporation 312
- 9.1.4 – Registered office 312
- 9.1.5 – Legal form and applicable law 312
- 9.1.6 – Website 312
- 9.1.7 – Simplified organizational chart 313
- 9.1.8 – Subsidiaries 313

9.2 – SHARE CAPITAL 315

- 9.2.1 – Subscribed share capital and share capital authorized but not issued 315
- 9.2.2 – Acquisition by the Company of its own shares 317
- 9.2.3 – Other securities giving access to equity 318
- 9.2.4 – Changes in share capital 318
- 9.2.5 – Pledges, guarantees and security interests 320
- 9.2.6 – Number of voting rights 320

9.3 – MEMORANDUM AND ARTICLES OF ASSOCIATION 320

- 9.3.1 – Corporate purpose 320
- 9.3.2 – Administration and management 320
- 9.3.3 – Rights, privileges and restrictions attached to shares 320
- 9.3.4 – Amendment of the rights attached to shares 321
- 9.3.5 – Shareholders' General Meetings 321
- 9.3.6 – Provisions to delay, defer or prevent a change of control 322
- 9.3.7 – Crossing of statutory ownership thresholds 322
- 9.3.8 – Changes to the share capital 322

9.4 – IDENTITY OF PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND AUDITING THE FINANCIAL STATEMENTS 323

- 9.4.1 – Person responsible for the registration document 323
- 9.4.2 – Statutory Auditors 324
- 9.4.3 – Financial disclosure policy 325

9.1 – INFORMATION ABOUT THE COMPANY

9.1.1 – Company name

The Company's name is "Legrand".

9.1.2 – Place of registration and registration number

The Company is registered in the *Registre du commerce et des sociétés* (Trade and Companies Register) of Limoges under number 421 259 615. Its Legal Entity Identifier is 969500XXRPGD7HCAFA90.

9.1.3 – Date and duration of incorporation

The Company was initially incorporated on December 22, 1998 in the form of a *société anonyme* (public limited company). It was transformed into a *société par actions simplifiée* (simplified joint-stock corporation) by an Extraordinary Shareholders' General Meeting on December 5, 2001. The Company was transformed again into a *société anonyme* by unanimous decision of the shareholders on November 4, 2002.

The Company's life has been extended until February 24, 2105, unless the Company is dissolved early or a further extension takes place.

9.1.4 – Registered office

The Company's registered office is at 128 avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France.

The telephone number of the registered office is +33 (0)5 55 06 87 87.

9.1.5 – Legal form and applicable law

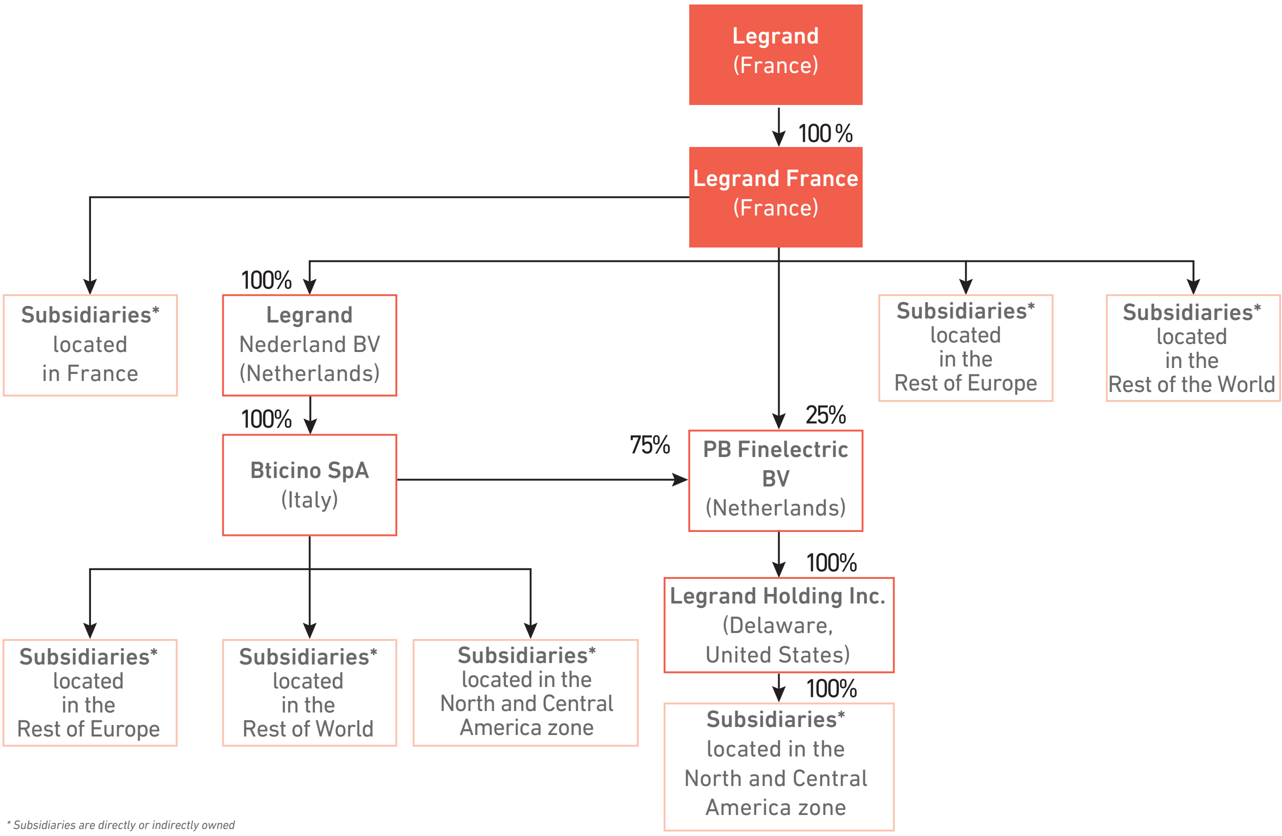
The Company is a *société anonyme* with a Board of Directors. The Company is mainly governed by the provisions of Book II of the French Commercial Code.

9.1.6 – Website

The website of the Company is the following: *https://www.legrand.com*.

It is specified that the information available on this website are not an integral part of the registration document.

9.1.7 – Simplified organizational chart



** Subsidiaries are directly or indirectly owned*

9.1.8 – Subsidiaries

The Group comprises the Company and the 202 subsidiaries that it controls; the main subsidiaries are mentioned in the consolidated financial statements presented in Chapter 8 (Note 1.3.1) of this registration document. All of the Legrand Group's main subsidiaries are fully consolidated.

The Company is the parent company of the Legrand Group. Its main business consists of providing general management and financial services to manage the Group's operations. Readers are invited to read (i) section 7.4 of this registration document for a description of related party transactions, and (ii) the management report in Appendix 2 below for the list of directorships held by the Chief Executive Officer in the Group's subsidiaries.

The payment of dividends by Legrand's main subsidiaries is decided by their respective shareholders' general meetings, and is subject to the local laws and regulations applicable to them. At the date of this registration document, Legrand had not identified any restrictions that would significantly limit its access to its subsidiaries' cash flows, or to the dividends distributed by those subsidiaries.

The main subsidiaries that hold equity interests in the Group are:

BTICINO SPA (ITALY)

Bticino SpA is a public limited company incorporated in Italy, with its registered office at Viale Borri 231, 21100 Varese. Bticino SpA's main activity is designing, manufacturing and marketing electrical products and systems. Bticino SpA joined the Group on July 1, 1989 and is wholly owned by Legrand Nederland BV.

LEGRAND FRANCE (FRANCE)

Formerly known as Legrand SA, Legrand France is the Group's main operating subsidiary in France. Legrand France is a société anonyme (public limited company) incorporated in France, registered in the Limoges Trade and Companies Register under number 758 501 001, and has its registered office at 128 avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand France's main activity is designing and manufacturing products and systems for electrical installations and their components. Legrand France was formed on July 21, 1953, and is wholly owned by the Company. Legrand France holds interests in some of the Group's other operating companies, located in France, the rest of Europe and the rest of the world.

LEGRAND HOLDING INC. (UNITED STATES)

Legrand Holding Inc. is a company incorporated in the United States, registered in Delaware, with its registered office at 60 Woodlawn Street, West Hartford, CT 06110. Legrand Holding Inc.'s main activity is taking equity stakes in other companies. Legrand Holding Inc. was formed on July 18, 1984 and joined the Group on October 31, 1984. Legrand Holding Inc. is wholly owned by PB Finelectric BV.

LEGRAND NEDERLAND BV (NETHERLANDS)

Legrand Nederland BV is a simplified joint-stock company incorporated in the Netherlands, with its registered office at Van Salmstraat 76, 5281 RS Boxtel. Legrand Nederland BV's main activity is manufacturing and marketing metal cable trays. Legrand Nederland BV was formed and joined the Group on December 27, 1972. Legrand Nederland BV is wholly owned by Legrand France.

PB FINELECTRIC BV (NETHERLANDS)

PB Finelectric BV is a simplified joint stock company incorporated in the Netherlands, with its registered office at Van Salmstraat 76, 5281 RS Boxtel. PB Finelectric BV's main activity is taking equity stakes in other companies. PB Finelectric BV was formed and joined the Group on December 19, 1991. PB Finelectric BV is 75% owned by Bticino SpA with the remaining 25% held by Legrand France.

9.2 – SHARE CAPITAL

Unless otherwise indicated, the information presented in this section is accurate as at December 31, 2018.

9.2.1 – Subscribed share capital and share capital authorized but not issued

Taking into account the number of shares as at December 31, 2018, the Company's share capital amounts to €1,069,980,596, divided into 267,495,149 shares with a par value of €4 each.

The Company's shares are fully paid up and all of the same class. The shares may be held in registered or bearer form, at the option of the shareholder. They may be registered in individual shareholder accounts in accordance with applicable laws and regulations.

9.2.1.1 FINANCIAL GRANTS OF AUTHORITY AND AUTHORIZATIONS CURRENTLY IN FORCE

At the date of this registration document, the Company's Board of Directors held the following financial authorizations from the shareholders at the Shareholders' General Meetings:

Authorizations and grants of authority by shareholders in General Meetings	Duration of the authority/Expiry date	Terms and conditions of the authority	Use of the authority during the 2018 financial year
Shareholders' General Meeting of May 27, 2016			
Authorization to allot existing or new shares free of charge to employees and/or corporate officers (resolution 13)	38 months July 27, 2019	Limit: 1.5% of the share capital at the date of the allotment decision	Nil
Shareholders' General Meeting of May 30, 2018			
Authorization for the purpose of allowing the Company to trade its own shares (resolution 14)	18 months November 30, 2019	Limit: 10% of the share capital at May 30, 2018 Maximum amount allocated: €1,000 million Maximum purchase price per share: €90	€53,508,087
Authorization to reduce the share capital by cancellation of shares (resolution 16)	18 months November 30, 2019	Limit: 10% of the share capital at May 30, 2018	Nil
Authorization to allot existing or new shares free of charge to employees and/or corporate officers (resolution 17)	38 months July 30, 2021	Limit: 1.5% of the share capital at the date of the allotment decision	518,900 shares
Issues of shares or complex securities, with preferred subscription rights maintained (resolution 18)	26 months July 30, 2020	Total nominal amount of capital increases pursuant to this grant of authority: may not exceed €200 million (this amount is included in the overall nominal limit for capital increases through the issuance of shares or securities convertible to equity of €200 million (the "**Overall Capital Increase Limit**")) Overall nominal amount of bonds and other debt securities that may be issued pursuant to this grant of authority: may not exceed €2 billion (this amount is included in the overall nominal limit for debt securities of €2 billion (the "**Overall Debt Securities Limit**"))	Nil

Authorizations and grants of authority by shareholders in General Meetings	Duration of the authority/Expiry date	Terms and conditions of the authority	Use of the authority during the 2018 financial year
Issues, by public offering, of shares or complex securities, without preferred subscription rights (resolution 19)	26 months July 30, 2020	Total nominal amount of capital increases pursuant to this grant of authority: may not exceed €100 million (this nominal amount is included in the nominal limit of €100 million set by resolution 20 and in the Overall Capital Increase Limit) Total nominal amount of debt securities (including bonds) issued pursuant to this grant of authority: may not exceed €1 billion (this amount is included in the limit of €1 billion set by resolution 20 and in the Overall Debt Securities Limit)	Nil
Issues, by means of an offer within the scope of article L. 411-2 II of the French Monetary and Financial Code (private placement), of shares or complex securities, without preferred subscription rights (resolution 20)	26 months July 30, 2020	Total nominal amount of capital increases pursuant to this grant of authority: may not exceed €100 million or the legal limit, i.e. 20% of the Company's share capital (this nominal amount is included in the nominal limit of €100 million set by resolution 19 and in the Overall Capital Increase Limit) Total nominal amount of debt securities (including bonds) issued pursuant to this grant of authority: may not exceed €1 billion (this total nominal amount is included in the limit of €1 billion set by resolution 19 and in the Overall Debt Securities Limit)	Nil
Increase in the amount of issues made with or without preferred subscription rights in the event of excess demand (resolution 21)	26 months July 30, 2020	Deadline: within thirty days from the closing date for subscriptions Limit: 15% of initial issue Price: same price as that determined for the initial offering Compliance with the upper limits applicable to each type of issue decided pursuant to resolutions 18, 19 or 20	Nil
Capital increase through incorporation of reserves, profits, premiums or other items (resolution 22)	26 months July 30, 2020	Total nominal amount of capital increases pursuant to this grant of authority: may not exceed €100 million, it being noted that this limit is independent of any of the other limits on issuance of shares and other securities pursuant to authorities or authorizations granted by the Shareholders' General Meeting of May 30, 2018	Nil
Issues of shares or complex securities for members of the Company or Group employee share-ownership program, without preferred subscription rights (resolution 23)	26 months July 30, 2020	Total nominal amount of capital increases pursuant to this grant of authority: may not exceed €25 million (this amount is included in the nominal limit of €100 million set by resolutions 19 and 20 and in the Overall Capital Increase Limit)	Nil
Issues of shares or complex securities as consideration for contributions in-kind to the Company without preferred subscription rights (resolution 24)	26 months July 30, 2020	5% of the share capital at the issue date Total nominal amount of capital increases pursuant to this grant of authority: included in the nominal limit of €100 million set by resolutions 19 and 20 and in the Overall Capital Increase Limit Total nominal amount of debt securities issued pursuant to this grant of authority: may not exceed €1 billion (this total nominal amount is included in the limit of €1 billion set by resolutions 19 and 20 and in the Overall Debt Securities Limit)	Nil

9.2.1.2 FINANCIAL GRANTS OF AUTHORITY AND AUTHORIZATIONS SUBMITTED TO THE COMBINED ANNUAL AND EXTRAORDINARY GENERAL MEETING OF MAY 29, 2019

At the Shareholders' General Meeting to be held on May 29, 2019, shareholders will be asked to renew the following financial authorizations and grants of authority (see the draft resolutions in Appendix 4 of this registration document):

Authorization/grant of authority	Duration and expiry date	Terms and conditions of the authority/Maximum nominal amount
Authorization for the purpose of allowing the Company to trade its own shares (resolution 10)	18 months November 30, 2020	Limit: 10% of the share capital at May 29, 2019 Maximum amount allocated: €1,000 million Maximum purchase price per share: €90
Authorization to reduce the share capital by cancellation of shares (resolution 12)	18 months November 30, 2020	Limit: 10% of the share capital at May 29, 2019

9.2.2 – Acquisition by the Company of its own shares

9.2.2.1 CURRENT SHARE BUYBACK PROGRAM

Use of the authorization granted at the Combined Ordinary and Extraordinary General Meeting of May 30, 2018

The Company implemented a share buyback program pursuant to the authorization described below and granted to the Board of Directors at the Shareholders' General Meeting on May 30, 2018:

Transaction	Term of authorization and expiry date	Maximum amount *(in millions of euros)*	Maximum number of shares
Share buyback program (resolution 14)	18 months November 30, 2019	1,000	10% of the Company's share capital at May 30, 2018

The Company has purchased a certain number of its shares pursuant to this share buyback program and previous programs.

During 2018, the Company purchased a total of 1,290,624 shares at a total cost of €77,846,203 (€24,338,116 under the share buyback program implemented pursuant to the authorization granted by the Board of Directors at the Shareholders' General Meeting on May 31, 2017, and €53,508,087 under the share buyback program implemented pursuant to the authorization granted to the Board of Directors at the Shareholders' General Meeting on May 30, 2018), and sold 980,405 shares for a total of €60,813,206, under the liquidity agreement entered into with Kepler Cheuvreux on May 29, 2007. The terms of this agreement comply with the Charter of Ethics adopted by the Association française des marchés financiers (AMAFI) as approved by the French Financial Markets Authority (AMF) in its decision of March 22, 2005.

At December 31, 2018, the balance of the liquidity agreement stood at 350,219 shares. An impairment loss of €1,932,528.04 was recognized in relation to the liquidity agreement.

Aside from the liquidity agreement, the company bought back 550,000 shares for a total of €34,934,305 and an average price of €63.52 per share, with transaction fees amounting to €110,663.

At December 31, 2018, the Company held 905,347 shares with a nominal value of €4 each or a total of €3,621,388, equal to 0.34% of its share capital. Valued at cost at the time of purchase, the total value of these shares is €54,613,517.

Description of the current share buyback program

The full description of the current share buyback program is available on the Company's website (*www.legrand.com*).

9.2.2.2 NEW SHARE BUYBACK PROGRAM TO BE SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' GENERAL MEETING

The draft resolutions adopted by the Company's Board of Directors on March 20, 2019 for submission to shareholders at the Shareholders' General Meeting on May 29, 2019 provide for the renewal of the authorization for the share buyback program, subject to a limit of 10% of the share capital and a total amount of €1,000 million, with a maximum purchase price of €90 per share.

Draft resolutions are listed in Appendix 4 to this registration document.

9.2.3 – Other securities giving access to equity

At the date of registration of this registration document there are no securities, other than shares, giving access to the Company's equity.

9.2.4 – Changes in share capital

In 2018, the Company's share capital was increased by a total nominal amount of €2,757,592 by the issue of 689,398 shares following the exercise of stock warrants.

Changes in the share capital since the Company's incorporation are summarized in the table below:

Transaction	Date of Board/ Shareholders' General Meeting	Number of shares issued/ cancelled	Nominal value *(in euros)*	Issue premium *(in euros)*	Share capital *(in euros)*	Number of shares	Nominal value *(in euros)*
Incorporation	12/22/1998	40,000	40,000	0	40,000	40,000	1
Capital increase	08/12/2002	759,310,900	759,310,900	0	759,350,900	759,350,900	1
Reverse split, increase in nominal value, and reduction in the number of shares	02/24/2006	569,513,175	0	0	759,350,900	189,837,725	4
Capital increase by way of a public offering	04/11/2006	43,689,298	174,757,192	688,106,444	934,108,092	233,527,023	4
Capital increase reserved for GP Financière New Sub 1	04/11/2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved for employees	02/05/2006	2,303,439	9,213,756	36,279,164[1]	1,078,773,504	269,693,376	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	11/07/2007	1,282,363	5,129,452	0	1,083,902,956	270,975,739	4
Cancellation of shares	03/05/2008	9,138,395	36,553,580	(188,280,771)	1,047,349,376	261,837,344	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	11/05/2008	977,784	3,911,136	0	1,051,260,512	262,815,128	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	05/05/2009	281,551	1,126,204	185,334	1,052,386,716	263,096,679	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	05/05/2010	57,916	231,664	92,665	1,052,618,380	263,154,595	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/09/2011	6,751	27,004	107,568	1,052,645,384	263,161,346	4
Recognition of capital increase resulting from the vesting of performance shares	03/30/2011	120,635	482,540	0	1,053,127,924	263,281,981	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/08/2012	107,014[2]	428,056	2,239,881	1,053,555,980	263,388,995	4

Transaction	Date of Board/ Shareholders' General Meeting	Number of shares issued/ cancelled	Nominal value *(in euros)*	Issue premium *(in euros)*	Share capital *(in euros)*	Number of shares	Nominal value *(in euros)*
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/13/2013	985,880(3)	3,943,520	17,963,560	1,057,499,500	264,374,875	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/12/2014	1,215,642(4)	4,862,568	18,523,223	1,062,362,068	265,590,517	4
Cancellation of shares	05/27/2014	800,000	3,200,000	(34,262,266)	1,059,162,068	264,790,517	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/11/2015	1,567,098(5)	6,268,392	27,316,941	1,065,430,460	266,357,615	4
Cancellation of shares	05/06/2015	400,000	1,600,000	(16,810,653)	1,063,830,460	265,957,615	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/10/2016	972,987 (6)	3,891,948	16,181,903	1,067,722,408	266,930,602	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/08/2017	396,772 (7)	1,587,088	6,742,723	1,069,309,496	267,327,374	4
Cancellation of shares	02/08/2017	1,300,000	5,200,000	(57,387,122)	1,064,109,496	266,027,374	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/07/2018	778,377 (8)	3,113,508	13,799,162	1,067,223,004	266,805,751	4
Recognition of capital increase through the issuance of shares resulting from the exercise of stock options	02/13/2019	689,398 (9)	2,757,592	10,411,795	1,069,980,596	267,495,149	4

(1) The amount of the discount, i.e. €9.1 million, was recognized as other operating expenses in the financial statements presented in accordance with IFRS.

(2) These 107,014 new shares were actually issued in 2011 following the exercise of stock options, which explains why they are not included in the 985,880 shares issued in 2012, mentioned above.

(3) These 985,880 new shares were actually issued in 2012 following the exercise of stock options.

(4) These 1,215,642 new shares were actually issued in 2013 following the exercise of stock options.

(5) These 1,567,098 new shares were actually issued in 2014 following the exercise of stock options.

(6) These 972,987 new shares were actually issued in 2015 following the exercise of stock options. An issue premium of €45,030,719.46 was also distributed in 2015.

(7) These 396,772 new shares were actually issued in 2016 following the exercise of stock options. An issue premium of €112,476,299.54 was also distributed in 2016.

(8) These 778,377 new shares were actually issued in 2017 following the exercise of stock options. An issue premium of €106,459,672.80 was also distributed in 2017.

(9) These 689,398 new shares were actually issued in 2018 following the exercise of stock options. An issue premium of €146,935,887.64 was also distributed in 2018.

9.2.5 – Pledges, guarantees and security interests

At the date this registration document was filed, and to the Company's knowledge, no pledges, guarantees, or security interests had been granted on the Company's shares.

9.2.6 – Number of voting rights

At December 31, 2018, the Company's share capital consisted of 267,495,149 shares corresponding to 267,495,149 theoretical voting rights and 266,589,802 exercisable voting rights, excluding shares held in treasury, which are stripped of voting rights.

9.3 – MEMORANDUM AND ARTICLES OF ASSOCIATION

9.3.1 – Corporate purpose

The Company's direct or indirect corporate purpose in all countries, as defined in article 2 of the articles of association, is as follows:

- the purchase, subscription, disposal, holding, or contribution of shares or other securities in any company;
- the provision of any services, particularly in connection with human resources, IT, management, communications, finance, legal affairs, marketing and purchasing to its subsidiaries and to companies in which it has a direct or indirect interest; and
- in general, all financial, commercial, industrial, civil, real estate assets or securities transactions that may be directly or indirectly connected with the above corporate purpose, or with any similar or related purposes, or that are likely to support the goal pursued by the Company, its growth, its development, and its corporate assets, either directly or indirectly.

9.3.2 – Administration and management

For a description of the rules governing the composition, organization, and operation of the Company's administrative and management bodies, please refer to Chapter 6.1 of this registration document (Corporate governance).

9.3.3 – Rights, privileges and restrictions attached to shares

The Company's shares are freely negotiable and are transferred from account to account in the manner provided for in the applicable legislation and regulations.

Subject to the applicable legal and regulatory provisions, each member of the Shareholders' General Meeting is entitled to the same number of votes as the number of shares that they own or represent. In line with the option provided for under paragraph 3 of article L. 225-123 of the French Commercial Code, fully paid-up shares that have been registered for at least two years in the name of the same shareholder are not eligible for double voting rights.

Where any new shares are not fully paid up on issuance, calls to pay up the shares, at the dates determined by the Board of Directors, will be made by way of notices inserted, two weeks prior to the call, in one of the official gazettes published in the place where the registered office is located, or will be sent by registered mail with acknowledgment of receipt. Every payment on a subscribed share will be recorded by an entry in the account opened in the name of the subscriber. All late payments shall automatically bear interest in favor of the Company, starting from the date payment was due, without formal notice or application to a court, at the statutory rate of interest, notwithstanding any individual proceedings the Company may initiate against the defaulting shareholder, and the compulsory enforcement measures provided for in law.

Each share grants a right to ownership of the corporate assets, to the distribution of profits, and to the liquidation premium, subject to the creation of preferred shares.

The shares are indivisible with regard to the Company, which only recognizes one owner for each share. Joint and several owners are required to be represented with respect to the Company by a single representative. In the event of the division of share ownership, the voting rights attached to shares belong to the beneficial owner at the Ordinary General Meetings, and to the legal owner at Extraordinary General Meetings.

The heirs, creditors, trustees, and assignees of a shareholder may not place liens on the property or securities of the Company, nor request their division, nor interfere in the administration of the Company in any way on any grounds whatsoever.

In exercising their rights, they are required to refer to the corporate records and to the decisions of the Shareholders' General Meeting.

Whenever more than one share is required in order to exercise a particular right, specifically in the event of the exchange or allocation of securities as part of a transaction such as a consolidation or an increase or decrease in the share capital, either on a cash basis or via the incorporation of reserves, or of a merger or any other transaction, single shares or a number of shares that is lower than the number required do not entitle their owner to any rights over the Company. In this case, shareholders shall be personally responsible for purchasing, selling or assembling the number of shares or voting rights required.

The Company monitors the composition of its ownership structure in the manner provided for by law. In this respect, the Company may avail itself of all legal provisions providing for the identification of the holders of shares conferring immediate or future voting rights in its Shareholders' General Meetings.

9.3.4 – Amendment of the rights attached to shares

Where the Company's articles of association do not specifically provide otherwise, any amendment of the rights attached to shares is subject to the provisions of applicable law.

9.3.5 – Shareholders' General Meetings

PARTICIPATION IN SHAREHOLDERS' GENERAL MEETINGS

Subject to legal and regulatory restrictions, any shareholder has the right to attend Shareholders' General Meetings and to participate in the deliberations, either personally or through a proxy, regardless of the number of shares held.

The right to attend Shareholders' General Meetings, in any form whatsoever, is conditional upon the accounting registration or book-entry transfer in the name of the shareholder or the authorized intermediary registered on his or her behalf, in the manner and within the time limits provided for in current legislation.

Any shareholder wishing to vote remotely or by proxy must have filed a proxy voting form, remote voting form or equivalent single document at the registered office or at any other place indicated in the notice of meeting within the time limits and according to the conditions provided for in current legislation. The Board of Directors may, for any Shareholders' General Meeting, shorten this period by way of a general decision for the benefit of all shareholders.

In the event of a decision to this effect by the Board of Directors, mentioned in the notice of meeting, shareholders may, subject to the conditions and time limits provided by law and regulations, send their proxy form and remote voting form by any means of telecommunication, including electronic means, that allow their identification and whose nature and conditions are determined by current legislation.

CONVENING SHAREHOLDERS' GENERAL MEETINGS

Shareholders' General Meetings are convened in accordance with the conditions laid down by law. Meetings are held at the registered office or at any other location in France or abroad, specified in the notice of meeting.

CONDUCT OF SHAREHOLDERS' GENERAL MEETINGS

Shareholders' General Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman or by a Director specifically appointed for this purpose by the Board of Directors. Otherwise, the Meeting itself elects its Chairman.

Any shareholder may, if the Board of Directors allows them to do so in the notice of meeting, participate in a Shareholders' General Meeting via videoconferencing or other electronic means of telecommunications or transmission, under the conditions determined by law or the regulations in force. Such shareholders are then deemed present for the calculation of the quorum and majority.

An attendance sheet is kept for each meeting as required by law.

DELIBERATIONS AND POWERS OF SHAREHOLDERS' GENERAL MEETINGS

The Ordinary and Extraordinary Shareholders' General Meetings, voting under the quorum and majority conditions specified by the respective provisions that govern them, exercise the powers assigned to them in law.

9.3.6 – Provisions to delay, defer or prevent a change of control

The Company's articles of association contain no provisions to delay, defer, or prevent a change of control.

9.3.7 – Crossing of statutory ownership thresholds

In addition to the legal provisions applicable in the matter, any natural or legal person who comes to hold, directly or indirectly (including through a controlled company within the meaning of article L. 233-3 of the French Commercial Code), 2% of the Company's share capital or voting rights (the total number of voting rights to be used as the denominator is calculated on the basis of all shares to which voting rights are attached, including shares where the voting rights have been suspended), acting alone or in concert, and in any way whatsoever, must inform the Company of this fact by registered letter with a request for acknowledgment of receipt addressed to the registered office, within four trading days from the date the threshold is crossed, independently of the date on which the shares might have been registered in any account, and must specify the total number of shares and securities giving access to equity, and the number of voting rights that they hold, directly or indirectly, acting alone or in concert. Notice must be given in the same manner and within the same timeframe when a holding falls below this 2% threshold.

Above this 2% threshold, disclosure must be made in the same manner when a threshold of 1% of the share capital or voting rights is crossed in either direction, under the conditions and in accordance with the procedures specified above.

In the event of non-compliance with the disclosure obligations set out above, and at the request of one or more shareholders owning at least 2% of the share capital or voting rights(1), which request shall be recorded in the minutes of a Shareholders' General Meeting, the shares in excess of the amount that should have been declared shall be stripped of their voting rights, and the shareholder at fault shall be able neither to exercise nor delegate these rights for any Shareholders' General Meeting held until the expiry of a two-year period following the date when notice was properly served.

9.3.8 – Changes to the share capital

The Company's share capital may be increased or reduced in the manner laid down by law and by the regulations. The Extraordinary Shareholders' General Meeting may also decide to carry out stock splits or reverse splits.

(1) Subject to the Shareholders' General Meeting of May 29, 2019 approving the eleventh resolution (Amendment of article 8.2 of Company Articles of Association) as presented in Appendix 4 to this registration document.

9.4 – IDENTITY OF PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND AUDITING THE FINANCIAL STATEMENTS

9.4.1 – Person responsible for the registration document

NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Benoît Coquart, Chief Executive Officer of Legrand, a French société anonyme whose registered office is located at 128 avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France, registered in the Trade and Companies Register of Limoges under number 421 259 615.

DECLARATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT CONTAINING THE ANNUAL FINANCIAL STATEMENT

"I hereby certify, having taken all reasonable care in this regard, that the information contained in this registration document is, to the best of my knowledge, accurate and that there are no omissions that could materially affect its reliability.

I further certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards and provide a true and fair image of the assets, financial position and results of the Company and of all its consolidated businesses, and that the management reports that appear in Chapter 5 and Appendix 2 provide a true and fair account of developments in the business, the results and the financial position of the Company and of its consolidated businesses, together with a description of the risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they declare that they have verified the information concerning the financial situation and the financial statements presented in this registration document, and that they have read the entire registration document."

Benoît Coquart
Chief Executive Officer

INCORPORATION BY REFERENCE

This registration document incorporates by reference the Company's consolidated financial statements for the year ended December 31, 2016 and the related Statutory Auditors' report, as presented on pages 210 to 258 and page 259 of the 2016 Registration Document filed with the AMF on March 31, 2017, under number D.17-0285 as well as the Company's consolidated financial statements for the year ended December 31, 2017 and the related Statutory Auditors' report, as presented on pages 226 to 271 and pages 272 to 275 of the 2017 registration document filed with the AMF on April 6, 2018 under number D. 18-0292.

9.4.2 – Statutory Auditors

PRINCIPAL STATUTORY AUDITORS

PricewaterhouseCoopers Audit

Member of the Compagnie régionale
des Commissaires aux Comptes de Versailles
(Versailles Regional Body of Statutory Auditors)

Represented by Édouard Sattler
Crystal Park, 63 rue de Villiers
92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditors by the Shareholders' General Meeting of June 6, 2003, they became Principal Statutory Auditors following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and were re-appointed as Principal Statutory Auditors by the Shareholders' General Meeting of May 27, 2010 for a term of six years and by the Shareholders' General Meeting of May 27, 2016. This appointment expires at the end of the Shareholders' General Meeting convened to vote on the financial statements for the year ended December 31, 2021.

Deloitte & Associés

Member of the Compagnie régionale
des Commissaires aux Comptes de Versailles
(Versailles Regional Body of Statutory Auditors)

Represented by Jean-François Viat
6, place de la Pyramide
92908 Paris-la-Défense Cedex

Appointed Principal Statutory Auditor at the Shareholders' General Meeting of December 21, 2005, and re-appointed Principal Statutory Auditor by the Shareholders' General Meeting of May 26, 2011 for a term of six financial years and by the Shareholders' General Meeting of May 31, 2017. This appointment expires at the end of the Shareholders' General Meeting convened to vote on the financial statements for the year ended December 31, 2022.

DEPUTY STATUTORY AUDITORS

Mr Jean-Christophe Georghiou

Member of the Compagnie régionale
des Commissaires aux Comptes de Versailles
(Versailles Regional Body of Statutory Auditors)

Crystal Park, 63 rue de Villiers
92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditor at the Shareholders' General Meeting of May 27, 2016 for a term of six years. This appointment expires at the end of the Shareholders' General Meeting convened to vote on the financial statements for the year ended December 31, 2021.

9.4.3 – Financial disclosure policy

PERSON RESPONSIBLE FOR FINANCIAL DISCLOSURES

Mr Franck Lemery

Chief Financial Officer

Address: 128 avenue du Maréchal de Lattre de Tassigny, 87045 Limoges Cedex

Telephone: +33 (0)5 55 06 87 87

Fax: +33 (0)5 55 06 88 88

DOCUMENTS AVAILABLE TO THE PUBLIC

The legal documents relating to the Company that must be made available to shareholders in accordance with the applicable regulations, as well as the Group's past financial records, may be consulted at the Company's registered office.

INDICATIVE TIMETABLE OF FINANCIAL REPORTING

The 2019 financial information to be disclosed to the public by the Company will be available from the Company's website (*www.legrand.com*).

As an indication only, the Company's timetable for the publication of financial information up to December 31, 2019, is expected to be as follows:

- 2019 first-quarter results: May 2, 2019

  "Quiet period[1]" starts April 2, 2019
- General Meeting of Shareholders: May 29, 2019
- Ex-dividend date: June 3, 2019
- Dividend payment: June 5, 2019
- Investor Day: June 12, 2019
- 2019 first-half results: July 30, 2019

  "Quiet period[1]" starts June 30, 2019
- Results for the first nine months of 2019: November 7, 2019

  "Quiet period[1]" starts October 8, 2019

(1) Period of time when all communication is suspended in the run-up to the publication of results.

9

CROSS-REFERENCE TABLES

CROSS-REFERENCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE AMF'S GENERAL REGULATION) 328

CROSS-REFERENCE TABLE – EUROPEAN COMMISSION REGULATION (EC) 809/2004 OF APRIL 29, 2004 328

CROSS-REFERENCE TABLE – MANAGEMENT REPORT (INCLUDING CORPORATE GOVERNANCE REPORT) 333

CROSS-REFERENCE TABLE – FILING OF ANNUAL FINANCIAL STATEMENTS (ARTICLE L. 232-23 OF THE FRENCH COMMERCIAL CODE) 336

CROSS-REFERENCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE AMF'S GENERAL REGULATION)

General Regulation of the French Financial Markets Authority (Autorité des Marchés Financiers) – article 222-3		Annual Financial Report	
No.	**Item**	**Reference**	**Page(s)**
I.1	Annual financial statements	Appendix 1	338-356
I.2	Consolidated financial statements prepared in accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, on the application of international accounting standards	8.1	252-301
I.3	Management Report containing at least the information referred to in articles L. 225-100, L. 255-100-3 and the second paragraph of article L. 225-211 of the French Commercial Code	Appendix 2	357-377
	Management Report containing information referred to in article L. 225-100-2 of the French Commercial Code	Chapter 5	157-178
I.4	Statement made by the natural persons taking responsibility for the Annual Financial Report	9.4.1	323
I.5	Statutory Auditors' reports on the annual financial statements	Appendix 3	379-382
	Statutory Auditors' report on the consolidated financial statements	8.2	302-305

CROSS-REFERENCE TABLE – EUROPEAN COMMISSION REGULATION (EC) 809/2004 OF APRIL 29, 2004

European Commission Regulation (EC) 809/2004 of April 29, 2004 – Appendix I		Registration document	
No.	**Item**	**Reference**	**Page(s)**
1	**Persons responsible**		
1.1	Persons responsible for the information in the registration document	9.4.1	323
1.2	Statement of the persons responsible for the registration document	9.4.1	323
2	**Statutory Auditors**		
2.1	Names and addresses of the issuer's Statutory Auditors	9.4.2	324
2.2	Statutory Auditors that have resigned, been removed or not been re-appointed during the period covered	N/A	-
3	**Selected financial information**		
3.1	Selected historical financial information	Chapter 1	5-27
3.2	Selected financial information for interim periods	N/A	-
4	**Risk factors**	Chapter 3	60-73
5	**Information about the issuer**		
5.1	History and development of the Company	2.1	30-36
5.1.1	Legal and commercial name of the issuer	9.1.1	312
5.1.2	Place of registration of the issuer and its registration number	9.1.2	312
5.1.3	Date of incorporation and lifetime of the issuer	9.1.3	312

European Commission Regulation (EC) 809/2004 of April 29, 2004 – Appendix I		Registration document	
No.	**Item**	**Reference**	**Page(s)**
5.1.4	Registered offices and legal form of the issuer, legislation under which the issuer operates, country of incorporation, and address and telephone number of its registered office	9.1.4 and 9.1.5	312
5.1.5	Important events in the development of the issuer's business	2.1.2	36
5.2	Investments	2.2.2	39-41
5.2.1	Description of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document	5.6, 8.8.1 and 8.8.2	171, 309 and 309-310
5.2.2	Description of the issuer's principal current investments	N/A	
5.2.3	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	2.2.2.2	40-41
6	**Business overview**		
6.1	Principal activities	2.1.1.3	34-35
6.1.1	Nature of the issuer's operations and its principal activities	2.1	30-36
6.1.2	Significant new product or service launched	2.1.1.3	34-35
6.2	Principal markets	2.1 and 2.2.2	30-36 and 39-41
6.3	Exceptional events that have influenced information given under items 6.1 and 6.2	N/A	-
6.4	The issuer's level of dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	2.2.1.3, 2.2.2.1.1 and 2.4.1	38, 39-40 and 49
6.5	Basis for any statements made by the issuer regarding its competitive position	2.4.4	52
7	**Organizational structure**		
7.1	Description of the Group and the issuer's position	9.1.7 and 9.1.8	313-314
7.2	List of the issuer's significant subsidiaries	9.1.7, 9.1.8 and 8.1.7 (note 1.3)	313-314 and 262-263
8	**Property, plant and equipment**		
8.1	Material property, plant and equipment, existing or planned	2.4.2	50-51
8.2	Environmental matters that may affect the issuer's utilization of property, plant and equipment	3.6.2.8	68
9	**Review of the financial position and results**		
9.1	Financial position of the issuer, changes in the financial position and gains or losses from transactions in each financial year and interim period for which historical financial information is required	5.3 and 5.4	160-163 and 164-170
9.2	Operating income	5.4.6	168
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's operating income	5.3 and 5.4	160-163 and 164-170
9.2.2	Reasons for material changes in net sales or revenues	5.3 and 5.4	160-163 and 164-170
9.2.3	Governmental, economic, fiscal, monetary or political strategies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	2.2, Chapter 3, 5.9 and 5.10	37-43, 53-74 and 172-173
10	**Cash and capital resources**		
10.1	Information concerning the issuer's capital resources	5.5	170-171
10.2	Sources, amounts and description of the issuer's cash flows	5.5.1 and 8.1.5	170-171 and 256
10.3	Information on the issuer's borrowing conditions and financing structure	5.5.2	171
10.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	5.5	170-171
10.5	Information regarding the anticipated sources of funds needed to fulfill the commitments referred to in items 5.2.3 and 8.1	N/A	-

T

European Commission Regulation (EC) 809/2004 of April 29, 2004 – Appendix I		Registration document	
No.	**Item**	**Reference**	**Page(s)**
11	**Research and development, patents and licenses**	2.2.2.1.1, 5.3.2.5 and 5.4.4	39-40, 163 and 167
12	**Trend information**		
12.1	The most significant trends affecting production, sales and inventory, and costs and selling prices, from the end of the last financial year to the date of the registration document	5.13	175
12.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	N/A	-
13	**Earnings forecasts or estimates**		
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	N/A	-
13.2	Report prepared by independent accountants or Statutory Auditors	N/A	-
13.3	Earnings forecast or estimate prepared on a basis comparable with the historical financial information	N/A	-
13.4	Statement setting out whether or not the earnings forecast is still valid as at the date of the registration document, and, if it is not, an explanation of why the forecast is no longer valid	N/A	-
14	**Administrative, management, and supervisory bodies and General Management**		
14.1	Name, business address, function and main activities outside the issuing company of (a) members of the administrative, management or supervisory bodies, (b) partners with unlimited liability, in the case of a company limited by shares (c) founders, for a company formed fewer than five years previously and (d) corporate officers whose name can be given to prove that the issuing company has sufficient expertise and the experience to manage its own affairs. The nature of any family relationship between any of those persons. For each member of the administrative, management or supervisory bodies and for each person mentioned in points (b) and (d), details of that person's relevant management expertise and experience and **(a)** the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner with unlimited liability at any time in the previous five years, **(b)** any convictions in relation to fraudulent offenses for at least the previous five years, **(c)** details of any bankruptcies, receiverships or liquidations for at least the previous five years and, **(d)** details of any criminal conviction and/or official public sanction handed down to such person by statutory or regulatory authorities and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. Statement that no information should be disclosed	6.1.1 and Appendix 3 to the Management Report	181-195 and 368-377
14.2	Conflicts of interest at the level of the administrative, management and supervisory bodies and Senior Management	6.1.1.2	188-192
15	**Compensation and benefits**		
15.1	Compensation paid and benefits in kind granted by the issuer and its subsidiaries	6.2	208-242
15.2	Total sums set aside or otherwise recognized by the issuer or its subsidiaries for the provision of pension, retirement or other benefits	8.1.7 (note 5.2)	300
16	**Operating procedures of the administrative and management bodies**		
16.1	Expiration date of the current term of office, and the period during which the person served in that office	6.1.1	181-195
16.2	Information about service contracts binding members of the administrative, management or supervisory bodies to the issuer or any of its subsidiaries, which provide for benefits, or an appropriate negative statement	6.1.5	207
16.3	Information about the issuer's Audit Committee and Compensation Committee	6.1.3	197-204
16.4	Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime	6.1	180-207

European Commission Regulation (EC) 809/2004 of April 29, 2004 – Appendix I		Registration document	
No.	**Item**	**Reference**	**Page(s)**
17	**Employees**		
17.1	Number of employees at the end of the period or the average for each financial year over the period covered by the historical financial information and breakdown of persons employed by main category of activity and by site	4.7.2.2	144-147
17.2	Shareholdings and stock options	6.1.1, 6.2.2.1 and 7.2	181-195, 216-224 and 246-247
17.3	Agreement providing for employees to own a stake in the issuer's equity	7.2 and 7.3	246-247 and 248
18	**Principal shareholders**		
18.1	The name of any person who is not a member of the administrative, management or supervisory bodies who, directly or indirectly, holds a percentage of the issuer's share capital or voting rights that is notifiable under the issuer's national law, together with the amount of each person's stake or, if there are no such persons, an appropriate negative statement	7.1.1	244
18.2	Different voting rights, or an appropriate negative statement	9.3.3	320-321
18.3	Direct or indirect ownership or control of the issuer	7.1	244-245
18.4	Description of any arrangements, known to the issuer, which may at a subsequent date result in a change in control of the issuer	7.1.4	245
19	**Related party transactions**	7.4 and 8.1.7 (note 5.2)	249-250 and 300
20	**Financial information concerning the issuer's assets, financial position and income or losses**		
20.1	Historical financial information	8.1	252-301
20.2	Pro forma financial information	N/A	-
20.3	Financial statements	8.1	252-301
20.4	Audit of the historical annual financial information		
20.4.1	Statement that the historical financial information has been audited	8.2	302-305
20.4.2	Other information in the registration document that has been reviewed by the Statutory Auditors	N/A	-
20.4.3	Where financial data in the registration document is not extracted from the issuer's audited financial statements, the source of the data and a statement that the data is unaudited	N/A	-
20.5	Date of latest audited financial information (financial year ended 12/31/2018)	8.1	252-301
20.6	Interim and other financial information		
20.6.1	Quarterly or half-yearly financial information published since the date of the last financial statements and (if applicable) the audit or review report	N/A	-
20.6.2	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the registration document is dated more than nine months after the end of the last audited financial year	N/A	-
20.7	Dividend policy	8.4	307
20.7.1	Dividend per share	8.1.7 (note 4.1) and 8.4	277-278 and 307
20.8	Legal and arbitration proceedings	8.5	308
20.9	Material changes in financial or trading position	8.6	308
21	**Additional information**		
21.1	Share capital		
21.1.1	Subscribed capital, number of shares authorized, number of shares issued and fully paid and issued but not fully paid, par value per share and reconciliation of the number of shares in issue at the beginning and end of the financial year	9.2.1	315-317
21.1.2	Shares not representing capital	N/A	-

T

European Commission Regulation (EC) 809/2004 of April 29, 2004 – Appendix I		Registration document	
No.	**Item**	**Reference**	**Page(s)**
21.1.3	Number, carrying amount and par value of shares held by the issuer, on its behalf or by its subsidiaries	9.2.2	317
21.1.4	Convertible securities, exchangeable securities or securities with warrants	7.2 and 7.3	246-247 and 248
21.1.5	Information about the terms of any acquisition rights or obligations attached to capital subscribed but not paid up, or about any undertaking to increase the capital	7.2	246-247
21.1.6	Information about any capital of any member of the Group which is subject to an option or a conditional or unconditional agreement to put it under option	N/A	-
21.1.7	Changes in share capital over the period covered by the historical financial information	9.2.4	318-319
21.2	Memorandum and Articles of Association		
21.2.1	Corporate purpose	9.3.1	320
21.2.2	Members of administrative, management and supervisory bodies	6.1	180-207
21.2.3	Rights, preferences and restrictions attached to each class of existing shares	9.3.3	320-321
21.2.4	Action necessary to change shareholder rights	9.3.4	321
21.2.5	Conditions governing the manner in which annual Ordinary and Extraordinary Shareholders' General Meetings are called, including the conditions of admission	9.3.5	321-322
21.2.6	Provisions of the Memorandum and Articles of Association and any charter or rules of the issuer that would have the effect of delaying, deferring or preventing a change in its control	9.3.6	322
21.2.7	Provisions of the Memorandum and Articles of Association and any charter or rules determining the threshold above which any equity stake must be disclosed	9.3.7	322
21.2.8	Conditions imposed by the Memorandum and Articles of Association and any charter or rules governing changes in the capital, where such conditions are more stringent than required by law	9.3.8	322
22	**Material agreements**	8.7	308
23	**Third party information, statements by experts and declarations of interest**		
23.1	Information about persons who have prepared a statement or report	N/A	-
23.2	Confirmation that information has been accurately reproduced and that no facts have been omitted that would render the reproduced information inaccurate or misleading	N/A	-
24	**Documents available to the public**	9.4.3	325
25	**Information on holdings**	9.1.8	313-314

CROSS-REFERENCE TABLE – MANAGEMENT REPORT (INCLUDING CORPORATE GOVERNANCE REPORT)

Management Report		Reference text	Reference	Page(s)
No.	**Item**			
Situation and business activities				
	Situation of the Company during the year	L. 232-1 (II) of the French Commercial Code	Management Report, 1.1	357
	Business activity and results of the Company, each subsidiary and the companies it controls by business segment	L. 233-6 of the French Commercial Code	Management Report, 1.1	357
	Objective and complete analysis of changes in the business, results and financial position of the Company and the Group	L. 225-100-1(I)(1) of the French Commercial Code	Management Report, 1.2	357
	Appropriation of earnings	-	Management Report 1.3	357
	Internal control and risk management procedures relating to the preparation and processing of financial and accounting information	L. 225-100-1(I)(5) of the French Commercial Code	Management Report, 1.4	358
	Description of the main risks and uncertainties faced by the Company	L. 225-100-1(I)(3) of the French Commercial Code	Management Report, 1.5	358
	Information about the Company's objectives and policy concerning hedging in each main category of transactions for which hedge accounting is used, and about its exposure to price, credit, liquidity and treasury risks	L. 225-100-1(I)(6) of the French Commercial Code	Management Report, 1.6	358
	Description and management of financial risks linked to the effects of climate change	L. 225-100-1(I)(4) of the French Commercial Code	Management Report, 1.7	358
	Material events between the reporting date and the date of preparation of the management report	L. 232-1 (II) of the French Commercial Code	Management Report, 1.8	358
	Forecast changes in the Company's position	L. 232-1 (II) of the French Commercial Code	Management Report, 1.9	358
	Description of existing branches	L. 232-1 (II) of the French Commercial Code	Management Report, 1.10	358
	Research and development activities	L. 232-1 (II) of the French Commercial Code	Management Report, 1.11	362
	Supplier and customer payment timeframes	L. 441-6-1 of the French Commercial Code	Management Report, 1.12	359
	Significant new shareholdings or controlling interests acquired during the financial year in companies whose registered office is in France	L. 233-6 and L. 247-1 of the French Commercial Code	Management Report, 1.13	359

Management Report		Reference text	Reference	Page(s)
No.	**Item**			
	CSR information	L. 225-102-4 of the French Commercial Code	Management Report, 2	359
Report on corporate governance				
	List of appointments and positions held in any company by each of the company officers during the financial year, their nationality, their age and their main role	L. 225-37-4(1) of the French Commercial Code Art. 13.3 of the Afep-Medef Code	Management Report, 3.1	359
	Start and end dates of each director's term of office	Art. 13.3 of the Afep-Medef Code	Management Report, 3.2	359
	Agreements between a corporate officer or shareholder holding more than 10% of the voting rights and a subsidiary (excluding standard agreements)	L. 225-37-4(2) of the French Commercial Code	Management Report, 3.3	359
	Report on the activities of the Board of Directors and its committees	Art. 1.8 and 14.2 of the Afep-Medef Code	Management Report, 3.4	359
	Membership of the Board of Directors and its committees	L. 225-37-4(5) of the French Commercial Code	Management Report, 3.5	360
	Preparation and organization of the work of the Board of Directors	L. 225-37-4(5) of the French Commercial Code	Management Report, 3.6	360
	Number of meetings of the Board of Directors and the specialized committes and director attendance rates	Art. 10.1 of the Afep-Medef Code	Management Report, 3.7	360
	Assessment of the Board of Directors	Art. 9.3 of the Afep-Medef Code	Management Report, 3.8	360
	Independence of directors	Art. 8.5 of the Afep-Medef Code	Management Report, 3.9	360
	Description of the diversity policy applied to members of the Board of Directors	L. 225-37-4(6) of the French Commercial Code	Management Report, 3.10	360
	Limits that the Board of Directors imposes on the powers of the Chief Executive Officer	L. 225-37-4(7) of the French Commercial Code	Management Report, 3.11	360
	Reference to a Code of Corporate Governance	L. 225-37-4(8) of the French Commercial Code	Management Report, 3.12	360
	Formalities for shareholders' participation in Shareholders' General Meetings	L. 225-37-4(9) of the French Commercial Code	Management Report, 3.13	360
	Summary of valid grants of authority to increase the share capital and use made of such authority during the year	L. 225-37-4(3) of the French Commercial Code	Management Report, 3.14	360
	Information capable of affecting the outcome of a public offering	L. 225-37-5 of the French Commercial Code	Management Report, 3.15	361-362
	Total compensation and benefits of any kind paid to each corporate officer during the financial year	L. 225-37-3 of the French Commercial Code	Management Report, 3.16	362
	Principles and criteria for the calculation, apportionment and award of fixed, variable and exceptional elements of total compensation and benefits of any kind due to executive directors	L. 225-37-2 of the French Commercial Code	Management Report, 3.17	362

Management Report		Reference text	Reference	Page(s)
No.	Item			
	Any kinds of commitment made by the Company to its company officers concerning compensation, allowances or benefits payable or likely to be payable as a result of, or subsequent to, taking up or leaving office	L. 225-37-3 of the French Commercial Code	Management Report, 3.18	362
	Lock-in requirements for stock options and bonus shares awarded to executives	L. 225-197-1(II) and L. 225-185 of the French Commercial Code	Management Report, 3.19	360
Ownership structure and capital				
	Ownership structure and changes during the year	L. 233-13 of the French Commercial Code	Management Report, 4.1	363
	Amount of dividends distributed with respect to the past three years, both eligible and non-eligible for the 40% allowance	243 bis of the French General Tax Code	Management Report, 4.2	363
	Information on acquisitions and disposals by the Company of its own shares	L. 225-211 of the French Commercial Code	Management Report, 4.3	363
	Transactions in securities by company officers and similar persons	L. 621-18-2 of the French Monetary and Financial Code	Management Report, 4.4	364
	Information about adjustments to conversion terms or terms relating to the subscription or exercise of securities giving access to the capital or stock options	L. 228-99, R. 228-90 and R. 228-91 of the French Commercial Code	Management Report, 4.5	364
	Information on adjustments to the number and/or price of shares corresponding to stock options and performance shares	L. 225-181 of the French Commercial Code	Management Report, 4.6	364
	Statement of employee share ownership at year-end and proportion of the share capital represented by shares held by employees under the employee share ownership program and by current and former employees through a company mutual fund	L. 225-102 of the French Commercial Code	Management Report, 4.7	364
	Names, business activities and results of controlled companies and percentage of the share capital held	L. 233-13 of the French Commercial Code	Management Report, 4.8	365
	Share disposals to regularize cross-shareholdings	R. 233-19 of the French Commercial Code	Management Report, 4.9	365
Other legal, financial and tax information concerning the Company				
	Expenditures on luxuries	223 quater of the French General Tax Code	Management Report, 5.1	365
	Add-backs of excessive general expenditure or general expenditure that does not feature in the special statement	223 quinquies of the French General Tax Code	Management Report, 5.2	365
	Table of the Company's results over the past five years	R. 225-102 of the French Commercial Code	Management Report, 5.3	365
	Loans with a maturity of less than two years granted by the Company	L. 511-6 of the French Monetary and Financial Code	Management Report, 5.4	365
	Bonds, sureties and guarantees given and other security provided	L. 232-1(1) of the French Commercial Code	Management Report, 5.5	365
	Injunctions or fines for anti-competitive practices	L. 464-2 of the French Commercial Code	Management Report, 5.6	365
	Information on facilities categorized as upper-tier under the Seveso Directive	L. 225-102-2 of the French Commercial Code	Management Report, 5.7	365

CROSS-REFERENCE TABLE – FILING OF ANNUAL FINANCIAL STATEMENTS (ARTICLE L. 232-23 OF THE FRENCH COMMERCIAL CODE)

Filing of annual financial statements (article L. 232-23 of the French Commercial Code)	Registration document	
Item	**Reference**	**Page(s)**
Statutory Auditors' report on the annual financial statements	Appendix 3	379-382
Annual financial statements	Appendix 1	338-356
Parent company management report	Appendix 2	357-377
Statutory Auditors' report on the consolidated financial statements	8.2	302-305
Consolidated financial statements	8.1	252-301
Group's management report	Chapter 5	157-178

A

APPENDIX

APPENDIX 1 338

Financial statements December 31, 2018 338

Notes to the financial statements 341

APPENDIX 2 357

Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019 of Legrand SA (the "Company") 357

APPENDIX 3 379

Statutory auditors' report on the financial statements for the year ended December 31, 2018 379

APPENDIX 4 383

Presentation of the agenda for the Annual Shareholders' Meeting of May 29, 2019 383

Board of Directors' Report 383

Resolutions for the Combined Ordinary and Extraordinary General Meeting of Shareholders on May 29, 2019 405

APPENDIX 1

Financial statements December 31, 2018

Statement of income

(in € thousands)	2018	2017
Operating income		
Revenue	18,592	17,592
Other operating income	1,245	4,910
TOTAL OPERATING INCOME	**19,837**	**22,502**
Operating expenses		
Change in goods inventory	0	0
Change in supplies inventory	0	0
Purchases and external charges	(6,525)	(8,970)
Taxes other than on income	(707)	(972)
Employee benefits expense	(9,657)	(8,925)
Amortization and provision expense	(1,373)	(2,635)
Other operating expenses	(656)	(598)
TOTAL OPERATING EXPENSES	**(18,918)**	**(22,100)**
Operating profit	**919**	**402**
Financial income		
Dividend income	249,851	249,851
Interest income from marketable securities and receivables, net	5,173	1,290
Provision reversals and expense transfers	0	0
Exchange gains	1	3
Other financial income	0	0
TOTAL FINANCIAL INCOME	**255,025**	**251,144**
Financial expense		
Amortization and provision expense	(3,418)	(1,356)
Exchange losses	0	(2)
Finance costs and other	(41,609)	(45,686)
TOTAL FINANCIAL EXPENSE	**(45,027)**	**(47,044)**
Financial income and expense, net	**209,998**	**204,100**
Recurring profit before tax	**210,917**	**204,502**
Non-recurring income and expense, net	**149**	**1,202**
Profit before tax and employee profit-sharing	**211,066**	**205,704**
Employee profit-sharing	(161)	(115)
Income tax benefit	16,630	41,459
PROFIT FOR THE PERIOD	**227,535**	**247,048**

The accompanying Notes are an integral part of these financial statements.

Balance sheet

Assets

(in € thousands)	December 31, 2018	December 31, 2017
Non-current assets		
Intangible assets	0	0
Property and equipment	0	0
Investments	4,613,216	4,675,511
TOTAL NON-CURRENT ASSETS	**4,613,216**	**4,675,511**
Current assets		
Inventories	0	0
Receivables	34,056	50,016
Marketable securities	238	238
Cash	70	0
TOTAL CURRENT ASSETS	**34,364**	**50,254**
Accruals	**12,455**	**11,544**
TOTAL ASSETS	**4,660,035**	**4,737,309**

The accompanying Notes are an integral part of these financial statements.

Equity and liabilities

(in € thousands)	December 31, 2018	December 31, 2017
Equity		
Share capital	1,069 ,980	1,067,223
Additional paid-in capital, reserves and retained earnings	788,441	867,799
Profit for the period	227,535	247,048
Untaxed provisions and government grants	0	0
TOTAL EQUITY	**2,085,956**	**2,182,070**
Provisions	**3,911**	**7,786**
Debt		
Other debt	2,520,090	2,530,366
TOTAL DEBT	**2,520,090**	**2,530,366**
Other liabilities	**50,078**	**17,087**
Accruals	**0**	**0**
TOTAL EQUITY AND LIABILITIES	**4,660,035**	**4,737,309**

The accompanying Notes are an integral part of these financial statements.

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Statement of cash flows

(in € thousands)	12 months ended December 31, 2018	12 months ended December 31, 2017
Profit for the period	**227,535**	**247,048**
Adjustments for non-cash movements in assets and liabilities:		
Changes in depreciation, amortization and impairment of fixed assets	1,933	
Amortization of deferred charges	2,394	2,307
Changes in provisions for contingencies and charges	(3,876)	926
Changes in untaxed provisions	0	
Net (gain)/loss on sales of assets	0	
Other non-cash items	(3,305)	(8,561)
CASH FLOW	**224,681**	**241,720**
Changes in working capital requirement:		
Inventories		
Trade and other receivables	15,960	(33,992)
Trade and other payables	32,992	441
Other operating assets and liabilities	0	78
NET CASH FROM OPERATING ACTIVITIES	**273,633**	**208,247**
Net proceeds from sales of fixed and financial assets		
Decreases in financial assets		
Acquisitions of fixed assets		
Acquisitions of financial assets	(24)	(23)
NET CASH FROM INVESTING ACTIVITIES	**(24)**	**(23)**
Proceeds from issues of share capital and premium	13,170	16,913
Net sales (buybacks, cancellation) of treasury shares and transactions under the liquidity contract	(34,866)	(1,176)
Dividends paid to equity holders of Legrand	(336,818)	(317,145)
Increase (decrease) in borrowings, including intragroup loans and borrowings	84,839	92,916
NET CASH FROM FINANCING ACTIVITIES	**(273,675)**	**(208,492)**
Increase (decrease) in cash and cash equivalents	**(66)**	**(268)**
Cash and cash equivalents at the beginning of the period	(5)	263
Cash and cash equivalents at the end of the period	**(71)**	**(5)**

The accompanying Notes are an integral part of these financial statements.

Notes to the financial statements

Detailed table of contents

NOTE 1 –	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	341
NOTE 2 –	ASSETS	343
NOTE 3 –	RECEIVABLES	344
NOTE 4 –	MARKETABLE SECURITIES	344
NOTE 5 –	ACCRUALS	344
NOTE 6 –	EQUITY	345
NOTE 7 –	PROVISIONS	352
NOTE 8 –	DEBT AND OTHER LIABILITIES	353
NOTE 9 –	NOTES TO THE STATEMENT OF INCOME	354
NOTE 10 –	OTHER INFORMATION	354
NOTE 11 –	SIGNIFICANT EVENTS OF THE YEAR	356
NOTE 12 –	SUBSEQUENT EVENTS	356

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 ACCOUNTING PRINCIPLES AND POLICIES

The financial statements have been prepared in accordance with French generally accepted accounting principles, applied consistently from one year to the next, under the historical cost convention.

1.2 INTANGIBLE ASSETS

Intangible assets correspond to software, which is amortized over 3 years.

The difference between book amortization and amortization calculated over 12 months for tax purposes is recorded in equity under "Untaxed provisions".

1.3 INVESTMENTS

Investments correspond primarily to investments in subsidiaries and affiliates, which are stated at the lower of cost and fair value.

Fair value is determined by reference to Legrand's equity in the investee's revalued net assets, as adjusted to reflect its earnings performance and growth outlook.

1.4 SHARE BUYBACKS AND LIQUIDITY CONTRACT

1.4.1 Accounting registration

Legrand shares acquired under share buyback programs are classified in accordance with recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board (*Comité d'Urgence du Conseil National de la Comptabilité*), based on the purpose for which they were purchased.

- Shares acquired specifically for allocation to employees are classified under "Marketable securities" as "Treasury shares";
- Shares acquired for cancellation or for any other purpose are classified under "Other investments" as "Treasury shares held for cancellation" or "Treasury shares";
- Shares purchased in connection with a liquidity contract are also recorded under "Other investments" as "Treasury shares";
- Cash and short-term investments held in the liquidity account are classified under "Other investments" as "Other long-term receivables".

1.4.2 Impairment of treasury shares

Treasury shares held for cancellation are stated at cost.

Treasury shares held for other purposes are stated at the lower of cost and fair value, with fair value corresponding to the average share price for the last month of the fiscal year. A provision is recorded for any unrealized losses.

The loss incurred when treasury shares are sold to employees is recorded under non-recurring expense.

A provision is recorded for shares purchased and allocated on exercise of stock options or for performance shares on the share purchase date, to cover the difference between the price of performance shares and stock options granted to employees and the shares' carrying amount. This provision is recorded for stock options only if it is probable that the options will be exercised and for performance shares when the Board of Directors decides to purchase the shares underlying the plan concerned.

In both cases, the provision is recognized on a straight-line basis over the vesting periods of the performance shares or stock options concerned.

1.5 MARKETABLE SECURITIES

This item includes Legrand shares purchased for allocation to employees as described in note 1.4 above.

1.6 RECEIVABLES AND PAYABLES

Receivables and payables are stated at nominal value.

A provision for doubtful accounts is recorded when necessary, to write down receivables to their estimated recoverable amount.

1.7 FOREIGN CURRENCY RECEIVABLES AND PAYABLES

Foreign currency receivables and payables are converted into euros at the exchange rate on the reporting date.

1.8 DEFERRED CHARGES

Deferred charges correspond to debt issuance costs, which are written off to the statement of income over the life of the debt.

1.9 BOND REDEMPTION PREMIUMS

The redemption premium reported in the balance sheet corresponds to the 2011, 2012, 2015, 2017 and 2018 bond issues, described in note 8.2 below. It is amortized over the life of the issues.

1.10 PROVISIONS FOR RETIREMENT BENEFITS AND SUPPLEMENTARY PENSION BENEFITS

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The past service cost arising from changes to pension benefit plans is expensed (or recognized in income) in full as incurred. Actuarial gains and losses are always recognized directly in the statement of income.

Defined benefit obligations are calculated using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions.

The present value of the defined benefit obligation is calculated by discounting estimated future cash flows, using the interest rates determined by reference to the yield on high-quality bonds. The discount rate is determined on the basis of the external iBoxx € Corporates AA 10+ index, which is commonly used as a benchmark.

The provisions recorded in the balance sheet concern the unvested entitlements of active employees. The Company has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

The main defined benefit plan applicable in France concerns statutory length-of-service awards, under which all retiring employees are eligible for a lump-sum payment calculated according to their length of service. This payment is defined either in the collective bargaining agreement to which their company is a party or in a separate company-level agreement, whichever is more advantageous to the employee. The amount generally varies depending on the employee category (manager/non-manager).

1.11 PROVISIONS FOR STATUTORY AND DISCRETIONARY PROFIT-SHARING

Legrand's statutory profit-sharing agreement is an "*accord dérogatoire*". Under this type of agreement, the Company applies a more generous profit-sharing formula in exchange for the right to record a tax-deductible "investment provision" covering future investment costs. The latest agreement was signed on June 13, 2018 and applies for the calculation of the special statutory profit-sharing reserve for the three years from 2018 to 2020. The plan covers employees of Legrand and also those of Legrand France, Legrand SNC, Alpes Technologies, Cofrel, Ura, Planet-Wattohm, Intervox Systèmes, Legrand Cable Management, Legrand Energies Solutions, Imesys and Legrand Data Center Solutions.

A three-year discretionary profit-sharing agreement was signed on June 13, 2018 covering the years 2018 to 2020. It applies to employees of the same companies as the statutory profit-sharing agreement.

1.12 STATEMENT OF CASH FLOWS

In the statement of cash flows, cash and cash equivalents include all cash equivalents and bank overdrafts (classified under debt) with an original maturity of less than three months.

NOTE 2 – ASSETS

2.1 INTANGIBLE ASSETS

December 31, 2018 *(in € thousands)*	Gross value at beginning of period	Additions for the year	Disposals for the year	Gross value at end of period
Software at cost	479	-	-	479
Amortization of software	(479)	-	-	(479)
INTANGIBLE ASSETS, NET	**0**	**-**	**-**	**0**

2.2 INVESTMENTS

December 31, 2018 *(in € thousands)*	Gross value at beginning of period	Changes during the year	Gross value at end of period
Shares in subsidiaries and affiliates			
Legrand France SA	3,773,659	-	3,773,659
	3,773,659	**-**	**3,773,659**
Receivables from subsidiaries and affiliates			
Loan to Legrand France SA	878,962	(95,252)	783,710
	878,962	**(95,252)**	**783,710**
Other investments			
Treasury shares held for cancellation	0	34,934	34,934
Other treasury shares	2,476	16,965	19,441
Other long-term receivables	20,390	(17,033)	3,357
Deposits and guarantees	24	24	48
	22,890	**34,890**	**57,780**
Provisions for impairment			
Impairment of other treasury shares	0	(1,933)	(1,933)
	0	**(1,933)**	**(1,933)**
TOTAL INVESTMENTS, NET	**4,675,511**	**(62,295)**	**4,613,216**

For other treasury shares, changes during the year correspond to the net purchases (purchases net of sales) for the period.

2.2.1 Shares in subsidiaries and affiliates

No impairment provision has been recorded on these shares.

2.2.2 Receivables from subsidiaries and affiliates

On July 6, 2017, the Company set up a loan agreement with Legrand France SA for an amount of €480,632 thousand for a period of 4 years, expiring on July 6, 2021. This loan is subject to annual interest of 0.54% per annum.

On October 9, 2017, the Company set up a loan agreement with Legrand France SA for an amount of €397,040 thousand for a period of 6 years, expiring on October 9, 2023. This loan is subject to an interest corresponding to the 1 month Euribor variable rate + 0.63%, with capitalization of interest.

2.2.3 Other investments

This item includes shares acquired under share buyback programs, shares purchased under the liquidity contract and the cash and short-term investments held in the liquidity account (see note 1.4).

Moreover, on May 29, 2007, Legrand appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF on March 22, 2005. €15.0 million in cash was allocated by the Company to the liquidity contract.

As of December 31, 2018, Legrand held 350,219 shares (40,000 as of December 31, 2017) acquired under this contract at a total cost of €19,441,166 which are recorded under "Other treasury shares". The shares are depreciated at December 31, 2018 for €1,932,528 euros.

During 2018, transactions under the liquidity contract led to a cash outflow of €17,032,997 corresponding to the net purchase of 310,219 shares. This amount was financed by the cash and short-term investments held in the liquidity contract, the balance of which was €3,357,352 as of December 31, 2018, which is recorded under "Other long-term receivables".

Details of shares purchased for allocation to employees are provided in note 4 on marketable securities.

NOTE 3 – RECEIVABLES

Current receivables are as follows:

December 31, 2018 *(in € thousands)*	Cost	Maturity	
	Net value	Within one year	Beyond one year
Trade account receivables	3,835	3,835	
Prepaid and recoverable taxes	28,072	28,072	
Recoverable value-added tax	485	485	
Group relief receivables	1,663	1,663	
Other receivables	1	1	
TOTAL AT THE END OF THE PERIOD	**34,056**	**34,056**	**0**
TOTAL AT THE BEGINNING OF THE PERIOD	**50,016**	**50,016**	**0**

NOTE 4 – MARKETABLE SECURITIES

In 2018 and 2017, this item exclusively comprised Legrand shares purchased for allocation to employees.

	December 31, 2018			December 31, 2017
in € thousands)	Cost	Impairment	Net	Net
Performance share plans	238	0	238	238
TOTAL	**238**	**0**	**238**	**238**

Details of the objectives and terms of the current share buyback program, which represents a maximum of €1 billion, are provided in the program description published on May 30, 2018.

A breakdown of shares held in treasury for allocation to employees is provided in note 6.1.

NOTE 5 – ACCRUALS

(in € thousands)	December 31, 2018	December 31, 2017
Prepaid expenses	21	21
Deferred charges	4,122	4,225
Bond redemption premium	8,312	7,298
TOTAL	**12,455**	**11,544**

NOTE 6 – EQUITY

6.1 SHARE CAPITAL

Share capital as of December 31, 2018 amounted to €1,069,980,596 represented by 267,495,149 ordinary shares with a par value of €4 each, for 267,495,149 theoretical voting rights and 266,589,802 exercisable voting rights (after subtracting shares held in treasury by the Company as of this date).

As of December 31, 2018, the Company held 905,347 shares in treasury, versus 45,128 shares as of December 31, 2017, i.e. 860,219 additional shares corresponding to:

- the net acquisition of 550,000 shares outside the liquidity contract;
- the net purchase of 310,219 shares under the liquidity contract (see note 2.2.3).

At December 31, 2018, the Company held 905,347 shares, acquired at a cost of €54,613,517 and allocated as follows:

- 5,128 shares purchased at a cost of €238,047 and available for allocation upon exercise of performance share plans;
- 350,219 shares purchased at a cost of €19,441,166 and held under the liquidity contract (see note 2.2.3);
- for cancellation of 550,000 shares acquired at a cost of €34,934,304.

Changes in share capital in 2018 were as follows:

	Number of shares	Par value	Share capital *(in euros)*	Premiums *(in euros)*
As of December 31, 2017	266,805,751	4	1,067,223,004	790,685,656
Exercise of options under 2008 plan	263,189	4	1,052,756	4,264,978
Exercise of options under 2009 plan	148,476	4	593,904	1,314,708
Exercise of options under 2010 plan	277,733	4	1,110,932	4,832,108
Cancellation of shares				
Repayment of paid-in-capital*				(88,886,788)
As of December 31, 2018	267,495,149	4	1,069,980,596	712,210,665

* *Portion of dividends distributed in June 2018 deducted from the premium account.*

In 2018, 689,398 shares were issued under the 2008 to 2010 stock option plans, resulting in a capital increase representing a total amount of €13,169,387 (premium included).

6.2 ADDITIONAL PAID-IN CAPITAL, RESERVES AND RETAINED EARNINGS

(in € thousands)	December 31, 2018	December 31, 2017
Before appropriation of profit		
Additional paid-in capital	712,211	790,685
IPO costs charged to additional paid-in capital	(33,206)	(33,206)
Legal reserve	106,722	106,931
Non-distributable reserves	2,714	3,389
Other reserves and retained earnings	0	0
TOTAL	**788,441**	**867,799**

Non-distributable reserves correspond to share buybacks, excluding shares held for cancellation.

6.3 CHANGES IN EQUITY

(in € thousands)	December 31, 2018
Equity at the beginning of the period before appropriation of profit	2,182,070
Movements for the year after appropriation:	
■ Share capital	2,758
■ Additional paid-in capital	10,412
■ Reserves and retained earnings	
■ Non-distributable reserves	
■ Dividends paid*	(336,819)
■ Untaxed provisions and government grants	
■ Profit for the period	227,535
■ Other	
EQUITY AT THE END OF THE PERIOD BEFORE APPROPRIATION OF PROFIT	**2,085,956**

* *The dividend was distributed by reducing:*

- *distributable earnings in an amount of €247,932 thousand representing €0.929 per share; and*
- *premium account in an amount of €88,887 thousand representing €0.331 per share.*

The General Meeting of Shareholders held on May 30, 2018 approved the payment of a total dividend of €336,819 thousand representing €1.26 per share.

6.4 PERFORMANCE SHARE PLANS AND STOCK OPTION PLANS

6.4.1 2015 to 2018 Performance share plans

The following performance share plans were also approved by the Company's Board of Directors:

	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Date approved by shareholders	May 24, 2013	May 24, 2013	May 27, 2016	May 27, 2016
Grant date	May 29, 2015	May 27, 2016	May 31, 2017	May 30, 2018
Total number of performance share rights initially granted	390,866(1)	498,323(1)	487,532(1)	518,900(1)
o/w to Executive Director	*14,659(1)*	*15,361(1)*	*12,388(1)*	*19,366(1)*
■ *Gilles Schnepp*	*14,659*	*15,361*	*12,388*	*0*
■ *Benoît Coquart*	*NA*	*NA*	*NA*	*19,366*
End of vesting period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2021(2) June 15, 2022(3)
End of lock-up period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2023(2) June 15, 2022(1)
Number of performance shares acquired as of December 31, 2018	0	0	0	0
Number of performance share rights cancelled, forfeited or adjusted	(56,530)(4)	(19,078)	(15,961)	(2,692)
PERFORMANCE SHARE RIGHTS OUTSTANDING AS OF DECEMBER 31, 2018	**334,336**	**479,245**	**471,571**	**516,208**

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018 the number of remaining performance shares was adjusted to take into account the impact of these transactions on the interests of performance share beneficiaries in accordance with article L. 228-99 of the French Commercial Code.

Moreover, the number of performance shares has been reduced following the Executive Director's decision to waive part of his entitlement to performance shares granted under the 2015 and 2016 plans.

(2) Date applicable to the executive officer and members of the Executive Committee

(3) Date applicable to beneficiaries other than the executive officer and members of the Executive Committee.

(4) Including the number of performance shares adjusted for the performance criteria fulfillment at 90.8%

6.4.1.1 2015 to 2017 Performance share plans

The final number of shares ultimately granted to beneficiaries is determined based on a service condition and several performance criteria. The vesting period is four years.

Type of performance criteria	Description of performance criteria	Weight of performance criteria by plan 2015	Weight of performance criteria by plan 2016 and 2017
"External" financial performance criterion	Comparison between the arithmetic mean of Legrand's consolidated EBITDA margin over a three-year period as published in the consolidated financial statements and the arithmetic mean of EBITDA margins achieved by companies forming part of the MSCI World Capital Goods index over the same period.	50%	33 1/3%
"Internal" financial performance criterion	Arithmetic mean of levels of normalized free cash flow as a percentage of sales over a three-year period, as published in the consolidated financial statements	50%	33 1/3%
Non-financial performance criterion	Arithmetic mean of average rate of attainment of Group CSR Roadmap priorities over a three-year period.	0%	33 1/3%

The number of shares ultimately granted to beneficiaries is calculated as follows:

"External" financial performance criterion

Pay-out rate(1)	0%	100%	150%
Average gap in EBITDA margin in Legrand's favor between Legrand and the MSCI average over a three-year period	**2015 Plan:**	**2015 Plan:**	**2015 Plan:**
	4 points or less	8.3 points	10.5 points or more
	2016 Plan:	**2016 Plan:**	**2016 Plan:**
	3.5 points or less	7.8 points	10.0 points or more
	2017 Plan:	**2017 Plan:**	**2017 Plan:**
	3.1 points or less	7.4 points	9.6 points or more

"Internal" financial performance criterion

Pay-out rate(1)	0%	100%	150%
Average normalized free cash flow as a percentage of sales over a three-year period	**2015 Plan:**	**2015 Plan:**	**2015 Plan:**
	9.4% or less	12.8%	14.5% or more
	2016 Plan:	**2016 Plan:**	**2016 Plan:**
	8.8% or less	12.2%	13.9% or more
	2017 Plan:	**2017 Plan:**	**2017 Plan:**
	8.6% or less	12.0%	13.7% or more

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Non-financial performance criterion (applicable to the 2016 and 2017 performance share plans)

Applicable to beneficiaries with the exception of the Executive Director					
Pay-out rate(1)	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	Capped at 150%
Average rate of achievement of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%
Applicable to the Executive Director					
Pay-out rate(1)	0%	Between 70% and 90%	Between 90% and 97%	Between 97% and 150%	Capped at 150%
Average rate of achievement of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 90%	Between 90% and 125%	Between 125% and 213%	Above 213%

(1) For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way.

6.4.1.2 2018 Performance share plans

The final number of shares granted to beneficiaries is determined on the condition that the beneficiary is present within the Group at the expiry of vesting period and several performance criteria.

For the executive officer and members of the Executive Committee, the vesting period is three years, with an additional two-year holding period; for other beneficiaries, the vesting period is four years, with no holding period.

Performance criteria applicable to the executive officer and members of the Executive Committee

The performance criteria applicable to the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target of organic growth of revenues	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Target of adjusted operating margin before acquisitions(1)	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Annual rates of achievements of the Group's CSR roadmap	Target: arithmetic average over three years of the annual rates of achievement of the Group's CSR roadmap.	1/4
Legrand stock market performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand stock market price and that of the CAC 40 index over a three-year period.	1/4

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

The number of shares ultimately granted to beneficiaries is calculated as follows:

Criterion of organic growth of revenues

Pay-out rate[(1)]	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than (LR[(2)] - 2 points)	Between (LR[(2)] - 2 points) and LR[(2)]	Equal to LR[(2)]	Between LR[(2)] and UR[(3)]	Equal to UR[(3)]	Between UR[(3)] and (UR[(3)] + 2 points)	Higher than (UR[(3)] + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the three-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponds to the three-year average of the upper ranges of the annual target disclosed to the market.

Criterion of adjusted operating margin before acquisitions

Pay-out rate[(1)]	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than (LR[(2)] - 50 bps)	Between (LR[(2)] - 50 bps) and LR[(2)]	Equal to LR[(2)]	Between LR[(2)] and UR[(3)]	Equal to UR[(3)]	Between UR[(3)] and (UR[(3)] + 50 bps)	Higher than (UR[(3)] + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the 3-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponds to the 3-year average of the upper ranges of the annual target disclosed to the market.

Annual rate of achievement of the Group's CSR roadmap

Pay-out rate[(1)]	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Over 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

Legrand stock market performance

Pay-out rate[(1)]	0%	30%	Between 30% and 150%	150%
Difference in performance between the Legrand stock market price and that of the CAC 40 index[(2)]	Lower than 0 point	Equal to 0 point	Between 0 point and 15 points	Higher than 15 points

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) For the 2018 plan, the three-year performance will be measured on the 2018-2020 period with the following calculation method:

- *Legrand stock market performance: comparison of the average daily closing prices of the second half of the third year of the plan (second half of 2020) with the average daily closing market prices of the second half of the year preceding the first year of the plan (second half of 2017), i.e., €61.30;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing indices of the second half of the third year of the plan (second half of 2020) with the average closing indices of the CAC 40 index of the second half of the year preceding the first year of the plan (second half of 2017), i.e.,5,275.8 points.*

The difference between these two performances will be measured by the points gap between the percentage of change in the Legrand share price and the percentage of change in the CAC 40 index.

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Performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee

The performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target of organic growth of revenues	The target to be reached for this criterion, set annually corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Target for adjusted operating margin before acquisitions(1)	The target to be reached for this criterion, set annually, corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Annual rates of achievement of the Group's CSR roadmap	The annual rate of achievement corresponds to the rate of achievement of the CSR annual roadmap. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of attainment.	1/3

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

The number of shares ultimately granted to beneficiaries is calculated as follows:

Criterion of organic growth of revenues

Annual rate of achievement(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR(2) - 2 points)	Between (LR(2) - 2 points) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 2 points)	Above (UR(3) + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

Criterion of adjusted operating margin before acquisitions

Annual rate of achievement(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR(2) - 50 bps)	Between (LR(2) - 50 bps) and LR(2)	Equal to LR(2)	Between LR(2) and UR(3)	Equal to UR(3)	Between UR(3) and (UR(3) + 50 bps)	Above (UR(3) + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

Target for annual achievements of the Group's roadmap objectives

Annual rate of achievement[1]	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Annual rates of achievement of the Group's CSR roadmap	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

The final pay-out rate for each criterion corresponds to the arithmetic average over a three-year period of the annual achievement rates.

If all the performance shares from the 2015 to 2018 plans were to vest according to the target allocation before application of the performance criteria (i.e., 1,801,360 shares), the Company's capital would be diluted by 0.7% as of December 31, 2018.

6.4.2 Stock option plans

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2008 Plan	2009 Plan	2010 Plan
Date approved by shareholders	May 15, 2007	May 15, 2007	May 15, 2007
Grant date	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options granted	2,024,675[1]	1,192,949[1]	3,283,257[1]
o/w to Executive Directors	*142,738*[1]	*95,459*[1]	*222,807*[1]
■ *Gilles Schnepp*	*72,824*[1]	*48,711*[1]	*137,537*[1]
■ *Olivier Bazil*	*69,914*[1]	*46,748*[1]	*85,270*[1]
Start of exercise period	March 6, 2012	March 5, 2013	March 5, 2014
Expiry of exercise period	March 5, 2018	March 4, 2019	March 4, 2020
Exercise price	€20.205[1] Average closing price over the 20 trading days preceding the grant date	€12.818[1] Average closing price over the 20 trading days preceding the grant date	€21.316[1] Average closing price over the 20 trading days preceding the grant date
Exercise terms (plans comprising several tranches)	[2] [3]	[2] [3]	[2] [3]
Number of options exercised as of December 31, 2018	(1,880,609)	(992,360)	(2,341,653)
Number of options cancelled or forfeited	(144,066)	(108,813)	(240,817)
Stock options outstanding as of December 31, 2018	**0**	**91,776**	**700,787**

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018, the number and exercise price of stock options was adjusted to take into account the impact of these transactions on the interests of stock option beneficiaries, in accordance with article L. 228-99 of the French Commercial Code.

(2) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(3) All these plans were subject to performance conditions (see note 6 to the financial statements for the 12 months ended December 31, 2014).

The weighted average market price of the Company stock upon exercises of stock options in 2018 was €62.92.

If all these options were to be exercised (i.e., 792,563 options), the Company's capital would be diluted at most by 0.3% (which is a maximum dilution as it does not take into account the exercise price of these options) as of December 31, 2018.

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NOTE 7 – PROVISIONS

December 31, 2018 *(in € thousands)*	**At the beginning of the period**	**Charges for the year**	**Reversals for the year**	**At the end of the period**
Pensions and other post-retirement benefit obligations	717	119	(352)	484
Other	7,069	346	(3,988)	3,427
Provisions	**7,786**	**465**	**(4,340)**	**3,911**
Impairment on investments				
Impairment on marketable securities				
Provisions for impairment	**0**	0	0	**0**
TOTAL	**7,786**	**465**	**(4,340)**	**3,911**
Charges to and reversals from provisions recorded under the following income statement captions:				
■ operating income and expense		465	(4,340)	
■ financial income and expense				
■ non-recurring income and expense				
TOTAL		**465**	**(4,340)**	

The Company implemented cash-settled long-term employee benefits plans for employees deemed to be key for the Company, subject to the grantee's continued presence within the Company after a vesting period of three years.

In addition to the grantee still being present within the Company, the plans can, in certain cases, depend on the Group's achievement of future economic performance conditions which may or may not be indexed to the share price.

Plans indexed to the share price are cash-settled. The corresponding liability has been recorded in the balance sheet and remeasured at each period-end until the transaction is settled.

See also note 6.4.1 for performance share plans

NOTE 8 – DEBT AND OTHER LIABILITIES

December 31, 2018 *(in € thousands)*	Net value	Maturity Due within one year	Due in one to five years	Due beyond five years
Bonds	2,519,948	19,948	1,300,000	1,200,000
Bank borrowings with original maturities:				
■ of less than one year	142	142		
■ of more than one year				
Other borrowings				
TOTAL DEBT	**2,520,090**	**20,090**	**1,300,000**	**1,200,000**
Trade payables	1,901	1,901		
Accrued taxes and employee benefit expense	6,093	6,093		
Other	42,084	42,084		
TOTAL OTHER LIABILITIES	**50,078**	**50,078**		
TOTAL AT THE END OF THE PERIOD	**2,570,168**	**70,168**	**1,300,000**	**1,200,000**
Total at the beginning of the period	**2,547,453**	**447,453**	**400,000**	**1,700,000**

8.1 CREDIT FACILITY

In October 2011, the Company signed an agreement with six banks to set up a €900.0 million revolving multicurrency facility (2011 Credit Facility) utilizable through drawdowns. The five-year facility could be extended for two successive one-year periods.

In July 2014, the Company signed an agreement that amended and extended the Credit Facility finalized in October 2011 with all banks party to this contract. The agreement extended the maximum maturity of the €900.0 million revolving credit line by three years, i.e., up to July 2021, including two successive one-year period extension options, and at improved financing terms compared with October 2011.

Drawdowns are subject to an interest rate equivalent to Euribor/Libor plus a margin determined on the basis of the Group's credit rating.

In addition, the 2011 Credit Facility does not contain any covenants.

As of December 31, 2018, the Credit Facility had not been drawn down.

8.2 BONDS

In March 2011, the Company carried out a €400.0 million 4.375% seven-year bond issue. The bonds were redeemable at maturity on March 21, 2018.

In April 2012, the Company carried out a €400.0 million 3.375% ten-year bond issue. The bonds will be redeemable at maturity on April 19, 2022.

In December 2015, the Company carried out a €300.0 million 1.875% twelve-year bond issue. The bonds will be redeemable at maturity on December 16, 2027.

In July 2017, the Company carried out a bond issue for a total of €1.0 billion, in two tranches of €500.0 million each, with maturities of 7 and 15 years. The respective maturity dates of these two tranches are July 6, 2024 and July 6, 2032 and their annual coupons are respectively 0.750% and 1.875%.

In October 2017, the Company carried out a €400.0 million 0.50% six-year bond issue. The bonds will be redeemable at maturity on October 09, 2023.

In March 2018, the Company carried out a €400.0 million 1.0% eight-year bond issue. The bonds will be redeemable at maturity on Mach 06, 2026.

8.3 OTHER DEBT

Other debt consists of the €42,032 thousand due to subsidiaries under the group relief agreement (corresponding to the tax benefits derived from the Company's use of their tax losses that they will recover when they return to profit).

NOTE 9 – NOTES TO THE STATEMENT OF INCOME

Non-recurring income and expense is as follows:

(in € thousands)	December 31, 2018	December 31, 2017
Revenue transactions	0	0
Capital transactions	217	1,256
Provision reversals and expense transfers	0	0
TOTAL NON-RECURRING INCOME	**217**	**1,256**
Revenue transactions	0	(54)
Capital transactions	(68)	0
Amortization and provision expense	0	0
TOTAL NON-RECURRING EXPENSE	**(68)**	**(54)**
NON-RECURRING INCOME AND EXPENSE, NET	**149**	**1,202**

Non-recurring income and expenses on capital transactions correspond to income and expense generated on sales and purchases of treasury shares in connection with the liquidity contract (expense of €68 thousand as of December 31, 2018 for an income of €1,176 thousand as of December 31, 2017)

NOTE 10 – OTHER INFORMATION

10.1 INCOME TAXES

10.1.1 Unrecognized deferred tax assets and liabilities

	Base: income (or expense)				Unrecognized deferred tax benefit (charge)*		
		Movements for the period					
(in € thousands)	Jan. 1, 2018	Increase	Decrease	Dec. 31, 2018	Jan. 1, 2018	Change	Dec. 31, 2018
Timing difference between the recognition of income and expenses for financial reporting and tax purposes							
Taxed income not yet recognized in the income statement							
Unrealized exchange gains							
Expenses recognized in the income statement that are deductible in future years							
Employee profit-sharing	(157)	(37)	0	(194)	54	13	67
Provisions for pensions and other post-retirement benefit costs	(707)	(118)	351	(474)	183	(60)	123
Other provisions	(6,937)	(328)	3,856	(3,409)	2,259	(1,132)	1,127
Taxes and other							
TOTAL	**(7,801)**	**(483)**	**4,207**	**(4,077)**	**2,496**	**(1,179)**	**1,317**

* *Determined by the liability method, taking into account the contribution sociale de solidarité surtax introduced with effect from January 1, 2000 at the enacted rate of 3.3% for 2018.*

10.1.2 Group relief

The Company is the parent of the tax group comprising all qualifying French subsidiaries of the Legrand Group. The tax group was set up on January 1, 2003.

Under the terms of the group relief agreement, each subsidiary calculates its income tax expense on a stand-alone basis and pays the tax due to the parent company of the group, which is responsible for paying tax for the entire tax group.

Income tax in Legrand's statement of income corresponds to the difference between the tax due by the profitable companies in the tax group and the benefit arising from the use of the tax losses of loss-making companies, plus the tax on distributed earnings.

In 2018, Legrand recognized a net income tax benefit of €16,630 thousand.

10.2 EXPOSURE TO MARKET RISKS (INTEREST RATE, CURRENCY AND CREDIT RISKS)

10.2.1 Management of financial risks

The Group's cash management strategy is based on overall risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving derivative financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

Market risk is the risk of losses resulting from unfavorable changes in interest rates and exchange rates.

As of December 31, 2018, no hedges were in place at Company level.

10.2.2 Concentration of credit risks

Credit risks correspond to counterparty risks with financial institutions.

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, bank deposits, short-term investments and hedging instruments. These assets are placed with various leading financial institutions and corporates with the aim of limiting exposure to any single counterparty. The related strategies are defined and monitored by the Corporate Finance Department, which tracks the credit default swap ratings and rates of the Group's counterparties on a regular basis.

10.2.3 Liquidity risk

Legrand considers that managing liquidity risk depends primarily on having access to diversified sources of financing across a wide range of maturities. This principle forms the basis of the Group's financing strategy.

10.3 CONTINGENCIES AND COMMITMENTS

Financial commitments given by the Company as of December 31, 2018 and 2017 were as follows:

(in € thousands)	December 31, 2018	December 31, 2017
Guarantees given to banks	0	0
Guarantees given to other organizations	63	63
TOTAL COMMITMENTS GIVEN	**63**	**63**

10.4 EMPLOYEES

	December 31, 2018	December 31, 2017
Average number of employees		
Management	31	27
Administrative staff	4	5
Apprentices	2	1
TOTAL	**37**	**33**

10.5 EXECUTIVE DIRECTOR COMPENSATION

During the year 2018, the compensation paid to Mr. Gilles Schnepp amounted to €625 thousand, and the compensation awarded to Mr. Benoît Coquart as of February 8, 2018 amounted to €1,285 thousand. For more details on the compensation of Gilles Schnepp and Benoît Coquart, the reader is invited to refer to chapter 6.2 of the Registration Document.

10.6 SUBSIDIARIES AND AFFILIATES

(in € thousands)	Share capital currency	Share capital euros	Reserves and retained earnings	% interest	Carrying amount of the shares Cost	Carrying amount of the shares Net	Loan and advances at 12/31/2018	Guarantees given	2018 revenue	2018 profit (loss)	Dividends received in 2018
French companies											
Legrand France SA	EUR	54,913	887,443	100	3,773,659	3,773,659	783,710	63	878,951	175,546	249,851

The above information is given subject to changes in the result decided by the Board.

NOTE 11 – SIGNIFICANT EVENTS OF THE YEAR

None.

NOTE 12 – SUBSEQUENT EVENTS

None.

APPENDIX 2

Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019 of Legrand SA (the "Company")

1 – SITUATION AND BUSINESS

1.1 Situation of the Company during the past financial year, business and results of the Company, each of its subsidiaries and the companies it controls, by branch of activity

Revenues amounted to €18.6 million, for providing services within the Group.

Other operating income amounted to €1.2 million in the year to December 31, 2018.

Operating expense amounted to €18.9 million in the year to December 31, 2018, compared with €22.1 million in the year to December 31, 2017.

At December 31, 2018, operating profit was €0.9 million, compared with €0.4 million in the year to December 31, 2017.

Net interest and other financial items for 2018 represented income amounting to €209.9 million, compared with €204.1 million in the year to December 31, 2017. This variation resulted primarily from the interest related to bond issues.

Net exceptional items represented a profit of €0.1 million at December 31, 2018, compared with €1.2 million in the year to December 31, 2017.

Tax income booked in an amount of €16.6 million represents the surplus of tax paid by subsidiaries within the tax consolidation group.

Net income for the year to December 31, 2018 amounted to €227.5 million.

1.2 Objective and exhaustive analysis of the business, results and financial situation of the Company and the Group

Information on the business of the Group is presented in chapter 5 of the Company's Registration Document.

Amounts received in 2018 in respect of the 2017 employment competitiveness tax credit scheme (CICE) were allocated to funding costs related to prospecting for new markets.

The Company's debt position is summarized in appendix 1 to this Management Report. The Company's debt in 2018 was up compared to 2017.

1.3 Appropriation of earnings

We propose that the Company's earnings of €227,535,268.46 in respect of the financial year to December 31, 2018 be appropriated as follows:

- an amount of €275,759.20 would be allocated to the legal reserve which is thus raised to 10% of the share capital;
- in the absence of retained earnings, distributable income would therefore amount to €227,259,509.26;
- the amount of €16,965,062.22 would be allocated to reserves unavailable for treasury shares, thereby raising them to a total amount of €19,679,214.30;
- distributable income less the amount allocated to reserves unavailable for treasury shares would thus amount to €210,294,447.04.

It is therefore proposed that a dividend be distributed amounting to €1.34 per share, for a total of €357,230,334.68, based on the number of shares making up the capital stock at December 31, 2018, minus the treasury shares held by the Company at that date. It may be noted that the share of the amount thus distributed exceeding the amount of distributable income shall be deducted from "issue premiums" in the amount of €146,935,887.64.

In the event of a change before the dividend payment date in the number of shares entitling holders to a dividend, the total dividend amount would be adjusted accordingly.

No dividends would be due on any shares held by the Company itself or cancelled before the payment date. The distribution of an amount of €1.34 per share, would be subject to the following taxation schemes for individual taxpayers resident in France:

- in the amount of €0.79[1] the dividend paid would be considered as taxable income from movable property subject to (i) a flat-rate income tax of 12.8% or (ii), by global and irrevocable option to be exercised by the shareholder in the income tax declaration and no later than the time limit for said declaration, to sliding-scale income tax, eligible in this case to the 40% exemption provided for under article 158, paragraph 3, sub-paragraph 2° of the French Tax Code for individual shareholders residing in France. This portion of dividend is, in principle, subject to a non-definitive flat-rate tax of 12.8% on its gross amount, excluding social security contributions, said levy being attributable to income tax on revenue received during the 2019 fiscal year.

(1) This breakdown is given for information purposes only and may be modified according to the number of shares entitling to dividend between now and the dividend payment date.

However, under article 117 quater of the French tax code, *"natural persons belonging to a tax household whose income tax reference for the penultimate year, as defined in article 1417, section IV, sub-section 1°, is less than €50,000 for taxpayers who are single, divorced or widowed or less than €75,000 for taxpayers subject to joint taxation, may request exemption from this levy"*. Such persons should, on their own initiative, submit a request for exemption according to the conditions set out in article 242 *quater* of the French tax code. This portion of dividend is also subject to a withholding tax of 17.2% for social security contributions as well as, for taxpayers whose income tax reference exceeds certain thresholds, to an exceptional levy on high incomes at a rate of either 3% or 4%, pursuant to article 223 sexies of the French tax code;

- in the amount of €0.55[1] the dividend payment deducted from the issue premium would be considered as a repayment of paid-in capital within the meaning of article 112-1° of the French Tax Code, therefore non-taxable ; it would however reduce the fiscal share price by the amount of €0.55 per share.

The tax-related items of information presented here are those applicable at the time of drafting this report. In the event of a significant change in the relative portions per share of the amount considered as taxable income from movable property subject to taxation according to the terms set out above and the amount considered as repayment of paid-in capital, for instance due to a change in the number of treasury shares held at the payment date, additional information will be issued by the Company. As a general rule, shareholders are invited to consult their usual advisers as to applicable taxation schemes.

1.4 Risk management and internal control procedures relating to the preparing and processing of accounting and financial information

The main features of the risk management and internal control procedures relating to the preparing and processing of accounting and financial information are given in chapter 3 of the Company's Registration Document.

1.5 Main risks and uncertainties faced by the Company

Risks and related Group policies are presented in chapter 3 of the Company's Registration Document.

1.6 Company policy and objectives concerning coverage of each major category of forecast transactions for which hedge accounting is used, and Company exposure to price, credit, liquidity and cash flow risks

This information is presented in chapter 3 of the Company's Registration Document.

Management of these risks is described in chapter 3 of the Company's Registration Document and in note 5.1 to the consolidated financial statements, which appear in chapter 8 of the Company's Registration Document.

1.7 Description and management of financial risks linked to the effects of climate change

Information on the financial risks linked to the effects of climate change and a presentation of measures taken by the Company to reduce them by applying a low-carbon strategy in all aspects of its activity are provided in chapter 4 of the Company's Registration Document.

1.8 Significant events occurred between the close of the financial year and the date of drafting of this management report

None.

1.9 Foreseeable developments in the situation of the Company

Forecast net income for 2019 should be higher than in 2018 following an increase in dividends received.

1.10 Existing branches

None.

1.11 Research and Development activity

None.

(1) *This breakdown is given for information purposes only and may be modified according to the number of shares entitling to dividend between now and the dividend payment date.*

1.12 Due dates of accounts payable and customer receivables

In accordance with L. 441-6-1 of the French Commercial Code, the table below presents the balance of trade payables and related accounts by due date:

Due dates (D = invoice date) *(in thousands of euros)*	**Day 0**	**D+1 to more**	**Total (1 day and more)**
Total invoices incl.VAT at December 31, 2018	283	0	0
% of total amount of purchases excl.VAT in 2018	7,7%	0%	0%
Total invoices incl.VAT at December 31, 2017	351	0	0
% of total amount of purchases excl.VAT in 2017	14,4%	0%	0%

In accordance with L. 441-6-1 of the French Commercial Code, the table below presents the balance of invoices issued which were in arrears at the end of the financial year:

Due dates (D = invoice date) *(in thousands of euros)*	**Day 0**	**D+1 to more**	**Total (1 day and more)**
Total invoices incl.VAT at December 31, 2018	3 835	0	0
% of total amount of sales excl.VAT in 2018	20,6%	0%	0%
Total invoices incl.VAT at December 31, 2017	5 890	0	0
% of total amount of sales excl.VAT in 2017	33,5%	0%	0%

1.13 Significant shareholdings or controlling interests acquired during the fiscal year in companies whose registered office is in France

In the framework of the acquisition in 2018 of R FINANCES, the Company indirectly took control of French company DEBFLEX.

The Company also acquired the company NETATMO in which it had a shareholding since 2015.

2 – INFORMATION RELATING TO THE COMPANY'S CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Vigilance plan

The vigilance plan and the report on its implementation are presented in chapter 4 of the Company's Registration Document.

3 – CORPORATE GOVERNANCE

In line with article L. 225-37 sub-paragraph 6 of the French Commercial Code, this section 3 of the Management report presents the information provided in respect of the Report on corporate governance.

3.1 Appointments and positions held by each company officer in any company during the financial year, their nationality, age and main position

This information is provided in Appendix 3 to this Management report.

3.2. Starting and expiry dates of each director's term of office

This information is provided in Appendix 3 to this Management report.

3.3 Agreements entered into (directly or through an intermediary) between (i) a company officer or shareholder holding more than 10% of voting rights and (ii) a Company subsidiary (excluding standard agreements)

No member of the Company's Board of Directors or company officer is engaged in any business relationships with a Company subsidiary.

It is specified that no Company shareholder holds more than 10% of voting rights.

3.4 Report on the work of the Board of Directors and its committees

This information is provided in sections 6.1.1.3 "Work done by the Board of Directors in 2018", and 6.1.3.3 "Work done by the Board of Directors' specialized committees in 2018" of the Company's Registration Document.

3.5 Membership of the Board of Directors and its committees

This information is provided in sections 6.1.1.1 "Composition of the Board of Directors" and 6.1.3.1 "Composition of the Board of Directors' specialized committees" of the Company's Registration Document.

3.6 Preparation and organization of the work of the Board of Directors

This information is provided in sections 6.1.1.2 "Functioning of the Board of Directors", 6.1.3.2 "Functioning of the Board of Directors' specialized committees", 6.1.1.3 "Work done by the Board of Directors in 2018", and 6.1.3.3 "Work done by the Board of Directors' specialized committees in 2018" of the Company's Registration Document.

3.7 Number of meetings of the Board of Directors and its specialized committees and attendance record of members

This information is provided in sections 6.1.1.3 "Work done by the Board of Directors in 2018", and 6.1.3.3 "Work done by the Board of Directors' specialized committees in 2018" of the Company's Registration Document.

3.8 Evaluation of the Board of Directors

This information is provided in section 6.1.1.2 "Functioning of the Board of Directors" of the Company's Registration Document.

3.9 Independence of members of the Board of Directors

This information is provided in section 6.1.1.1 "Composition of the Board of Directors" of the Company's Registration Document.

3.10 Description of the diversity policy applied to members of the Board of Directors and of the Company's Executive Committee

This information is provided in sections 6.1.1.1 "Composition of the Board of Directors", 6.1.3.1 "Composition of the Board of Directors' specialized committees", and 6.1.4.4 "Executive Committee" of the Company's Registration Document.

3.11 Limits that the Board of Directors imposes on the powers of the Chief Executive Officer

This information is provided in section 6.1.4 "General Management of the Company" of the Company's Registration Document.

3.12 Reference to a Code of Corporate Governance

The Company refers to the principles of corporate governance for listed companies set out in the Afep-Medef Code of corporate governance, which can be consulted on Medef's website at: www.medef.com.

The Company complies with all recommendations in this Code of corporate governance, with the exception of the recommendation on participation by a director representing employees to the Compensation Committee, as explained in the introduction to section 6.1 of the Company's Registration Document.

3.13 Formalities for shareholders' participation in General Meetings

Conditions for participation in the Company's General Meetings are outlined in article 12 ("General Meetings") of the Company's Articles of Association (available on the www.legrand.com website) and in section 9.3.5 "Shareholders' General Meetings" of the Company's Registration Document.

3.14 Summary of extant authorization to increase the share capital and use made of such authorization during the year

This information is provided in section 9.2.1.1 of the Company's Registration Document.

3.15 Factors that may be relevant in the event of a takeover bid

Ownership of capital	The ownership of Legrand shares is presented in section 7.1.1 of the Company's Registration Document
Statutory restrictions on the exercise of voting rights and on the transfer of shares or clauses of agreements disclosed to the Company pursuant to article L. 233-11 of the French Commercial Code	None
Direct and indirect equity interests of which the Company has been apprised by virtue of articles L. 233-7 and L. 233-12 of the French Commercial Code	Changes in the ownership of Legrand shares during financial year 2018 are presented in section 7.1.1.2 of the Company's Registration Document.
Owners of any securities conferring special rights of control and description of these securities	None
Control procedures provided for employee share-ownership plans when the employees do not exercise this control themselves	As provided in the regulations for the "Actions Legrand" investment fund, the voting rights attached to Company shares are exercised by the fund's Supervisory Board.
Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights	None
Appointment and replacement of members of the Board of Directors and amendment of the Company's articles of association	In accordance with its articles of association, the Company is managed by a Board of Directors made up of a minimum of three members and a maximum of eighteen members, except as provided by law in the event of a merger. Except as provided by law, each Director must hold (in registered form) at least 500 shares of the Company throughout his or her term as Director. Beyond this statutory requirement, the Board of Directors regulations recommend that each Director gradually acquire, in the course of their term of office, a number of shares equivalent to the amount of one year's director's fees, the latter being calculated on the basis of an assumption of participation, throughout the year, in every meeting of the Board and of any committees the Director is a part of, with the Legrand share unit value being set at the average share price over the previous terminated financial year. Directors are appointed to serve four-year terms, which expire at the end of the ordinary General Meeting of shareholders called to consider financial statements for the previous financial year and held in the year in which their term of office expires. Directors may be reappointed for consecutive terms. When the legal conditions are met, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. As provided by law, provisional appointments are subject to ratification at the first shareholders' meeting after the appointment is made. No individual over the age of 70 may be appointed to the Board of Directors if his/her appointment results in more than one-third of members of the Board of Directors having exceeded such age. If, during their term of office, the number of members of the Board of Directors over the age of 70 exceeds one-third of their total number, the oldest member will be deemed to have resigned at the end of the ordinary General Meeting of shareholders called to consider the accounts for the previous financial year and held during the year in which the age limit is reached. Where the Company's articles of association do not specifically provide otherwise, amendments to the articles are subject to the provisions of applicable law

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Powers of the Board of Directors, in particular concerning share issuance and repurchase	This information is presented in sections 9.2.1.1 and 9.2.2.1 of the Company's Registration Document. The Company can only repurchase its own shares outside of periods during which shares are made available through public offerings.
Agreements entered into by the Company which would be amended or would lapse in the event of a change of control of the Company, except (unless disclosure is required by law) where disclosure would seriously harm its interests	The following contracts may be amended or may lapse if control of the Company changes: ■ contract for the issuance of bonds on the US market by the Company's subsidiary Legrand France in an amount of $393.5 million, in the event of a change in control due to a hostile takeover; ■ the loan contract in an amount of €900 million entered into with financial institutions on October 20, 2011 and amended on July 25, 2014; ■ the bond issue made on April 11, 2012 in a nominal amount of €400 million; ■ the bond issue made on December 9, 2015 in a nominal amount of €300 million; ■ the bond issue made on June 29, 2017 in a nominal amount of €1 billion; ■ the bond issue made on October 4, 2017 in a nominal amount of €400 million; ■ the bond issue made on February 26, 2018 in a nominal amount of €400 million.
Agreements providing for payment of compensation to employees or members of the Board of Directors in the event of resignation, dismissal without real and serious cause, or termination of employment due to a takeover bid	None with respect to the company officers and members of the Board of Directors.

3.16 Total compensation and benefits of any kind paid to each company officer during the financial year

Information on compensation and benefits of company officers is provided in section 6.2.2 "Compensation and benefits of company officers in respect of the 2018 financial year" of the Company's Registration Document.

3.17 Principles and criteria for the determination, breakdown and allocation of fixed, variable and exceptional elements of total compensation and any benefits due to company officers

This information is provided in section 6.2.1 "Principles and criteria for the determination, breakdown and award of fixed, variable and exceptional elements of total compensation and any benefits due to company officers in respect of their office in respect of the 2019 financial year" and in Appendix 4 to the Company's Registration Document.

3.18 Any kinds of commitment made by the Company to its company officers concerning compensation, allowances or benefits payable or likely to be payable as a result of, or subsequent to, taking up or leaving office

Information on undertakings made in favour of company officers is provided in sections 6.2.1 "Principles and criteria for the determination, breakdown and award of fixed, variable and exceptional elements of total compensation and any benefits due to company officers in respect of their office in respect of the 2019 financial year", sub-section "C - Other elements of compensation"; 6.2.4 "Other benefits granted to company officers"; and 6.2.5 "Compensation policy due in respect of the 2019 financial year and compensation components paid or awarded in respect of the 2018 financial year to company officers submitted for the approval of shareholders" of the Company's Registration Document.

3.19 Obligation to retain the shares issued to directors under stock option and bonus share plans

This information is provided in Chapter 7 and section 6.2.1.3 of the Company's Registration Document.

4 – SHAREHOLDING AND CAPITAL

4.1 Shareholding structure and changes during the year

The shareholding structure of the Company and information about the attainment of legal thresholds is presented in section 7.1 of the Company's Registration Document.

For more information on shareholders and share ownership thresholds, please consult sections 7.1.1.2 to 7.1.4 of the Company's Registration Document.

4.2 Amounts of dividend distributed over the previous three years, amounts of earnings eligible and not eligible for the 40% income-tax exemption

In accordance with the provisions of article 243 bis of the French Tax Code, we are informing you of the dividends made payable over the last three years.

In respect of the 2015, 2016 and 2017 financial years, the amounts of dividend paid were as follows:

			Earnings distributed per share	
Financial year	**Shares with dividend entitlement**	**Dividend per share**	**Eligible for the 40% income-tax exemption provided for under article 158, paragraph 3, sub-paragraph 2 of the French Tax Code**	**Not eligible for the 40% income-tax exemption provided for under article 158, paragraph 3, sub-paragraph 2 of the French Tax Code**
2015	267,006,775 shares with a par value of €4	€1.15*	€0.72	0€
2016	266,508,331 shares with a par value of €4	€1.19**	€0.79	0€
2017	267,316,360 shares with a par value of €4	€1.26***	€0.93	0€

* *A share of €0.43 of the dividend distributed in respect of the 2015 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112, paragraph 1° of the French Tax Code, this amount is not considered as distributed earnings.*

** *A share of €0.40 of the dividend distributed in respect of the 2016 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112, paragraph 1°" of the French Tax Code, this amount is not considered as distributed earnings.*

*** *A share of €0.33 of the dividend distributed in respect of the 2017 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112, paragraph 1°" of the French Tax Code, this amount is not considered as distributed earnings.*

4.3 Information relating to acquisitions and disposals by the Company of treasury shares

During 2018, the Company purchased a total of 1,290,624 shares at a total cost of €77,846,203, and sold 980,405 shares for a total of €60,813,206, under the liquidity agreement entered into with Kepler Cheuvreux on May 29, 2007. The terms of this agreement comply with the Charter of Ethics adopted by the *Association française des marchés financiers* (AMAFI) as approved by the French Financial Markets Authority (AMF) in its decision of March 22, 2005.

Under the liquidity agreement, the average purchase price was €60.32 per share and the average sale price was €62.03 per share. There were no trading costs associated with these transactions.

At December 31, 2018, the balance on the liquidity contract stood at 350,219 shares. The liquidity contract gave rise to depreciation in the amount of €1,932,528.04.

Outside the scope of the liquidity contract, the Company repurchased 550,000 shares during the 2018 financial year, for a value of €34,934,305 at an average purchase price of €63.52, with trading costs amounting to €110,663.

At December 31, 2018, the Company held 905,347 shares with a par value of €4 each, for a total of €3,621,388 or 0.34% of its share capital. Valued at cost at the time of purchase, these shares totalled €54,613,517.

Outside the scope of the liquidity contract, at December 31, 2018 the Company held 555,128 shares, representing a total value at cost of €35,172,352 and a nominal value of €2,220,512; these buybacks were allocated as follows shares :

- implementation of such performance share plans for 5,128 shares, representing a total value at cost of €238,047, representing 0.002% of the Company's capital and a nominal value of €20,512, it being specified that none of these shares intended for implementation of such performance share plans was used during the 2018 financial year;
- the buyback of 550,000 shares for cancellation for a value of €34,934,305, representing 0.21% of the Company's capital and a nominal value of €2,200,000, it being specified that none of these shares intended for cancellation was used during the 2018 financial year.

Between the closure of the 2018 financial year and March 20, 2019, the Company's Board of Directors decided during its meeting held on February 13, 2019, to cancel these 550,000 shares.

4.4 Transactions by company officers and similar persons in Company shares

Transactions reported by the Company's company officers, key executives and similar persons to the French Financial Markets Authority during financial year 2018 were as follows:

Declarer	Nature of transaction	Description of securities	Number of transactions	Total amount *(in euros)*
Angeles Garcia Poveda	Acquisition	Shares	1	(54,702)
Olivier Bazil	Exercise of options	Options	3	(3,829,528.90)
Patrice Soudan	Sale	Shares	3	(1,310,076.64)
Patrice Soudan	Exercise of options	Options	1	(763,773.59)
Patrick Koller	Acquisition	Shares	1	(53,040)

4.5 Information on adjustments in conversion bases or conditions of subscription or exercise of securities giving access to Company capital or stock options

None.

4.6 Information on adjustments in the number and/or price of shares corresponding to stock options and of performance shares

Information on the Company's stock option plans and performance share plans is presented in sections 7.2 and 7.3 of the Company's Registration Document.

In compliance with articles L. 225-184 and L. 225-197-4 of the French Commercial Code, special reports on this subject will be presented to the General Meeting of Shareholders on May 29, 2019.

Pursuant to article L. 225-181 of the French Commercial Code, the terms of dividend payment decided upon by the Combined Shareholders Meeting on May 30, 2018 required adjusting the number and price of share options in the process of vesting as well as the number of performance shares not yet definitively allocated, according to applicable legal conditions, so as to acknowledge the impact of this operation on the interests of recipients.

In view of dividend amounting to €1.26 per share in respect of the 2017 financial year, with (i) €0.93 per share coming from distributable income and (ii) €0.33 from the issue premiums account, the latter payment being considered as a repayment of paid-in capital and representing around 0.52% of the share price on the ex-coupon date, the following adjustments were made:

- for stock-options, the number of shares was increased by 0.52% and the exercise price lowered by 0.52%;
- for performance shares and performance units, the number of securities was increased by 0.52%.

For the purposes of this adjustment, the rule of rounding up to the next highest whole number was used, to the benefit of recipients.

After adjustment, the stock-options exercise prices are the following:

- 2009 Plan: €12.818;
- 2010 Plan: €21.316.

On the date of the securities transaction, the number of stock-options in circulation was increased by 4,993 and the number of performance shares in the process of allocation was increased by 10,890.

4.7 Statement of employee share ownership at year-end and portion of the share capital represented by shares held by employees under the employee share ownership program and by current and former employees through a company mutual fund

The total number of shares held by employees and persons treated as such is 10,371,821, representing 3.87% of share capital, including 714,122 shares held through the "*Actions Legrand*" company mutual fund, one of the compartments of the Group's employee share ownership scheme, *i.e.* 0.26% of Company share capital.

At December 31, 2018, the number of Company shares held by Group employees, according to the terms of article L. 225-102 of the French Commercial Code, was 910,279 shares, representing 0.34% of share capital and voting rights.

4.8 Names, business and results of controlled companies and share capital held

For subsidiaries and equity interests, an organizational chart and a description of their business and their results are given in sections 9.1.7 and 9.1.8 of the Company's Registration Document as well as note 10.6 of corporate accounts.

4.9 Share disposals to regularize reciprocal shareholdings

None.

5. OTHER LEGAL, FINANCIAL AND TAX INFORMATION CONCERNING THE COMPANY

5.1 Expenditure on luxuries

None.

5.2 Reinclusion of excess general expenses or expenses not mentioned in the special statement

Non-deductible expenses for the 2018 financial year, excluding items carried over from prior years, came to €37,855, including €7,200 related to the tax on corporate vehicles (*Taxe sur les Véhicules de Tourisme et Société*) and €30,655 related to rental income and vehicle depreciation, with the corresponding tax in an amount of €13,033.

5.3 Company earnings over the past five years

In accordance with article R. 225-102 of the French Commercial Code (*Code de commerce*), we inform you of the Company's earnings over the past five years.

For the sake of clarity, this information is presented in a table (Appendix 2).

5.4 Loans with a maturity of less than two years granted by the Company (*i.e.* loans referred to in article L. 511-6 3 *bis* of the French Monetary and Financial Code)

None.

5.5 Bonds, sureties and guarantees given and other security provided

At its meeting on February 13, 2019, the Board of Directors, acting in accordance with article R. 225-28 of the French Commercial Code, authorized the Chief Executive Officer to grant guarantees, endorsements and bonds in the name of and on behalf of the Company, up to a limit of €100,000,000. However, this limit does not apply to guarantees, endorsements and bonds granted to tax or customs authorities, which are not subject to any limit. This authorization was granted for a term of one year.

5.6 Injunctions or fines for anti-competitive practices

None.

5.7 Information on plants categorized as upper-tier under the Seveso Directive

The Company does not have any facilities that qualify as "upper-tier Seveso" sites, according to the terms of article L. 515-36 of the French Environment Code.

March 20, 2019,

The Board of Directors

Appendix 1 to the Management Report

Debt position

(in € millions)	12/31/2018	12/31/2017
EXTERNAL DEBT		
Debt		
Bonds	2,500.0	2,500.0
Bank borrowings	-	-
Credit Facility	-	-
TOTAL EXTERNAL DEBT	**2,500.0**	**2,500.0**
Accrued interest	**19.9**	**30.3**
Finance costs		
Bonds	41.3	45.4
Bank borrowings	-	-
Credit Facility	-	-
TOTAL FINANCE COSTS ON EXTERNAL DEBT	**41.3**	**45.4**
%	1.7%	1.8%
INTRA-GROUP DEBT		
Debt		
Advance from Legrand France	-	-
Finance costs		
Advance from Legrand France	0.3	0.3
%		
TOTAL DEBT	**2,519.9**	**2,530.3**
Equity	2,086.0	2,182.1
DEBT-TO-EQUITY RATIO	**121%**	**116%**

Appendix 2 to the Management Report

(in € thousands)	2014	2015	2016	2017	2018
Capital at December 31					
Share capital	1,065,430	1,067,722	1,069,309	1,067,223	1,069,981
Number of common shares	266,357,615	266,930,602	267,327,374	266,805,751	267,495,149
Total shares outstanding	266,357,615	266,930,602	267,327,374	266,805,751	267,495,149
Of which, treasury stock*	493,806	156,595	1,365,561	45,128	905,347
Results of operations					
Net revenue	18,453	19,728	15,470	17,592	18,592
Profit before tax, employee profit-sharing, amortization and provisions	216,126	193,401	198,266	208,937	211,516
Income tax benefit (expense)	2,606	10,121	10,228	41,459	16,630
Employee profit-sharing	(97)	(84)	(125)	(115)	(161)
Net profit	215,924	198,282	207,884	247,048	227,535
Total dividend	279,254	293,129	307,058	317,415	336,819
Per share data (in euros)					
Earnings per share after tax, employee profit-sharing but before amortization and provisions	0.82	0.76	0.78	0.94	0.85
Earnings per share	0.81	0.74	0.78	0.93	0.85
Dividend per share	1.05	1.10	1.15	1.19	1.26
Employee data					
Average number of employees at December 31	33	33	33	33	37
Total payroll	5,792	6,786	5,735	6,235	7,175
Total benefits	5,624	4,157	2,487	2,690	2,482

* *No dividend entitlement or voting rights can be attached to own shares held by the Company*

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Appendix 3 to the Management Report

Company officer	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
BENOÎT COQUART – Chief Executive Officer of Legrand* Aged 45 (1) French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2018 Current term expires: N/A **Education** Benoît Coquart is a graduate of the *Institut d'Etudes Politiques de Paris* (Sciences Po Paris) and the *École Supérieure des Sciences Économiques et Commerciales* (ESSEC). **Professional Background** Benoît Coquart joined Legrand immediately after completing his studies in 1997 to manage the Group's activities in South Korea. He was then appointed by Gilles Schnepp to head up Investor Relations. Pursuing his career within the Group, Benoît Coquart successfully held several positions, including Vice-President of Corporate Development (M&A), Executive Vice-President Strategy and Development and since 2015, Executive Vice-President France. He has been a member of Legrand's* Executive Committee since 2010 and Chief Executive Officer since February 8, 2018. Benoît Coquart holds 27,334 Legrand shares.	**Legrand Group** ■ Chief Executive Officer of Legrand* ■ Mandates in various subsidiaries (2): - Chairman of Legrand Holding Inc. - Director of Legrand Saudi Electric Industries Co. Ltd (Seico) **Outside the Legrand Group** ■ None	**Legrand Group** ■ Vice-President, France (until 2018) - Mandates in various subsidiaries **Outside the Legrand Group** ■ None

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

(2) *No compensation in the form of directors' fees or similar is paid or due in respect of directorships held in Legrand or in Group subsidiaries.*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
GILLES SCHNEPP – Chairman of Legrand* Aged 60 [1] French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2002 Current term expires: 2022 **Education** Gilles Schnepp is a graduate of the *École des Hautes Études Commerciales* (HEC). **Professional Background** Gilles Schnepp began his career began at Merrill Lynch France where he became Vice Chairman. He joined Legrand* in 1989 as Deputy Chief Financial Officer. He became Company Secretary of Legrand France in 1993, Chief Financial Officer in 1996 and Chief Operating Officer in 2000. Gilles Schnepp has been a Director of the Company since 2002, and Chairman of the Board of Directors since 2006. He was Chairman and Chief Executive Officer from 2006 to February 7, 2018. Gilles Schnepp has also been Chairman of the French Federation of Electrical, Electronic and Communication Industries (FIEEC) since July 2013, and Director of Saint-Gobain*, member of the Executive Board of Medef and Chairman of the Board of Directors of the Commission for the Ecological and Economic Transition since 2018.	**Legrand Group** ■ Director of Legrand*: - Member of the Strategy and Social Responsibility Committee **Outside the Legrand Group** ■ Saint-Gobain: - Director (since 2009) - Member of the Audit Committee (since 2017) **Outside companies** ■ Chairman of the FIEEC (since 2013) ■ Medef: - Member of the Executive Board (since 2018) - President of the Commission for the Ecological and Economic Transition (since 2018)	**Legrand Group** ■ Chairman and Chief Executive Officer (until 2018) ■ Mandates in various subsidiaries **Outside the Legrand Group** ■ None
Gilles Schnepp holds 2,262,835 Legrand shares		

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
OLIVIER BAZIL – Company Director Aged 72 [(1)] French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2002 Current term expires: 2022 **Education** Olivier Bazil is a graduate of the *École des Hautes Études Commerciales* (HEC) and holds an MBA (Master of Business Administration) from Harvard Business School. **Professional Background** Olivier Bazil joined Legrand* in 1973 as Deputy Company Secretary responsible for financial communications and developing the Group's growth strategy. He became Chief Financial Officer of the Legrand Group in 1979, Deputy Chief Executive Officer in 1993, and then held the position of Vice-Chairman and Chief Operating Officer from 2000 until the annual shareholders' meeting on May 26, 2011. Olivier Bazil is also a member of the Supervisory Board of Michelin* and Société Civile du Château Palmer, and Chairman of Fritz SAS. Olivier Bazil holds 2,110,829 Legrand shares.	**Legrand Group** ■ Director of Legrand*: - Member of the Nominating and Governance Committee - Member of the Strategy and Social Responsibility Committee **Outside the Legrand Group** ■ Member of the Supervisory Board of Michelin* (since 2013) ■ Chairman of Fritz SAS (since 2009) ■ Member of the Supervisory Board of Société Civile du Château Palmer (since 2009)	**Legrand Group** ■ Mandates in various subsidiaries **Outside the Legrand Group** ■ Director of Firmenich International SA (until October 2016) ■ Member of the Supervisory Board of Vallourec* (until May 2017)

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies. .*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
ISABELLE BOCCON-GIBOD – Company Director Aged 50 (1) French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2016 Current term expires: 2020 **Education** Isabelle Boccon-Gibod is a graduate of the *Ecole Centrale de Paris* and Columbia University in the United States. **Professional Background** Isabelle Boccon-Gibod began her career in 1991 with the International Paper Group, where she was head of industrial activities in the Cardboard division first in the United States and then in the United Kingdom from 1997 to 2001. She was then Head of Strategic Development for Europe until 2004. She joined the Sequana Group in 2006 as Special Advisor to General Management. She was appointed as Vice-Executive President of the Sequana* Group in 2008 and Executive Director of the Arjowiggings Group in 2009. Isabelle Boccon-Gibod is also a photographer and an author. She is a Director of Arkema*, Sequana* and the Paprec Group and voluntarily, Chair of Demeter, Director of the *Centre Technique du Papier* (CTP) and Director of Adie (*Association pour le Droit à l'Initiative Économique*). Isabelle Boccon-Gibod holds 1,000 Legrand shares.	**Legrand Group** ■ Director of Legrand*: - Member of the Audit Committee - Member of the Strategy and Social Responsibility Committee **Outside the Legrand Group** ■ Director of Arkema* (since 2014) ■ Director of Paprec (since 2014) ■ Director of Sequana* (since 2016) **Outside companies** ■ Chairman of Demeter (since 2018) ■ Director of Centre Technique du Papier (since 2013) ■ Director of Adie (Association pour le Droit à l'Initiative Économique) (since 2018)	**Legrand Group** ■ None **Outside the Legrand Group** ■ Member of the Executive Committee of Altavia (until 2016) ■ Zodiac Aerospace*: - Director (until March 2018) - Member of the Audit Committee (until 2018)

** Listed company*

(1) Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.

A

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
CHRISTEL BORIES – Chairman and Chief Executive Officer of Eramet* Aged 54 [(1)] French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2012 Current term expires: 2020 **Education** Christel Bories is a graduate of the *École des Hautes Études Commerciales* (HEC). **Professional Background** Christel Bories began her career in 1986 as a strategy consultant with Booz-Allen & Hamilton before moving to Corporate Value Associates. She then held several executive positions with Umicore and the Pechiney Group. When Pechiney became part of the Alcan Group, Christel Bories was appointed Chairman and Chief Executive Officer of Alcan Packaging, then Chairman and Chief Executive Officer of Alcan Engineered Products and finally Chief Executive Officer of Constellium (ex-Alcan) until her departure in December 2011. She was appointed Deputy Chief Executive Officer of Ipsen on February 27, 2013, a position she held until March 2016. She joined Eramet* in February 2017 and has been Chairman and Chief Executive Officer since May 2017. She is also a Director of Smurfit Kappa*. Christel Bories holds 2,190 Legrand shares	**Legrand Group** ■ Director of Legrand*: - Chair of the Strategy and Social Responsibility Committee - Member of the Audit Committee **Outside the Legrand Group** ■ Director of Smurfit Kappa* (since 2012): - Member of the Audit Committee - Member of the Compensation Committee ■ Chairman and Chief Executive Officer of Eramet* (since 2017)	**Legrand Group** ■ None **Outside the Legrand Group** ■ Deputy Chief Executive Officer of Ipsen* (until 2016) ■ Director of Natixis* (until 2014)

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
ANGELES GARCIA-POVEDA – Partner and Director Spencer Stuart Aged 48 [(1)] Spanish citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2012 Current term expires: 2020 **Education** Angeles Garcia-Poveda is a graduate of ICADE business school in Madrid. She also attended the Business Case Study Program at Harvard University. **Professional Background** Before joining Spencer Stuart in 2008, Angeles Garcia-Poveda spent 14 years with the Boston Consulting Group (BCG) working as a strategy consultant in Madrid and Paris before taking different recruiting roles at local and international levels. As BCG's global recruiting manager, she worked on cross-border recruiting projects. Having managed the Spencer Stuart France office for five years, Angeles Garcia-Poveda was then head of the EMEA region for three years and a member of the global Executive Committee. She is currently Director of Spencer Stuart at global level. She advises international clients on executive and board recruitment and assessment and on governance issues.	**Legrand Group** ■ Director of Legrand*: - Lead Director - Chair of the Compensation Committee - Chair of the Nominating and Governance Committee - Member of the Strategy and Social Responsibility Committee **Outside the Legrand Group** ■ Director of Spencer Stuart (since 2018)	**Legrand Group** ■ None **Outside the Legrand Group** ■ Managing Director of Spencer Stuart France (until 2015) ■ Managing Director of Spencer Stuart EMEA (until 2018)
Angeles Garcia-Poveda holds 3,200 Legrand shares		

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies. .*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
EDWARD GILHULY – Co-founder and Managing Partner of Sageview Capital LP* Aged 59 (1) U.S. national 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2018 Current term expires: 2022 **Education** Edward Gilhuly holds a B.A. in Economics and History from Duke University and an M.B.A. from Stanford University. **Professional Background** Edward (Ned) Gilhuly is the co-founder and Managing Partner of Sageview Capital, an investment capital fund with some USD 1 billion in assets under management. Before founding Sageview Capital*, he worked at Kohlberg Kravis Roberts & Co (KKR) for 19 years. He joined KKR's San Francisco office in 1986 and became Partner in 1995. In 1998, he moved to London to build KKR's business in Europe, which he was responsible for until 2005. He was also a member of KKR's investment committee from its creation in 2000 until his departure in 2005. Edward Gilhuly holds 119,212 Legrand shares	**Legrand Group** ■ Director of Legrand*: - Member of the Strategy and Social Responsibility Committee **Outside the Legrand Group** ■ Director of Exaro Energy (since 2012) ■ Director of DemandBase (since 2015) ■ Director of MetricStream Inc. (since 2014) ■ Director of Elastic Path Software (since 2018) ■ Director of Avalara* (since 2011)	**Legrand Group** ■ None **Outside the Legrand Group** ■ Director of GoPro (until 2017) ■ Director of Envivio Inc.* (until 2015)

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
PHILIPPE JEULIN – On secondment to the Rector of the Limoges Academy Aged 61 [1] French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2018 Current term expires: 2022 **Education** Philippe Jeulin is a graduate of the *École Nationale Supérieure de Mécanique et d'Aérotechnique* (ENSMA) and has a Master's Degree in Science and in History of Science and Technology. **Professional Background** Philippe Jeulin joined Legrand* in 1985 after working at Enertec Schlumberger and GMF. Until 2015, he held various positions at Legrand*, mainly in the IT and Human Resources Departments. He is currently on secondment to the Rector of the Limoges Academy as part of the University-Business academic cooperation program. He was also the originator and lead teacher on the "Business IT Engineering" program for the CNAM Limousin (continuing education institute) from 1988 to 2015. Philippe Jeulin was appointed director representing employees on the Board of Directors of Legrand* on June 26, 2018, upon expiry of his term of office as director representing employees on the Board of Directors of Legrand France, Legrand's French subsidiary. Philippe Jeulin does not hold any Legrand shares.	**Legrand Group** ■ Director representing employees of Legrand* - Member of the Audit Committee **Outside the Legrand Group** ■ On secondment to the Rector of the Limoges Academy as part of the University-Business academic cooperation program	**Legrand Group** ■ Director representing employees on the Board of Directors of Legrand France (until 2018) ■ Human Resources Department (until 2015) **Outside the Legrand Group** ■ Originator and lead teacher on the "Business IT Engineering" program at the CNAM Limousin (until 2015)

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

A

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
PATRICK KOLLER – Chief Executive Officer of Faurecia* Aged 60 [(1)] Dual French and German citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2018 Current term expires: 2022 **Education** Patrick Koller is a graduate of Nancy Polytech (formerly *École Supérieure des Sciences et Technologies de l'Ingénieur de Nancy* — ESSTIN) and of the French Institute of Management (*Institut Français de Gestion* – IFG). **Professional Background** Patrick Koller has been the Chief Executive Officer of Faurecia* since July 1, 2016. He first joined the Faurecia* Group in 2006 as Executive Vice-President of the Business Group Faurecia Automotive Seating (now called Faurecia Seating), a position he held until February 2, 2015. During that period, he held executive office in many subsidiaries of the Faurecia Group, including Faurecia (China) Holding Co., Ltd., Faurecia Components Pisek, S.r.o. (Czech Republic), Faurecia Automotive GmbH (Germany), and Faurecia NHK Co., Ltd. (Japan). On February 2, 2015, he was appointed Deputy Chief Operating Officer, a position he held until June 30, 2016. He has also held senior management positions in several other major industrial companies, including Valeo*, where he was Managing Director of the Engine Cooling Europe Division until 2000, and Rhodia* Polyamide Intermediates, where he was Chief Executive Officer until 2003 and then Group Industrial and Purchasing Director until 2006. Patrick Koller holds 1,000 Legrand shares.	**Legrand Group** ■ Director of Legrand*: - Member of the Compensation Committee - Member of the Nominating and Governance Committee **Outside the Legrand Group** ■ Chief Executive Officer of Faurecia* (since 2016) ■ Director of Faurecia* (since 2017) ■ Director of the Fondation du Collège de France (since 2017)	**Legrand Group** ■ None **Outside the Legrand Group** ■ Faurecia*: - Chief Operating Officer of Faurecia* (until 2016) - Executive Vice-President of Faurecia* and Chairman of Faurecia Automotive Seating (until 2015) ■ Mandates and other offices in Faurecia* Group subsidiaries

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
ANNALISA LOUSTAU ELIA – Chief Marketing Officer and member of the Executive Committee of Printemps Aged 53 (1) Italian citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2013 Current term expires: 2021 **Education** Annalisa Loustau Elia is a law graduate from La Sapienza University in Roma. **Professional Background** Annalisa Loustau Elia worked for four years at Cartier in Geneva and Paris, for two years at L'Oréal's* Luxury Product Division in Paris and for thirteen years at Procter & Gamble in Geneva as well as in various Group subsidiaries in Paris and Roma. Her rich professional career has provided her with solid experience of marketing and product development in the luxury, retail and consumer goods sectors. She has been Chief Marketing Officer and member of the Executive Committee of Printemps since 2008. She has also been a Director of Campari* since 2016 and of Roche Bobois since 2018. Annalisa Loustau Elia holds 1,340 Legrand shares.	**Legrand Group** ■ Director of Legrand*: - Member of the Compensation Committee **Outside the Legrand Group** ■ Director of Campari* (since 2016) ■ Director of Roche Bobois (since 2018) ■ Member of the Executive Committee of Printemps (since 2008).	**Legrand Group** ■ None **Outside the Legrand Group** ■ None

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

Director	Directorships and other offices currently held in French or foreign companies	Directorships and other offices held in the past five years
ÉLIANE ROUYER-CHEVALIER – Company Director Aged 66 (1) French citizen 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges Date of first appointment: 2011 Current term expires: 2019 **Education** Éliane Rouyer-Chevalier holds a Master's degree in Economics from *Université Paris II Assas.* **Professional Background** Eliane Rouyer-Chevalier joined the Accor* Group in 1983, where she was in charge of international financing and foreign currency cash management before becoming Director of Investor Relations and Financial Communication in 1992. From 2010 to 2012, she was a member of the Executive Committee of Edenred*, a spin-off from the Accor Group, in her capacity as Vice President of Corporate and Financial Communications & Social Responsibility. She is Chair of ERC Consulting since 2013, consultant to the World Bank (IFC) since 2016 and independent director of Vigeo Eiris since 2018. In the not-for-profits sector, Eliane Rouyer-Chevalier is the Honorary President of the French Association for Investor Relations (CLIFF) having served as President from 2004 to 2014. She was Vice-President of the *Observatoire de la Communication Financière* from 2005 to 2018, and has been Director of the Federation of Individual Investors and Investment Clubs (F2IC) since 2014, and of Time2Start, an organization that helps young people from the inner cities to start up their own business, since 2016. She was Director of the Institut Français du Tourisme from 2013 to 2016 and of the Cercle de la Compliance from 2015 to 2017.	**Legrand Group** ■ Director of Legrand*: - Chair of the Audit Committee - Member of the Compensation Committee **Outside the Legrand Group** ■ Chairman of ERC Consulting (since 2013) ■ Consultant to the World Bank (IFC) (since 2016) ■ Independent Director of Vigeo Eiris (since 2018) **Outside companies** ■ Director of the F2IC (since 2014) ■ Director of Time2Start (since 2016)	**Legrand Group** ■ None **Outside the Legrand Group** ■ President of CLIFF (until 2014) ■ Director of the *Institut Français du Tourisme* (until 2016) ■ Director of the *Cercle de la Compliance* (until 2017) ■ Vice-President of the Observatoire de la Communication Financière (since 2018

Éliane Rouyer-Chevalier holds 1,350 Legrand shares.

* *Listed company*

(1) *Age as at March 20, 2019, date on which the Board of Directors approved Appendix 3 to the Management Report which contains the directors' biographies.*

APPENDIX 3

Statutory auditors' report on the financial statements for the year ended December 31, 2018

This is a free translation into English of the statutory auditors' report on the financial statements of Legrand issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To Annual General Meeting of Legrand

I. OPINION

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying financial statements of Legrand for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- both audit firms: comfort letters provided in the context of private placement bond issues;
- PricewaterhouseCoopers Audit: transfer pricing policy documentation review assignment;
- Deloitte & Associés: verification of the consolidated social, environmental and societal information referred to in article L. 225-102-1 of the French Commercial Code (code de commerce).

III. JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of shares in subsidiaries and affiliates

Risk identified

Shares in subsidiaries and affiliates are stated at acquisition cost and impaired where necessary based on their fair value determined by reference to Legrand's equity in the investee's revalued net assets, as adjusted to reflect its earnings performance and growth outlook (Note 1.3 "Etats financier Legrand SA").

As of December 31, 2018 they comprise Legrand France SA shares recorded in the balance sheet in the amount of €3,774 million (Note 2.2 "Etats financiers Legrand SA"), that is 81% of total assets. The residual balance, primarily consists of amounts receivable from this subsidiary. The correct valuation of this heading is key to the assessment of Legrand's asset and financial position.

We therefore considered the valuation of shares in subsidiaries and affiliates to be a key audit matter.

Our response

We verified, based on information communicated to us, that the valuation method and figures underlying the estimated value determined by management are appropriately substantiated.

Our work mainly consisted in verifying that the fair value estimated by management was based on enterprise values founded on identical assumptions to those used by the group for impairment testing on the activity scope of the Legrand France SA subsidiary and its directly and indirectly-held subsidiaries.

Our valuation experts carried out an independent analysis of certain key assumptions used by management to perform the test, pertaining in particular to the discount rate, the royalty rate and the perpetual growth rate of future cash flows, referring both to external market data and analyses of comparable companies.

We analyzed the consistency of the projected future cash flows with historical data and our knowledge of the Group's business, supported by interviews with the Group's management control department.

We also tested the mathematical accuracy of the Group's calculation, on a sample basis.

Finally, we verified the consistency of the fair value adopted with the group's stock market capitalization.

We assessed the appropriateness of the disclosures on shares in subsidiaries and affiliates provided in the notes to the financial statements.

IV. SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D.441-4 of the French Commercial Code.

Information relating to corporate governance

We attest that the section of the management report devoted to corporate governance sets out the information required by articles L. 225-37-3 and L. 225-37-4 the French Commercial Code.

Concerning the information given in accordance with the requirements of article L. 225-37-3 of the French Commercial Code relating to compensation and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to article L. 225-37-5 of the French Commercial Code, we have verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

V. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Legrand by the annual general meetings held on December 31, 2005 for Deloitte & Associés and on June 6, 2003 for PricewaterhouseCoopers Audit.

As at December 31, 2018, Deloitte & Associés and PricewaterhouseCoopers Audit were in the 14th year and 16th year of total uninterrupted engagement, respectively. For both firms, this is the 13th year since the securities of the Company were admitted to trading on a regulated market.

VI. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

VII. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty

exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, April 8, 2019

The Statutory Auditors

French Original signed by

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Édouard Sattler	Jean-François Viat

APPENDIX 4

Presentation of the agenda for the Annual Shareholders' Meeting of May 29, 2019

Board of Directors' Report

This report outlines the key points of the proposed resolutions to be submitted to you for approval at the Annual Shareholders' Meeting on May 29, 2019. This outline is not meant to be comprehensive and you should therefore read the proposed resolutions carefully before voting at the Meeting.

For information, no new agreement falling within the scope of article L. 225-38 of the French Commercial Code was entered into during the year ended December 31, 2018. Two related-party agreements falling within the scope of article L. 225-42-1 of the French Commercial Code were authorized by the Board of Directors in 2018 and approved at the Annual Shareholders' Meeting of May 30, 2018.

The Board of Directors has convened the Annual Shareholders' Meeting on May 29, 2019 to consider the following agenda:

I – ORDINARY RESOLUTIONS

Approval of the financial statements for 2018 (first and second resolutions)

In the first two resolutions, you are asked to vote on the Company' statutory and consolidated financial statements for the year ended December 31, 2018 and on the transactions reflected therein or summarized in the reports of the Board of Directors and Statutory Auditors, which will be submitted to you for consideration.

At December 31, 2018:

- the Company's statutory financial statements showed a net profit of €227,535,268.46; and
- the Company's consolidated financial statements showed a net profit of €771.7 million.

The first resolution also invites you to vote specifically on the total amount of costs and expenses referred to in article 39-4 of the French Tax Code, i.e., costs and expenses not deductible for tax purposes.

Appropriation of net profit and dividend recommendation (third resolution)

In the third resolution, you are asked to vote on the proposed appropriation of the Company's net profit and on the dividend recommendation.

The proposed appropriation of net profit is as follows:

- the Company's net profit for the year ended December 31, 2018 amounted to €227,535,268.46;
- the sum of €275,759.20 will be transferred to the legal reserve to bring it up to 10% of the share capital;
- as there are no retained earnings, the amount available for distribution is equal to the amount of net profit for the year ended December 31, 2018, i.e., €227,259,509.26;
- the sum of €16,965,062.22 will be transferred to the non-distributable reserve for treasury shares, bringing it up to a total of €19,679,214.30;
- the amount available for distribution, less the amount transferred to the non-distributable reserve for treasury shares, will therefore amount to €210,294,447.04.

On that basis, the Board is recommending a dividend of €1.34 per share, making a total payout of €357,230,334.68, based on the number of shares comprising the share capital at December 31, 2018, less the treasury shares held by the Company at that date. The portion in excess of the amount available for distribution, i.e., €146,935,887.64, will be deducted from premium account.

In the event of a change in the number of shares entitled to a dividend before the dividend payment date, the total dividend payout will be adjusted accordingly.

Treasury shares held by the Company and shares that have been canceled before the payment date are not entitled to a dividend. For individuals who are French tax residents, the dividend payment of €1.34 per share will be taxable as follows:

- €0.79 [1] of the dividend is treated as taxable investment income and is subject to either (i) flat-rate income tax at 12.8%, or

(1) This breakdown is given for information purposes only and may be modified if the number of shares entitled to a dividend changes between now and the dividend payment date.

(ii) progressive income tax, upon irrevocable election made in the taxpayer's tax return no later than the filing deadline date, in which case it is eligible for the 40% tax relief provided for in article 158-3-2° of the French Tax Code for French tax residents. In principle, this portion of the dividend is subject to a flat-rate withholding tax of 12.8% (excluding social security contributions) on the gross amount, and the withholding will then be set off against income tax due on income received in 2019. However, under article 117 *quater* of the French Tax Code, "*individuals belonging to a tax household whose reference taxable income for the last but one year, as defined in article 1417-IV-1°, is less than €50,000 for single, divorced or widowed taxpayers or less than €75,000 for taxpayers taxed jointly, may apply for exemption from this withholding tax*." Applications for exemption should be made by the taxpayer on the terms and conditions set out in article 242 *quater* of the French Tax Code. This portion of the dividend is also subject to a social security levy of 17.2% and, for taxpayers whose reference taxable income exceeds certain thresholds, to an exceptional levy on high incomes at a rate of either 3% or 4% as applicable, pursuant to article 223 *sexies* of the French Tax Code;

- €0.55[(1)] of the dividend payment will be paid out of premium account and is treated as a capital redemption within the meaning of article 112 paragraph 1° of the French Tax Code. It is therefore non-taxable for individuals who are French tax residents. However, this sum will be set off against the purchase cost of the shares for capital gains tax purposes.

The tax rules described here are those applicable at the date of this report. If there is a significant change in the breakdown per share between the amount treated as investment income (taxable as described above) and the amount treated as a capital redemption — for instance due to a change in the number of treasury shares held on the payment date — additional information will be issued by the Company. Shareholders are invited to consult their usual advisers for information about the tax rules applicable to them.

If this resolution is adopted, the ex-dividend date will be June 3, 2019 and the dividend payment date will be June 5, 2019.

Approval of compensation paid or awarded to Gilles Schnepp (fourth resolution)

Pursuant to articles L. 225-37-2 and L. 225-100 of the French Commercial Code, you are required to vote on all items of compensation paid or awarded to Gilles Schnepp in 2018 since his appointment as Chairman of the Board of Directors on February 8, 2018. These items of compensation were paid or awarded in accordance with the compensation policy approved by the Annual Shareholders' Meeting on May 30, 2018.

At his own initiative, Gilles Schnepp decided to forego his fixed, variable and long-term compensation as Chairman and Chief Executive Officer due in respect of 2018, i.e., for the period from January 1 to February 7, 2018. Accordingly, there will be no ex-post vote on the items of compensation paid or awarded to Gilles Schnepp in 2018 in respect of his office as Chairman and Chief Executive Officer.

In the fourth resolution you are asked to approve the following items of compensation paid or awarded to Gilles Schnepp in 2018 in his capacity as Chairman of the Board of Directors as of February 8, 2018.

(1) *This breakdown is given for information purposes only and may be modified if the number of shares entitled to a dividend changes between now and the dividend payment date.*

Items of compensation paid or awarded to the Chairman of the Board of Directors in 2018, as of February 8, 2018	Amount/weighting as a percentage of fixed compensation	Presentation
Fixed compensation	€625,000	Gross annual fixed compensation set by the Board of Directors on March 20, 2018, on the recommendation of the Compensation Committee, corresponding to the amount payable to Gilles Schnepp in his capacity as Chairman of the Board of Directors since the separation of the offices of Chairman of the Board and Chief Executive Officer. This annual fixed compensation was set by the Board of Directors at the proposal of the Compensation Committee in accordance with the principles described in section 6.2.1.1 of the Company's Registration Document, and is consistent with the Chairman's responsibilities and duties as provided for by the law, the Articles of Association and the internal rules. The main factors taken into consideration in determining this compensation were (i) the key role played by the Chairman of the Board of Directors in the context of the overall responsibilities of the Board and its specialized committees, and the skills and experience required to discharge these responsibilities, and (ii) benchmarking reviews of current market practices in terms of compensation paid to non-executive Chairmen of CAC 40 companies.
Annual variable compensation	Not applicable	There are no plans to award any annual variable compensation. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash incentives	Not applicable[(1)]	There are no plans to award any long term cash incentives. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Stock options, performance shares or any other form of long-term compensation	Stock options: Not applicable	There are no plans to award any stock options. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
	Performance shares	There are no plans to award any performance shares. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance. However, he could receive performance shares awarded before February 2018 in respect of the 2015, 2016 and 2017 performance share plans provided that the performance criteria are met.
	Awards of other securities: Not applicable	There are no plans to award other securities. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Exceptional compensation	Not applicable	There are no plans to award any exceptional compensation.
Directors' fees	Not applicable	The Chairman of the Board of Directors does not receive directors' fees in respect of his directorships of the Company or its subsidiaries.
Estimated value of benefits of all kinds	Not applicable	

(1) The amount of €937,500 corresponding to 2013 Future Performance Units awarded to Gilles Schnepp and approved by the Shareholders' Meeting at the time of their award and upon expiration of the vesting period, as described on pages 221-223 of the Company's 2018 Registration Document, was paid to Gilles Schnepp in June 2018.

A

Approval of the compensation paid or awarded to Benoît Coquart, Chief Executive Officer (fifth resolution)

Pursuant to articles L. 225-37-2 and L. 225-100 of the French Commercial Code, you are required to vote on all items of compensation paid or awarded to Benoît Coquart in 2018 since his appointment as Chief Executive Officer on February 8, 2018. These items of compensation were paid or awarded in accordance with the compensation policy approved by the Annual Shareholders' Meeting on May 30, 2018.

In the fifth resolution, therefore, you are asked to approve the following items of compensation paid or awarded to Benoît Coquart in 2018.

Compensation components paid or awarded with respect to the 2018 financial year to Mr. Benoît Coquart from February 8, 2018, submitted to the approval of shareholders

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	Amounts or accounting valuation submitted for vote	Details
Fixed compensation	Annual amount: €700,000 Amount adjusted on a prorata basis from February 8, 2018: €627,083	Gross annual fixed compensation set by the Board of Directors on March 20, 2018 and unchanged since that date, on the recommendation of the Compensation Committee, after considering the levels of responsibility, profile and experience of the new Chief Executive Officer as well as market practices, which were identified by an independent consulting firm relating to compensation practices for similar functions in CAC 40 companies. The annual fixed compensation of the Chief Executive Officer has been moderately increased compared to that featuring in the 2017 compensation policy applicable to the Chairman and Chief Executive Officer, given that: ■ there had been no increase in Mr. Gilles Schnepp's fixed compensation since 2011; ■ it was positioned below comparables; ■ the change in Chief Executive Officer, his situation, profile and his experience made it necessary to position his compensation at a consistent and reasonable level compared with the market in order to ensure that the retention objective was met satisfactorily. It is important to note that, even after the increase, the amount of his annual fixed compensation remains lower than the first decile of the CAC 40 in accordance with the external study carried out in 2018, which the Board of Directors considers to be reasonable.
Annual variable compensation(1)	Annual amount: €730,100 Amount adjusted on a prorata basis from February 8, 2018: €654,048	The Board of Directors decided that Mr. Benoît Coquart's variable compensation in respect of the 2018 financial year could vary between 0% and 150% of annual fixed compensation (with a target value set at 100% of annual fixed compensation) and would be determined as follows: ■ a quantifiable portion representing 3/4 of this annual fixed compensation, therefore potentially varying from 0% to 112.5% of the annual fixed compensation (with a target value set at 75%) and calculated on the basis of criteria relating to (i) the achievement of a certain level of 2018 adjusted operating margin before acquisitions, (ii) 2018 organic sales growth , (iii) 2018 sales growth resulting from acquisitions (scope effect) and (iv) Legrand's inclusion in benchmark CSR indices; and ■ a qualitative portion representing 1/4 of this annual variable compensation, therefore potentially varying from 0% to 37.5% of the annual fixed compensation (with a target value set at 25%) and calculated on the basis of criteria relating to (i) sales growth (increased market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies), (ii) the external growth policy (compliance with priorities, emphasis on multiples paid, emphasis on any potential dilutive effects of acquisitions on the Group's performance, quality of integration for acquisitions already made), and (iii) other general criteria, particularly risk management, workforce-related initiatives and dialogue, diversity and gender balance and succession plans. Based on work done and proposals made by the Compensation Committee, the Board, at its meeting on March 20, 2019, set: ■ at 71.3% of the annual fixed compensation the variable portion of 2018 compensation resulting from the achievement of quantifiable targets; and ■ at 33% of annual fixed compensation the variable portion of 2018 compensation resulting from the achievement of qualitative targets; therefore corresponding to an achievement rate of 69.5% (equal to 104.3% divided by 150%) of maximum annual variable compensation and 104.3% (equal to 104.3% divided by 100%) of the target, i.e. €730,100 on an annual basis and €654,048 adjusted on a prorata basis from February 8, 2018, when Mr. Benoît Coquart was appointed (details of the achievement rate of quantifiable and qualitative criteria are described in section 6.2.2.2 of the Company's registration document).
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable(3)	There are no plans to award any long-term cash compensation.

Compensation components paid or awarded in respect of the 2018 financial year from February 8, 2018	Amounts or accounting valuation submitted for vote	Details
	Stock options: not applicable	There are no plans to award any stock options.
Stock options, performance shares or any other long-term compensation component	Performance shares/valuation: Annual amount: €1,226,528 Pro rata amount as of February 8, 2018 €1,098,757	On the recommendation from the Compensation Committee, the Board of Directors on May 30, 2018 decided to set up a 2018 Performance Share Plan. This plan (including the performance criteria applicable to the shares awarded) is described in section 6.2.2.2 of the Company's registration document, on pages 228-230, and in section 7.3 of the Company's registration document, page 248. The award benefiting Mr. Benoît Coquart in respect of this plan corresponds to 3.72% of the overall award[2]. The number of performance shares awarded to Mr. Benoît Coquart is 19,366. This number of shares that will definitively vest may subsequently vary in a range between 0% and 150% of the number of shares initially awarded, according to the level of achievement of "external" and "internal" financial performance criteria and an extra-financial performance criterion. The Board of Directors took its decision on May 30, 2018 on the basis of an authorization granted by the General Meeting on May 30, 2018, in its seventeenth resolution (Authorization to award performance shares).
	Other awards of securities: not applicable	There are no plans to make other awards of securities.
Extraordinary compensation[1]	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	Mr. Benoît Coquart does not receive attendance fees in respect of his office within the subsidiaries of the Company.
Value of benefits of any kind	Annual amount: €4,347 Amount adjusted on a prorata basis from February 8, 2018: €3,894	An executive car was made available to the Chief Executive Officer in 2018.

(1) Compensation component whose payment is subject to the approval of the Annual Combined General Meeting of May 29, 2019, pursuant to paragraph 2 of section II of article L. 225-100 of the French Commercial Code.

(2) This calculation takes into account the adjustment of the number of performance shares made in view of the dividend payment arrangements decided upon by the Company's Combined Shareholders' General Meeting on May 30, 2018, to acknowledge the impact of this transaction on the interests of beneficiaries of performance shares (for details, please refer to chapter 7.3 of the 2018 registration document).

(3) €656,929, corresponding to 2013 Future Performance Units awarded to Mr. Benoît Coquart with respect to his role prior to his appointment as Chief Executive Officer, was paid to him in June 2018.

Summary table of criteria for determining the Chief Executive Officer's 2018 annual variable compensation

Benoît Coquart's annual variable compensation for 2018 was based on the following criteria:

				Min.	Target	Max.	Actual
Quantifiable: 3/4 of annual variable i.e., 75% of fixed compensation (target)	Operating margin	2018 adjusted operating margin (at 2017 scope)	As a % of fixed compensation	0%	**40%**	60%	32%
			Indicator value	20%	20.25%	20.5%	20.2%
	Organic revenue growth	2018 organic revenue growth	As a % of fixed compensation	0%	**15%**	22.5%	22.5%
			Indicator value	1%	2.5%	4%	4.9%
	External growth	2018 revenue growth due to scope effect	As a % of fixed compensation	0%	**10%**	15%	12.8%
			Indicator value	0%	5%	10%	7.8%
	Corporate Social Responsibility (CSR)	Inclusion of Legrand in benchmark CSR indices	As a % of fixed compensation	0%	**10%**	15%	4%
			Indicator value	7	12	14	9%
	TOTAL QUANTIFIABLE			**0%**	**75%**	**112.5%**	**71.3%**
Qualitative: 1/4 of annual variable i.e., 25% of fixed compensation (target)	Revenue growth	Market share gains, new products, sales policies, access to new markets, partnerships (including outside France), expansion in the new economies		0%	**10%**	15%	12%
	External growth strategy	Compliance with priorities set, focus on multiples paid, focus on any dilutive effects of acquisitions on the Group's performance, quality of integration of acquisitions already made		0%	**10%**	15%	15%
	General criteria	Risk management, social dialogue and initiatives, diversity and equality in the workplace, succession plans		0%	**5%**	7.5%	6%
	TOTAL QUALITATIVE			**0%**	**25%**	**37.5%**	**33%**
TOTAL VARIABLE AS A % OF FIXED COMPENSATION				**0%**	**100%**	**150%**	**104.3%**

Chief Executive Officer's 2018 long-term compensation

The long-term compensation awarded to Benoît Coquart for 2018 consists in a performance share plan (the "2018 Performance Share Plan"), approved by the Board of Directors on May 30, 2018 on the recommendation of the Compensation Committee.

Under this plan, the number of performance shares that will vest will range from 0% to 150% of the initial award depending on the level of achievement of four financial and non-financial criteria measured over a period of three years, as described below.

Accordingly, the performance criteria are measured over a three-year period and the number of performance shares ultimately awarded to the Chief Executive Officer is calculated according to the following method:

Criterion of adjusted operating margin before acquisitions

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2018, 2019 and 2020	Below (LE(2) - 50 bps)	Between (LE(2) - 50 bps) and LE	**Equal to LE(2)**	Between LE(2) and UE(3)	**Equal to UE(3)**	Between UE(3) and (UE(3) + 50 bps)	Above (UE(3) + 50 bps)

Illustration of the determination of the 3-year target based on the 2018 award plan

	Lower end of the annual target range	Upper end of the annual target range
Year 1: 2018	Equal to 20.0%	Equal to 20.5%
Year 2: 2019	Equal to 19.9%	Equal to 20.7%
Year 3: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
3-year target: Average of annual targets	**LE**(2)	**UE**(3)

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

Organic sales growth criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2018, 2019 and 2020	Below (LE(2) - 2 points)	Between (LE(2) - 2 points) and LE(2)	**Equal to LE**(2)	Between LE(2) and UE(3)	**Equal to UE**(3)	Between UE(3) and (UE(3) + 2 points)	Above (UE(3) + 2 points)

Illustration of the determination of the 3-year target based on the 2018 award plan

	Lower end of the annual target range	Upper end of the annual target range
Year 1: 2018	Equal to 1.0%	Equal to 4.0%
Year 2: 2019	Equal to 0.0%	Equal to 4.0%
Year 3: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
3-year target: Average of annual targets	**LE**(2)	**UE**(3)

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

Group CSR roadmap annual achievement rates

Payment rate(1)	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

Legrand share price performance

Payment rate[1]	0%	30%	Between 30% and 150%	150%
Difference in between the performance of Legrand's share price and that of the CAC 40 index[2]	Lower than 0 point	Equal to 0 point	Between 0 point and 15 points	Higher than 15 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) For the 2018 award plan, 3-year performance will be measured over the 2018-2020 period using the following calculation method:

- *Legrand share price performance: comparison of the average daily closing prices in the second half of the third year of the plan (second half of 2020) with the average daily closing market prices in the second half of the year preceding the first year of the plan (second half of 2017), or €61.30;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing level in the second half of the third year of the plan (second half of 2020) with the average CAC 40 closing level in the second half of the year preceding the first year of the plan (second half of 2017), i.e. 5275.8 points.*

The difference between these two performances will be measured by the difference, in percentage points, between the change in the Legrand share price and the change in the CAC 40 index.

The performance criteria applicable to performance share awards made under this plan are described in section 6.2.2.2 of the Company's Registration Document.

Compensation policy applicable to the Chairman of the Board of Directors for 2019: approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional items of compensation and benefits making up the Chairman of the Board's total compensation package (sixth resolution)

Pursuant to article L. 225-37-2 of the French Commercial Code, you are required to vote on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional items of compensation and benefits making up the Chairman of the Board's total compensation package for 2019, which constitutes the compensation policy applicable to him.

The amounts resulting from the application of these principles and criteria will also be subject to a vote at the next Annual Shareholders' Meeting held in 2020 to approve the 2019 financial statements, inasmuch as payment of the variable and exceptional items of compensation is conditional on approval at the 2020 Annual Shareholders' Meeting.

Accordingly, in the sixth resolution you are asked to approve the following elements of the 2019 compensation policy applicable to the Chairman of the Board.

2019 compensation policy for the Chairman of the Board in respect of his office, subject to shareholder vote

The various elements of the compensation policy for the Chairman of the Board are presented in the table below:

Items of compensation attributable in 2019	Amount/weighting as a percentage of fixed compensation	Presentation
Fixed compensation	€625,000	Gross annual fixed compensation set by the Board on March 20, 2018 and renewed by the Board on March 20, 2019 on the recommendation of the Compensation Committee. This annual fixed compensation was set by the Board of Directors at the proposal of the Compensation Committee in accordance with the principles described in section 6.2.1.1 of the Company's Registration Document, and is consistent with the Chairman's responsibilities and duties as provided for by the law, the Articles of Association and the internal rules. The main factors taken into consideration in determining this compensation were (i) the key role played by the Chairman of the Board of Directors in the context of the overall responsibilities of the Board and its specialized committees, and the skills and experience required to discharge these responsibilities, *and (ii) 2018* benchmarking reviews of current market practices in terms of compensation paid to non-executive Chairmen of CAC 40 companies.
Annual variable compensation	Not applicable	There are no plans to award any annual variable compensation. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash incentives	Not applicable	There are no plans to award any long term cash incentives. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Stock options, performance shares or any other form of long-term compensation	Stock options: Not applicable	There are no plans to award any stock options. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
	Performance shares	There are no plans to award any performance shares. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance. However, he could receive performance shares awarded before February 2018 in respect of the 2015, 2016 and 2017 performance share plans provided that the performance criteria are met.
	Awards of other securities: Not applicable	There are no plans to award other securities. The Chairman of the Board of Directors is not entitled to any variable compensation schemes, including performance share plans or any other form of long-term compensation existing in the Company, in accordance with the recommendations of the Code of Corporate Governance.
Exceptional compensation	Not applicable	There are no plans to award any exceptional compensation.
Directors' fees	Not applicable	The Chairman of the Board of Directors does not receive directors' fees in respect of his directorships of the Company or its subsidiaries.
Estimated value of benefits of all kinds	Not applicable	

Items of compensation subject to a vote by the Annual Shareholders' Meeting under the procedure for related-party agreements and undertakings

Items of compensation subject to a vote by the Annual Shareholders' Meeting under the procedure for related-party agreements and undertakings	Amount	Presentation
Severance payment	Not applicable	There is no undertaking in this regard.
Non-compete benefit	Not applicable	There is no undertaking in this regard.
Supplementary pension plan	Not applicable	There is no undertaking in this regard.

Signing bonus in the event of the appointment of a new Chairman of the Board during 2019

There is no provision for any signing bonus intended to compensate for the loss of benefits in the event of the appointment of a new Chairman of the Board during 2019.

The compensation policy applicable to the Chairman of the Board for 2019 is described in section 6.2.1.2 of the Company's Registration Document.

Compensation policy applicable to the Chief Executive Officer for 2019: approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional items of compensation and benefits making up the Chief Executive Officer's total compensation package (seventh resolution)

Pursuant to article L. 225-37-2 of the French Commercial Code, you are required to vote on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional items of compensation and benefits making up the Chief Executive Officer's total compensation package for 2019, which constitutes the compensation policy.

The amounts resulting from the application of these principles and criteria will also be subject to a vote at the next Annual Shareholders' Meeting held in 2020 to approve the 2019 financial statements, inasmuch as payment of the variable and exceptional items of compensation is conditional on approval at the 2020 Annual Shareholders' Meeting.

Accordingly, in the seventh resolution you are asked to approve the following elements of the 2019 compensation policy applicable to the Chief Executive Officer in respect of his office.

Component	Strategic purpose	Operation	Amount/Weighting as % of fixed compensation
Fixed	**Compensate the scope and level of responsibilities**	Determined by the Board of Directors, fairly and competitively, upon a recommendation of the Compensation Committee, in consideration of: ■ level of responsibility; ■ experience; ■ market practices of CAC 40 companies; ■ potential changes of role and responsibility.	€700,000
Annual variable	**Encourage the achievement of the Company's financial and extra-financial annual targets**	Determined by the Board of Directors, upon a recommendation from the Compensation Committee, according to strategic priorities, of the following elements: ■ annual objectives to be achieved; ■ type and weighting of performance criteria; ■ proportion between quantifiable and qualitative criteria.. ***Of which quantifiable (75%):*** structured so as to incentivize the achievement of specific and ambitious performance criteria: ■ financial criteria (adjusted operating margin before acquisitions, organic growth, external growth); ■ extra-financial criteria (achievement rate of the Group's CSR roadmap) ***Of which qualitative (25%):*** structured so as to take account of the year's initiatives deployed to support growth and risk management.	Minimum value: 0% of fixed compensation Target value: 100% of fixed compensation Maximum value: 150% of fixed compensation
Long-term	**Incentivize long-term financial and extra-financial performance** **Retain and develop loyalty over the long term**	Determined by the Board of Directors upon a recommendation from the Compensation Committee: ■ objectives to be achieved; ■ type and weighting of future performance criteria. Determined after application of a presence condition and four demanding performance criteria (each counting for a quarter) measured over three years: ■ target for adjusted operating margin before acquisitions (three-year average of achievements); ■ target for organic sales growth (3-year average of achievements); ■ rate of achievement of the Group's CSR roadmap (3-year average of achievements); ■ Legrand share price performance as compared with the performance of the CAC 40 index (difference in performance measured over a 3-year period).	Minimum value: 0% Initially awarded value (target value): 200% of fixed compensation, converted into shares Maximum value: 150% of the number of shares initially awarded depending on the achievement of future performance criteria

Compensation policy for the Chief Executive Officer in respect of 2019 financial year submitted or the approval of shareholders

The components that make up the policy relating to the 2019 compensation attributable to the Chief Executive Officer are presented in the table below:

Compensation components attributable in respect of the 2019 financial year	Amount/weighting as percentage of fixed compensation	Details
Fixed compensation	€700,000	Gross annual fixed compensation set by the Board of Directors on March 20, 2019, on the recommendation of the Compensation Committee, after considering the levels of responsibility, profile and experience of the new Chief Executive Officer as well as market practices. As indicated on page 211 of the Company's registration document, the annual fixed compensation of the Chief Executive Officer was not altered compared to that provided for under the 2018 compensation policy.
Annual variable compensation	Minimum value: 0% of fixed compensation Target value: 100% Maximum value: 150% of fixed compensation	At its meeting on March 20, 2019, on the recommendation of the Compensation Committee, the Board of Directors decided to maintain unchanged the weightings of quantifiable and qualitative criteria relating to annual variable compensation that had been established for the 2018 financial year, along with its target and maximum amounts. The Board of Directors and the Compensation Committee, as part of the 2018 compensation policy, increased the Chief Executive Officer's variable compensation as a percentage of his total compensation, thereby seeking to place the emphasis on annual variable compensation in order to incentivize financial and extra-financial performance. As regards the types of compensation criteria adopted, all quantifiable and qualitative criteria remained unchanged compared with 2018 with the exception of: ■ the CSR criterion relating to the quantitative portion of annual variable compensation: the criterion concerning Legrand's inclusion in benchmark CSR indices has been replaced by a CSR criterion relates to the Group CSR roadmap achievement rate. That alteration is justified by the desire to ensure that the quantifiable CSR criterion used to determine the Chief Executive Officer's variable compensation is aligned with that applied to Executive Committee members; ■ the general criteria relating to the qualitative portion of annual variable compensation which are three (i) risk management, (ii) workforce-related initiatives and dialogue and (iii) diversity and gender equality. The Board of Directors thus decided that the variable compensation paid to the Chief Executive Officer in respect of the 2019 financial year could vary between 0% and 150% of fixed annual compensation (with a target value set at 100% of fixed annual compensation) and would be determined as follows: ■ a quantifiable portion representing 3/4 of this annual fixed compensation: it could therefore vary from 0% to 112.5% of the annual fixed compensation (with a target value set at 75%) and will be calculated on the basis of criteria relating to (i) the achievement of a certain level of 2019 adjusted operating margin before acquisitions, (ii) 2019 organic sales growth, (iii) 2019 sales growth resulting from acquisitions (scope effect) and (iv) the Group CSR roadmap achievement rate; and ■ a qualitative portion representing 1/4 of this annual variable compensation: it can therefore vary from 0% to 37.5% of the annual fixed compensation (with a target value set at 25%) and will be calculated on the basis of criteria relating to (i) sales growth (increased market share, new products, sales policies, access to new markets, alliances (including outside France), expansion in new economies), (ii) the external growth policy (compliance with agreed priorities, emphasis on multiples paid, emphasis on any potential dilutive effects of acquisitions on the Group's performance, quality of integration for acquisitions already made), and (iii) other general criteria, particularly risk management, workforce-related initiatives and dialogue, diversity and gender equality. These quantifiable and qualitative criteria, as well as the targets set, are described in detail in section 6.2.1.3 of the Company's 2018 registration document.
Deferred variable compensation	Not applicable	There are no plans to award any deferred variable compensation.
Long-term cash compensation	Not applicable	There are no plans to award any long-term cash compensation.

Compensation components attributable in respect of the 2019 financial year	Amount/weighting as percentage of fixed compensation	Details
Stock options, performance shares or any other long-term compensation component	Stock options: not applicable	There are no plans to award any stock options.
	Performance shares Minimum value: 0% Initially awarded value (target value): 200% Maximum value: 150% of the number of shares initially awarded according to achievement of future performance criteria	On the recommendation of the Compensation Committee, the Board of Directors on March 20, 2019 decided to set up a long-term compensation plan for the 2019 financial year in the form of a 2019 Performance Share Plan. The target value of this plan is set at 200% of fixed compensation and will be converted into shares. The number of shares that will be definitively awarded will range between 0% and 150% of the number of shares initially awarded based on the level of achievement of four financial and extra-financial criteria calculated as three-year averages and detailed on pages 212-214. It should be noted that long-term compensation as a percentage of total compensation and the nature of performance criteria remain unchanged compared with the 2018 compensation policy. This plan is described (particularly the performance criteria applicable to the awarded shares and the calculation method for determining the number of shares ultimately vested) in section 6.2.1.3 of the Company's 2018 registration document. It should be noted that: ■ the first two performance criteria are aligned with the targets disclosed by the Company in February 2019. These are annual targets concerning adjusted operating margin before acquisitions and organic sales growth. These indicators are central to Legrand's profitable growth-based business model; ■ the third criterion is of an extra-financial nature, based on the fulfilment of the Group's commitments in terms of corporate social responsibility within the framework of its CSR roadmap, which is central to Legrand's model and aims to ensure sustainable growth while respecting all stakeholders; ■ the last criterion is based on Legrand's share price performance compared with that of the CAC 40 index, thus making it possible to assess performance in relative terms, on the understanding that the principle of non-payment if the share price underperforms the CAC 40 index (as described on page 214) would apply to this criterion. The proposed performance criteria thus reflect the Company's model based on profitable and sustainable growth aligned with the interests of shareholders, and are transparent. As stated previously, the Board of Directors took its decision on May 20, 2019 on the basis of an authorization granted by the General Meeting on May, 30, 2018, in its seventeenth resolution (Authorization to allocate performance shares)
	Other awards of securities: not applicable	There are no plans to make other awards of securities.
Extraordinary compensation	Not applicable	There are no plans to award extraordinary compensation.
Attendance fees	Not applicable	The Chief Executive Officer does not receive attendance fees in respect of his office within the subsidiaries of the Company.
Value of benefits of any kind	€5,406	A executive car will be available to the Chief Executive Officer. This amount is given for information purposes only.

Compensation components voted upon by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings

Compensation components voted upon by the Shareholders' General Meeting in accordance with the procedure relating to related party agreements and undertakings	Amounts	Details
Severance payment	Not applicable	There is no undertaking in this regard.
Non-compete compensation	1 year of the reference salary (annual fixed + variable) at the Company's sole initiative	Given the profile of the new Chief Executive Officer and to protect the interests of the Company and its shareholders, the meeting of the Board of Directors held on March 20, 2018, on the recommendation of the Compensation Committee, authorized a non-compete agreement between the Company and the Chief Executive Officer, whereby the Chief Executive Officer undertakes not to carry out any activity that will compete with that of Legrand for a one-year period starting from the date his term of office ends. The Company's Board of Directors will decide, after the Chief Executive Officer's term of office ends, whether or not to apply this non-compete clause, and may unilaterally decide to waive the application of this clause. If applied, the Chief Executive Officer's fulfilment of this undertaking would result, for a one-year period after the end of his term of office as Chief Executive Officer, in the payment by the Company of monthly compensation equal to the monthly average of the reference salary received during the last twelve months of presence in the company, it being stipulated that the reference salary includes the annual fixed and variable salary and excludes sums received as long-term variable compensation, which will be an amount lower than the cap recommended by the Code of Corporate Governance. In accordance with the procedure relating to related party agreements and undertakings, this agreement was authorized by the Board of Directors on March 20, 2018 and was approved by the Combined Shareholders' General Meeting of May 30, 2018 (seventh resolution).
Supplementary pension plan	€2,431	There is no commitment corresponding to a defined-benefit pension plan. The Chief Executive Officer continues to benefit from the mandatory collective defined-contribution pension plan that falls within the scope of supplementary article 83 of the French General Tax Code, applicable to the Group's French executives, to which he was affiliated before his appointment as Chief Executive Officer, under the same terms as the rest of the employees concerned. All of the Group's French executives qualify for the defined-contribution pension plan (supplementary article 83 of the French General Tax Code). Contributions are based on the A, B and C Tranches of compensation as defined for the calculation of contributions to the mandatory supplementary pension plans (ARRCO-AGIRC). Entitlements accrue through the payment of annual contributions equal to 1.5% of the A, B and C Tranches. The Company pays half of this amount (0.75%) and the beneficiaries pay the other half (0.75%). This amount is given for information purposes only for 2019. In accordance with the procedure relating to related party agreements and undertakings, this commitment was authorized by the Board of Directors on February 7, 2018 and was approved by the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).
Pension and medical expenses plan	€6,579	The Chief Executive Officer benefits from "medical expenses" supplementary health insurance and "death, incapacity and invalidity" insurance available to the Group's French executives, since he is regarded, in social security and tax terms, as an executive. He receives those benefits on the same terms as the other employees in that category. This amount is given for information purposes only for 2019. In accordance with the procedure relating to related party agreements and undertakings, this commitment was authorized by the Board of Directors on February 7, 2018 and was approved in the Combined Shareholders' General Meeting of May 30, 2018 (eighth resolution).

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Signing bonus in the event of the appointment of a new Chief Executive Officer in 2019

There is no provision for any signing bonus intended to compensate for loss of benefits in the event of the appointment of a new Chief Executive Officer during 2019.

Principles and criteria for determining the 2019 annual variable compensation attributable to the Chief Executive Officer

The principles for calculating the annual variable compensation for 2019, including the criteria applicable and their weighting, as shown in the table below, were determined by the Board of Directors on March 20, 2019, on the recommendation of the Compensation Committee.

As indicated in page 211 of the Company's Registration Document, the broad structure of the Chief Executive Officer's compensation package has not changed from 2018.

Furthermore, the Board of Directors also decided, on the recommendation of the Compensation Committee, not to change the weighting of the quantifiable and qualitative criteria for annual variable compensation compared with 2018. The nature of the criteria is also unchanged, except for:

- the CSR criterion for the quantifiable portion of annual variable compensation: the criterion based on Legrand's inclusion in the benchmark CSR indices has been replaced by a criterion based on the level of achievement of the Group's CSR roadmap. This change is justified by the desire to align the CSR criterion for the Chief Executive Officer with that applicable to members of the Executive Committee;
- the general criteria relating to the qualitative portion of annual variable compensation which are three (i) risk management, (ii) workforce-related initiatives and dialogue (iii) diversity and gender equality.
- The Board of Directors has therefore established the following compensation structure for the Chief Executive Officer in 2019:

				Min.	Target	Max.
Quantifiable: 3/4 of annual variable i.e., 75% of fixed compensation (target)	Operating margin	2019 adjusted operating margin (at 2018 scope)	As a % of fixed compensation	0%	**40%**	60%
			Indicator value	19.9%	20.3%	20.7%
	Organic revenue growth	2019 organic revenue growth	As a % of fixed compensation	0%	**15%**	22.5%
			Indicator value	0%	2%	4%
	External growth	2019 revenue growth due to scope effect	As a % of fixed compensation	0%	**10%**	15%
			Indicator value	0%	5%	10%
	Corporate Social Responsibility (CSR)	Level of achievement of the Group's CSR roadmap	As a % of fixed compensation	0%	**10%**	15%
			Indicator value	70%	100%	130%
	TOTAL QUANTIFIABLE			**0%**	**75%**	**112.5%**
Qualitative: 1/4 of annual variable i.e., 25% of fixed compensation (target)	Revenue growth	Market share gains, new products, sales policies, access to new markets, partnerships (including outside France), expansion in the new economies		0%	**10%**	15%
	External growth strategy	Compliance with priorities set, focus on multiples paid, focus on any dilutive effects of acquisitions on the Group's performance, quality of integration of acquisitions already made		0%	**10%**	15%
	General criteria	Risk management, social dialogue and initiatives, diversity and development of gender diversity in the workplace,		0%	**5%**	7.5%
	TOTAL QUALITATIVE			**0%**	**25%**	**37.5%**
TOTAL VARIABLE AS A % OF FIXED COMPENSATION				**0%**	**100%**	**150%**

Principles and criteria for determining long-term variable compensation attributable to the Chief Executive Officer for 2019

The long-term compensation awarded to the Chief Executive Officer for 2019 consists in a performance share plan (the "2019 Performance Share Plan"). This initial award, which will be converted into shares at the time of the Board meeting to be held on May 29, 2019 after the 2019 Annual Shareholders' Meeting, corresponds to 200% of the target amount of fixed compensation, subject to shareholder approval.

As in 2018, the number of performance shares that will vest will range from 0% to 150% of the initial award depending on the level of achievement of four financial and non-financial criteria measured over a period of three years, as described below and on pages 212-214 of the Company's Registration Document.

The proposed performance criteria thus reflect the Company's model based on profitable and sustainable growth aligned with the interests of shareholders, and are transparent.

Performance criterion	Description of criteria and target-setting method	Weighting
Target of adjusted operating margin before acquisitions	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Target of organic sales growth	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Annual Group's CSR roadmap achievement rates	Target: arithmetic average over 3 years of the annual CSR roadmap achievement rates.	1/4
Legrand share price performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand share price and that of the CAC 40 index over a 3-year period.	1/4

Accordingly, the performance criteria are measured over a three-year period and the number of performance shares ultimately awarded to the Chief Executive Officer is calculated according to the following method:

1) Adjusted operating margin before acquisitions criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2019, 2020 and 2021	Lower than (LE(2) – 50 bps)	Between (LE(2) - 50 bps) and LE	**Equal to LE(2)**	Between LE(2) and UE(3)	**Equal to UE(3)**	Between UE(3) and (UE(3) + 50 bps)	Above (UE(3) + 50 bps)

Determination of the 3-year target based on the 2019 award plan

	Lower End of the annual target range	Upper End of the annual target range
Year 1: 2019	Equal to 19.9%	Equal to 20.7%
Year 2: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
Year 3: 2021	Disclosed to the market in February 2021	Disclosed to the market in February 2021
3-year target: Average of annual targets	**LE(2)**	**UE(3)**

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

2) Organic sales growth criterion

Payment rate(1)	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
3-year average of achievement rates in 2019, 2020 and 2021	Lower than (LE(2) – 2 points)	Between (LE(2) – 2 points) and LE(2)	**Equal to LE(2)**	Between LE(2) and UE(3)	**Equal to UE(3)**	Between UE(3) and (UE(3) + 2 points)	Above (UE(3) + 2 points)

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Determination of the 3-year target based on the 2019 award plan

	Lower End of the annual target range	Upper End of the annual target range
Year 1: 2019	Equal to 0.0%	Equal to 4.0%
Year 2: 2020	Disclosed to the market in February 2020	Disclosed to the market in February 2020
Year 3: 2021	Disclosed to the market in February 2021	Disclosed to the market in February 2021
3-year target: Average of annual targets	**LE**(2)	**UE**(3)

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) LE corresponding to the 3-year average of the lower ends of the annual target ranges disclosed to the market.

(3) UE corresponding to the 3-year average of the upper ends of the annual target ranges disclosed to the market.

3) Annual Group CSR roadmap achievement rates

Payment rate(1)	**0%**	**Between 70% and 100%**	**Between 100% and 105%**	**Between 105% and 150%**	**150%**
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

4) Legrand share price performance

Payment rate(1)	**0%**	**30%**	**Between 30% and 150%**	**150%**
Difference between the performance of Legrand's share price and that of the CAC 40 index(2)	Below 0 points	Equal to 0 points	Between 0 points and 15 points	Above 15 points

(1) For any point between the limits given in the table above, the payment rate is calculated on a straight-line basis.

(2) For the 2019 award plan, 3-year performance will be measured over the 2019-2021 period using the following calculation method:

- *Legrand share price performance: comparison of the average daily closing prices in the second half of the third year of the plan (second half of 2021) with the average daily closing market prices in the second half of the year preceding the first year of the plan (second half of 2018), i.e. €58.94;*
- *performance of the CAC 40 index: comparison of the average CAC 40 daily closing level in the second half of the third year of the plan (second half of 2021) with the average CAC 40 closing level in the second half of the year preceding the first year of the plan (second half of 2018), i.e. 5,213.7 points.*

The difference between these two performances will be measured by the difference, in percentage points, between the change in the Legrand share price and the change in the CAC 40 index.

The compensation policy applicable to the Chief Executive Officer for 2019 is described in section 6.2.1.3 of the Company's Registration Document.

Renewal of Eliane Rouyer-Chevalier as director (eighth resolution)

Eliane Rouyer-Chevalier's term of office expires at the close of the Annual Shareholders' Meeting and intends to be renewed as director.

In the eighth resolution, you are invited to re-elect Eliane Rouyer-Chevalier as director, in accordance with the recommendation of the Nominating and Governance Committee, for a term of four years ending at the close of the Annual Shareholders' Meeting held in 2023 to vote on the financial statements for the year ending December 31, 2022.

Eliane Rouyer-Chevalier, director of the Company since 2011, is also Chair of the Audit Committee and member of the Compensation Committee. She has finance and accounting qualifications and strong skills in financial reporting and corporate social responsibility, which are valuable assets for the Board and the Board committees on which she sits. Her expertise in regulatory issues is also useful to the work of the Board and the Board committees. Should you decide to re-elect Eliane Rouyer-Chevalier, she will continue to sit on both the Audit Committee and the Compensation Committee.

At its meeting on March 20, 2019, the Board of Directors, on the recommendation of the Nominating and Governance Committee, renewed its assessment that (i) there are no significant business relationships between Eliane Rouyer-Chevalier and Legrand, and (ii) Eliane Rouyer-Chevalier could be regarded as an independent director. The Board of Directors, on the recommendation of the Nominating and Governance Committee, also reviewed the number of directorships held by Eliane Rouyer-Chevalier outside the Group. This review revealed that the number of external directorships complied with the provisions of the French Commercial Code and Corporate Governance Code and that Eliane Rouyer-Chevalier would therefore have the time necessary to devote to her directorship of Legrand.

Eliane Rouyer-Chevalier's biography is summarized below:

Eliane Rouyer-Chevalier

Eliane Rouyer-Chevalier, 66 years old and a French citizen, holds a Master's degree in Economics from Université Paris II Assas.

She joined the Accor Group in 1983, where she was in charge of international financing and foreign currency cash management before becoming Director of Investor Relations and Financial Communication in 1992. From 2010 to 2012, she was a member of the Executive Committee of Edenred, a spin-off from the Accor Group, in her capacity as Vice President of Corporate and Financial Communications & Social Responsibility. She has been Chair of ERC Consulting since 2013, a consultant to the World Bank (IFC) since 2016 and independent director of Vigeo Eiris since 2018.

As regards associations, Eliane Rouyer-Chevalier is the Honorary President of the French Association for Investor Relations (CLIFF) having served as President from 2004 to 2014. She was also Vice-President of the Observatoire de la Communication Financière from 2005 to 2018. She has been Director of the Federation of Individual Investors and Investment Clubs (F2IC) since 2014, and Director of Time2Start, an organization that helps young people from the inner cities to start up their own business, since 2016. She was Director of the Institut Français du Tourisme from 2013 to 2016 and of the Cercle de la Compliance from 2015 to 2017.

Eliane Rouyer-Chevalier holds 1,350 Legrand shares.

Appointment of Michel Landel as director (ninth resolution)

In the ninth resolution, you are invited to appoint Michel Landel as director, in accordance with the recommendation of the Nominating and Governance Committee, for a term of four years ending at the close of the Annual Shareholders' Meeting held in 2023 to vote on the financial statements for the year ending December 31, 2022. Michel Landel is a French citizen.

The nomination of Michel Landel for appointment as Director forms part of the external recruitment campaign for new directors conducted in 2018. He was one of the potential candidates selected at the Board meeting on February 7, 2018 and had expressed his interest in joining the Board, but was not available until 2019.

The Board considers that his extensive experience in executive management of listed companies with major international operations, his strong pioneering commitments to diversity and, more generally, his knowledge of corporate social responsibility matters will be invaluable to the Board.

At its meeting of March 20, 2019, the Board of Directors, on the recommendation of the Nominating and Governance Committee, reviewed Michel Landel's personal situation and concluded that (i) there were no significant business relationships between Michel Landel and Legrand, and that (ii) Michel Landel could be regarded as an independent director. The Board of Directors also obtained assurance that Michel Landel would have the time necessary to devote to his directorship of Legrand, as the number of directorships he holds outside the Company complies with the provisions of the French Commercial Code and Corporate Governance Code.

Michel Landel's biography is summarized below:

Michel Landel

Michel Landel, 67 years old and a *Chevalier de la Legion d'Honneur*, is a graduate of the European Business School.

He began his career at Chase Manhattan Bank in 1977. In 1990, he became plant director for the Poliet group before joining Sodexo in 1984 first as Head of Operations for East Africa and then for Africa. In 2000, he became Vice-Chairman of Sodexo's Executive Committee and in 2003, Deputy Chief Executive Officer. From 2005 to January 2018, he was Chief Executive Officer and Chairman of the Executive Committee and was appointed Director of Sodexo in 2007.

Since 2018, Michel Landel has been lead director and Chairman of the Appointments and Compensation Committee of Danone and Chairman of the Board of Directors of Louis Delhaize group.

He has won several awards for his campaigns in favor of diversity in the workplace. He also ranked 67th in the Harvard Business Review's 2015 rankings of The Best-Performing CEOs in the World.

The Nominating and Governance Committee and the Board are in favor of the renewal and appointment of the directors proposed in the eighth and ninth resolutions. The Nominating and Governance Committee and the Board consider that the diverse range of complementary skills of the directors – some have strategic skills and experience in managing industrial groups, while others have financial skills or more specific expertise, such as financial communications, talent management, marketing and corporate social responsibility – coupled with the presence on the Board of past executive managers who have extensive knowledge of the Group and its operations, are valuable assets for the Company. Furthermore, the Board is regularly singled out for its diversity, notably at the Corporate Governance Awards (*Grands Prix des Gouvernements d'Entreprise*) organized by AGEFI.

Moreover, in 2017 and 2018 Legrand was ranked among the top 10 performers in the CAC 40 Governance index launched by Euronext in partnership with Vigeo Eiris, based on governance practices in four areas including one relating to the Board of Directors (efficiency, balance of power, integration of social responsibility factors).

Subject to the appointment of Michel Landel and the renewal of Eliane Rouyer-Chevalier, by the Annual Shareholders' Meeting of May 29, 2019, the 11 members of the Board of Directors (of which one director representing employees) will include:

- **five women**, a proportion of 50%[(1)], which is higher than required by the French Commercial Code (40% as of 2017);
- **five different nationalities**, with one American director, one Italian director, one Spanish director, one director with dual French and German citizenship, and seven French directors;
- **eight independent directors**, a ratio of 80%[(1)], which is higher than the 50% minimum recommended by the Afep-Medef Code of Corporate Governance.

For information, if you vote to appoint Michel Landel and renew Eliane Rouyer-Chevalier, the terms of office of the ten directors elected by the shareholders pursuant to article L. 225-18 of the French Commercial Code would be due to expire as follows:

Director	2020	2021	2022	2023
Gilles Schnepp			X	
Olivier Bazil			X	
Isabelle Boccon-Gibod	X			
Christel Bories	X			
Angeles Garcia-Poveda	X			
Edward A. Gilhuly			X	
Philippe Jeulin			X	
Patrick Koller			X	
Annalisa Loustau Elia		X		
Eliane Rouyer-Chevalier				X
Michel Landel				X
NUMBER RENEWALS PER YEAR	**3**	**1**	**5**	**2**

(1) The Director representing employees, Philippe Jeulin, does not count for the purpose of calculating (i) the minimum ratio of directors of a given gender, in accordance with provisions of the law, or (ii) the ratio of independent directors on the Board of Directors, in accordance with the recommendations of the Afep-Medef Code of Corporate Governance.

Authorization granted to the Board of Directors allowing the Company to trade its own shares (tenth resolution)

In this resolution, you are asked to renew the Board of Directors' authorization to purchase shares of the Company, which will cancel and supersede the previous authorization granted by the Annual Shareholders' Meeting on May 30, 2018.

The objectives of the share buyback program would be:

- to ensure liquidity and make a market in the Company's shares;
- to (i) implement, in accordance with the applicable legislation, (a) stock option plans, (b) employee share offerings, (c) free share awards and share allotments for profit-sharing purposes, and (ii) carry out any related hedging transactions;
- to hold and subsequently tender the shares in consideration or payment for external growth transactions;
- to grant shares upon the exercise of rights attached to securities providing access, either immediately or at some later date, to the Company's share capital;
- to cancel some or all of the shares purchased, subject to the adoption of a resolution authorizing the cancellation of shares purchased under buyback programs; and
- to implement any other practice permitted or recognized by law or by the French Financial Markets Authority (*Autorité des Marchés Financiers*), or for any other purpose permitted by the applicable regulations.

This resolution is similar to the one approved by the Annual Shareholders' Meeting of May 30, 2018.

The share buyback program is limited to 10% of the Company's share capital at the date of the Annual Shareholders' Meeting to be held on May 29, 2019, less the number of treasury shares sold under a liquidity contract during the term of the authorization.

Implementation of this authorization may not, in any event, have the effect of increasing the number of shares held directly or indirectly by the Company to more than 10% of the total number of shares comprising the Company's share capital at any time.

The shares purchased and held by the Company are stripped of their voting rights and are not entitled to dividends.

We propose to set the maximum purchase price per share at €90 (excluding acquisition fees and adjustment events), in view of the upward trend in the Company's share price during 2018, and to limit the total amount allocated to the share buyback program to €1 billion.

If approved, the authorization will be valid for 18 months from the date of the Annual Shareholders' Meeting to be held on May 29, 2019. It may not be used during a takeover bid for the Company shares.

For information, at December 31, 2018, the Board of Directors has used the previous authorization as follows:

- the total amount of shares purchased by the Company was €77.85 million;
- the Company held 905,347 shares with a par value of €4, i.e., €3,621,388, representing 0.34% of the Company's share capital (of which 555,128 shares outside the liquidity contract), purchased at a total cost of €35,172, to hedge its commitments to beneficiaries of stock options or performance shares, and to an employee share ownership plan under the profit-sharing program;
- the balance of the liquidity contract, entered into with Kepler Cheuvreux on May 29, 2007 and subsequently amended, stood at 350,219 shares.

II – EXTRAORDINARY RESOLUTIONS

Amendment to article 8.2 of the Company's Articles of Association (eleventh resolution)

The purpose of the eleventh resolution is to amend article 8.2 of the Company's Articles of Association in accordance with the provisions of the law.

Under article L. 233-7 of the French Commercial Code, anyone whose shareholding reaches, exceeds or falls below certain notification thresholds, as defined by the law or in the company's Articles of Association, is required to notify their holding to the relevant company. The penalty for failure to comply with the notification requirements is suspension of the voting rights attached to the shares that were not duly and properly notified.

The Company's Articles of Association provide that this penalty will only apply at the request, duly recorded in the minutes of the shareholders' meeting, of one or more of the shareholders who hold a percentage of the share capital or voting rights at least equal to the smallest notification threshold.

According to the Company's Articles of Association, the smallest notification threshold is two per cent (2%) while the request for suspension of voting rights may be made by "one or more shareholders holding at least one per cent (1%) of the share capital or voting rights".

In accordance with the provisions of the law, the eleventh resolution proposes to raise the threshold at which one or more shareholders may request the suspension of voting rights attached to shares that were not duly and properly notified from one per cent (1%) to two per cent (2%).

We would point out that no shareholder owning 1% of the share capital has ever requested the suspension of the voting rights of a defaulting shareholder, and the difference between the law and our Articles of Association has therefore never had any material impact.

The third paragraph of article 8.2 of the Articles of Association will therefore be deleted and replaced by the following wording:

"*In the event of failure to comply with the notification requirements referred to in this article 8.2 and at the request, duly recorded in the minutes of a shareholders' meeting, of one or more shareholders holding at least two per cent (2%) of the share capital or voting rights, the voting rights attached to the shares that were not duly and properly notified will be suspended and may not be exercised or delegated by the defaulting shareholder at any shareholders' meetings held for a period of two years after the notification obligation has been fulfilled.*"

Authorization granted to the Board of Directors to reduce the share capital by canceling treasury shares (twelfth resolution)

Adoption of this resolution would enable the Company to reduce its share capital by canceling all or some of the shares purchased under the share buyback programs authorized and implemented by the Company, thereby producing an accretive effect for shareholders.

In any 24-month period, shares may be canceled up to a limit of 10% of the Company's share capital at the date of the Annual Shareholders' Meeting of May 29, 2019.

This resolution is similar to the one approved by the Annual Shareholders' Meeting of May 30, 2018.

If approved, this authorization would cancel and supersede the unutilized portion of all authorizations previously granted by the shareholders for the same purpose.

Powers for formalities (thirteenth resolution)

This resolution is customary and enables the Board of Directors to fulfil all legally required filings, formalities and publications after the Annual Shareholders' Meeting to be held on May 29, 2019.

March 20, 2019. The Board of Directors

Resolutions for the Combined Ordinary and Extraordinary General Meeting of Shareholders on May 29, 2019

I. – RESOLUTIONS FOR THE ORDINARY GENERAL MEETING

First Resolution (Approval of Company financial statements for 2018)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprised of the Board of Directors' management report on the activity and general situation of the Company in the 2018 financial year and of the auditors' report on the annual financial statements, shareholders approve the Company's financial statements for the financial year ended December 31, 2018 as presented, which show a net profit of €227,535,268.46, together with the transactions reflected in these financial statements or summarized in the reports referred to.

Moreover, in accordance with the provisions of article 223 quater of the French Tax Code (*Code général des impôts*), shareholders approve the total amount of expenses and charges referred to in article 39, paragraph 4 of the French Tax Code, amounting to €37,855 in respect of the 2018 financial year, and the tax incurred in respect of said expenses and charges, amounting to €13,033.

Second Resolution (Approval of consolidated financial statements for 2018)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprised of the Board of Directors' management report on the activity and general situation of the Group together with the auditors' report on the consolidated financial statements, shareholders approve the Company's consolidated financial statements for the financial year ended December 31, 2018 as presented, which show a net profit excluding minority interests of €771.7 million, together with the transactions reflected in these financial statements or summarized in the reports referred to.

Third Resolution (Appropriation of earnings and determination of dividend)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprised of the Board of Directors' and auditors' reports on the annual financial statements, shareholders:

1. Observe that the net book profit for the financial year ended December 31, 2018 amounts to €227,535,268.46;
2. Resolve to allocate the amount of €275,759.20 to the legal reserve, which is thus raised to 10% of the share capital;
3. Observe, in the absence of any retained earnings, that distributable income in respect of the 2018 financial year is equal to €227,259,509.26;
4. Resolve to allocate the amount of €16,965,062.22 to reserves unavailable for treasury shares, thereby raising them to a total amount of €19,679,214.30;
5. Recognize that distributable income less the amount allocated to reserves unavailable for treasury shares amounts to €210,294,447.04;
6. Resolve to distribute a dividend to shareholders amounting to €1.34 per share, making a total amount of €357,230,334.68 on the basis of the number of shares comprising the share capital at December 31, 2018 and after deduction of treasury shares held at this date, it being stipulated that the dividend thus distributed shall be deducted in an amount of €0.79 per share from distributable income and in an amount of €0.55 per share from the "issue premiums" account.

In the event of a change before the ex-dividend date in the number of shares entitling holders to a dividend from the number of shares making up capital stock at December 31, 2018, minus the number of treasury shares held at that date, the total amount of dividends and the amount deducted from 'issue premiums' will be adjusted accordingly.

The ex-dividend date is June 3, 2019 and the dividend will be made payable from June 5, 2019.

No dividends will be due on any shares that may be held by the Company itself or that have been cancelled before the dividend payment date.

Shareholders grant the Board of Directors all necessary powers to determine, considering in particular the number of treasury shares held by the Company at the dividend payment date and the number of shares issued or cancelled before that date, the total amount of the dividend and, by the same token, the amount to be deducted from the "issue premiums" account.

Concerning the tax treatment of the €1.34 dividend per share proposed to Company shareholders, subject to any adjustments related to potential variations referred to in the section above, it is stipulated that this distribution will be considered, for tax purposes:

- in the amount of €0.79, as taxable income subject, for individual shareholders residing in France, to the flat-rate income tax of 12.8% introduced by 2018 finance act No. 2017-1837 of December 30, 2017 (or, by global and irrevocable option to be exercised by the shareholder in the income tax declaration and no later than the time limit for said declaration, to sliding-scale income tax after deduction of the 40% exemption provided for under article 158, paragraph 3, sub-paragraph 2° of the French Tax Code), to a withholding tax of 17.2% for social security contributions as well as, for taxpayers whose reference fiscal income exceeds certain thresholds, to an exceptional levy on high incomes at a rate of either 3% or 4%, pursuant to article 223 sexies of the French Tax Code. This portion of dividend is, in principle, subject to a non-definitive flat-rate tax of 12.8% on its gross amount, excluding social security contributions, said levy being attributable to income tax on revenue received during the 2019 fiscal year unless an exemption is requested in accordance with the provisions of article 242 quater of the French Tax Code;

- in the amount of €0.55 deducted from the "issue premiums" account, as a repayment of paid-in capital within the meaning of article 112, paragraph 1 of the French Tax Code, therefore non-taxable for individual shareholders residing in France but reducing the fiscal share price.

Shareholders note that, in respect of the 2015, 2016 and 2017 financial years, the amounts of dividend paid and income distributed eligible for the 40% income-tax exemption provided for under article 158, paragraph 3, sub-paragraph 2° of the French Tax Code were as follows:

			Earnings distributed per share	
Financial year	Shares with dividend entitlement	Net dividend per share	Eligible for the 40% income-tax exemption provided for under article 158-3-2 of the French Tax Code	Not eligible for the 40% income-tax exemption provided for under article 158-3-2 of the French Tax Code*
2015	267,006,775 shares with a par value of €4	€1.15*	€0.72	0€
2016	266,508,331 shares with a par value of €4	€1.19**	€0.79	0€
2017	267,316,360 shares with a par value of €4	€1.26***	€0.93	0€

* *A share of €0.43 of the dividend distributed in respect of the 2015 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112-1-1 of the French Tax Code, this amount is not considered as distributed earnings.*

** *A share of €0.40 of the dividend distributed in respect of the 2016 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112-1-1 of the French Tax Code, this amount is not considered as distributed earnings.*

*** *A share of €0.33 of the dividend distributed in respect of the 2017 financial year being considered for tax purposes as a repayment of paid-in capital according to the terms of article 112-1-1 of the French Tax Code, this amount is not considered as distributed earnings.*

Fourth Resolution (Approval of the compensation components due or allocated to Mr. Gilles Schnepp)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, pursuant to section II of article L. 225-100 of the French Commercial Code (Code de Commerce), shareholders approve the fixed, variable and exceptional components of overall compensation and any benefits paid or attributed in respect of the financial year ended December 31, 2018 to Mr. Gilles Schnepp, Chairman and Chief Executive Officer until February 7, 2018 and Chairman of the Board of Directors from February 8, 2018 onwards, as detailed in the report on corporate governance set out in the 2018 Registration Document, appendix 2 "Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019", section 3.16 "Total compensation and benefits of any kind paid or allocated to each corporate officer during the financial year".

Fifth Resolution (Approval of the compensation components due or allocated to Mr. Benoît Coquart)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, pursuant to section II of article L. 225-100 of the French Commercial Code, shareholders approve the fixed, variable and exceptional components of overall compensation and any benefits paid or attributed in respect of the financial year ended December 31, 2018 to Mr. Benoît Coquart, Chief Executive Officer from February 8, 2018 onwards, as detailed in the report on corporate governance provided for in article L.225-37 of the French Commercial Code, and set out in the 2018 Registration Document, appendix 2 "Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019", section 3.16 "Total compensation and benefits of any kind paid or allocated to each corporate officer during the financial year".

Sixth Resolution (Compensation policy applicable to the Chairman of the Board of Directors in respect of the 2019 financial year: approval of principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of overall compensation and any benefits awarded to the Chairman of the Board of Directors in respect of his office)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and apprised of the report on corporate governance provided for in article L. 225-37 of the French Commercial Code as set out in the 2018 Registration Document, appendix 2 "Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019", section 3.17 "Principles and criteria for the determination, breakdown and allocation of fixed, variable and exceptional elements of total compensation and any benefits due to company officers", shareholders approve the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of overall compensation and any benefits awarded to the Chairman of the Board of Directors in respect of his mandate as from January 1, 2019, as outlined in the abovementioned report.

Seventh Resolution (Compensation policy applicable to the Chief Executive Officer in respect of the 2019 financial year: approval of principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of overall compensation and any benefits awarded to the Chief Executive Officer in respect of his office)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and apprised of the report on corporate governance provided for in article L. 225-37 of the French Commercial Code as set out in the 2018 Registration Document, appendix 2 "Management report of the Board of Directors on March 20, 2019 to the Annual General Meeting scheduled on May 29, 2019", section 3.17 "Principles and criteria for the determination, breakdown and allocation of fixed, variable and exceptional elements of total compensation and any benefits due to company officers", shareholders approve the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of overall compensation and any benefits awarded to the Chief Executive Officer in respect of his mandate as from January 1, 2019, as outlined in the abovementioned report.

Eighth Resolution (Renewal of the Director's term of office of Ms. Eliane Rouyer-Chevalier)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and apprised of the report of the Board of Directors, shareholders note that the term of Ms. Eliane Rouyer-Chevalier expires at the close of this General Meeting and decide, as proposed by the Board of Directors, to renew her mandate as Director for a period of four years, ending at the close of the General Meeting of shareholders called in 2023 to approve financial statements for the financial year ending December 31, 2022.

Ninth Resolution (Appointment as Director of Mr. Michel Landel)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and apprised of the report of the Board of Directors, shareholders decide, as proposed by the Board of Directors, to appoint Mr. Michel Landel as Director for a period of four years, ending at the close of the General Meeting of shareholders called in 2023 to approve financial statements for the financial year ending December 31, 2022.

Tenth Resolution (Authorization granted to the Board of Directors to allow the Company to trade in its own shares)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprised of the Board of Directors' report, shareholders:

1. authorize the Board of Directors, with the right of sub-delegation as provided by law and by the Company's Articles of Association, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code and with the provisions of European regulation No. 596/2014 of the European Parliament and of the Council dated April 16, 2014 on market abuse, to purchase, or to have purchased, Company shares representing at most 10% of the Company's share capital at the date of this General Meeting, it being noted that, when shares are bought to ensure the market liquidity of Legrand shares under the conditions described below, the number taken into account for the calculation of this limit of 10% will be the number of shares bought less the number of shares resold during the term of this authorization;
2. provide that shares may be bought, sold or transferred for the purposes of:
   - ensuring the liquidity and active operation of the market in Company shares by the intermediary of an investment services provider, acting independently under a liquidity contract in compliance with applicable regulations,
   - implementing (i) any and all Company stock options plans in accordance with articles L. 225-177 et seq. of the French Commercial Code or any similar plan, (ii) any and all Group employee share-ownership programs in accordance with articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*) or to provide for share allocations for employee profit-sharing and/or in lieu of discount according to applicable laws and regulations, (iii) any and all free share allocations pursuant to articles L. 225-197-1 *et seq.* of the French Commercial Code, and any and all share allocations for employee profit-sharing, as well as providing hedging for such transactions at such times as the Board of Directors or the person acting on its behalf takes action, (iv) any allocation of shares to employees and/or corporate officers of the Company and/or the Group according to applicable laws and regulations,
   - holding and subsequently transferring shares by way of exchange or payment relating to a business acquisition, merger, demerger, or transfer of assets, it being stipulated that the number of shares acquired by the Company with a view to holding these and employing them at a later date as payment for or in exchange for a merger, demerger, or transfer of assets may not exceed 5% of the Company's capital stock,
   - delivering shares on the exercise of rights attached to securities providing immediate or future access to the equity of the Company, through redemption, conversion, exchange, presentation of a warrant, or in any other way,
   - cancelling all or some of the shares thus purchased, subject to the approval of the twelfth resolution below, or
   - carrying out such other practices as may be permitted or recognized by law or by the French Financial Market Authority

(*Autorité des marchés financiers*), or pursuing any other objective complying with applicable laws and regulations.

Shares may be purchased, sold, transferred or exchanged, directly or indirectly, in particular by any third party acting on behalf of the Company at any time within the limits authorized by laws and regulations, except at such times as Company shares may be the object of a tender offer, in one or more instalments, by any means, on or off any market, including via systematic internalisers or through OTC transactions, trading in blocks of shares or public tender offers, or through the use of any financial instruments or derivatives, including option-based mechanisms such as purchases and sales of put and call options or by delivery of shares arising from the issuance of securities giving access to the Company's capital by conversion, exchange, redemption, presentation of a warrant or any other means, either directly or indirectly through an investment service provider.

The maximum price paid for purchases may not exceed €90 per share (excluding acquisition expenses) or the equivalent value of this amount in any other currency or currency unit established with reference to several currencies on the same date, it being noted that this price will be adjusted as necessary to reflect capital transactions, in particular incorporation of reserves or free share allocations and/or share splits or reverse splits.

The maximum amount allowed for implementation of the share buy-back program is €1 billion, or the equivalent value of this amount in any other currency or currency unit established with reference to several currencies on the same date.

The application of this resolution may not at any time result in the number of own shares directly or indirectly held by the Company rising above 10% of the total number of shares comprising the share capital at that time.

The shares purchased and held by the Company will be deprived of voting rights and will carry no entitlement to payment of a dividend.

Shareholders grant the Board of Directors all powers, with the right of sub-delegation as provided by law and by the Company's Articles of Association, to decide on the use and implementation of this authorization, and in particular to determine the conditions of such use, to place orders on or off any markets, to enter into any agreements, to allocate or re-allocate shares acquired for the purposes allowed in compliance with law and regulations, to make any declarations to the French Financial Market Authority or any other body, to effect any formalities, and in general to do all that may be useful or necessary for the purposes of this resolution.

This authorization is valid for eighteen months from the date of this General Meeting of shareholders and, from this day, deprives previous similarly purposed authorizations of their effect to the extent not used.

II. – RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING

Eleventh Resolution (Amendment of article 8.2 of Company Articles of Association)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and apprised of the report of the Board of Directors, shareholders resolve, as proposed by the Board of Directors, to amend article 8.2 of the Company's Articles of association, in accordance with article L. 233-7 of the French Commercial Code, as follows:

Article 8.2 – Share ownership thresholds

Sub-section 3 is amended as follows:

"In the event of non-compliance with the notice obligations referred to in this article 8.2, and on the request, noted in the minutes of a General Meeting, of one or more shareholders owning at least two per cent (2%) of the share capital or voting rights, any shares in excess of the fraction that ought to have been declared shall be stripped of their voting rights and the defaulting shareholder shall not be entitled to exercise them or assign them for any General Meeting taking place until the expiry of a period of two years following the date on which such notice is properly served."

Twelfth Resolution (Authorization granted to the Board of Directors to reduce the capital stock by cancellation of treasury shares)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditors' special report, the shareholders authorize the Board of Directors, in accordance with articles L. 225-209 *et seq*. of the French Commercial Code, to cancel, at its sole initiative and on one or several occasions, in such proportion and at such times as it deems appropriate, some or all of the Company shares purchased under share buyback programs authorized and implemented by the Company, and to reduce the capital stock of the Company by the total nominal amount of the shares thus cancelled, within a limit of 10% of the share capital at the date of this General Meeting in any period of twenty-four months.

The difference between the carrying amount of the cancelled shares and their nominal amount shall be allocated to reserves or premiums.

Shareholders grant the Board of Directors full powers, with the right of sub-delegation as provided by law and the Company's Articles of Association, to set the terms for cancellation of the shares, to effect and recognize such cancellations and the corresponding capital reductions, to allocate the difference between the price paid for the cancelled shares and their nominal value to any reserves or premiums, to make the necessary amendments to the Company's Articles of Association, to make all necessary declarations to the French Financial Markets Authority, to effect all other formalities and in general to do all that may be useful or necessary for the purposes of this resolution.

This authorization is granted for a period of eighteen months from the date of this General Meeting of shareholders and, from this day, deprives previous authorizations for the same purpose of their effect to the extent not used.

III. – RESOLUTION FOR THE ORDINARY GENERAL MEETING

Thirteenth Resolution (Powers to effect formalities)

Shareholders confer on holders of a copy or official extract of the minutes of this General Meeting all powers necessary to effect all legally required filings, formalities and publications.

NOTES

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