

INTERNAL CHARTER ON THE QUALIFICATION OF AGREEMENTS

❖ PURPOSE

This charter (the “**Charter**”) is issued pursuant to AMF recommendation 2012-05 of July 2, 2012 amended on February 11, 2015 (the “**AMF Recommendation**”), more specifically proposition 20 contained therein. Its aim is to provide details of the method used internally to qualify various agreements. The Charter applies to all Legrand Group companies in France and complies with French regulations applicable to the legal status of the entity concerned.

The Charter was initially approved by the Board of Directors on March 5, 2014, and in its amended version¹ by the Board of Directors on March 18, 2015.

❖ DEFINITIONS

An agreement is understood to mean a mutual arrangement, whether implicit or explicit, entered into between natural and/or legal persons.

1. Regulated agreements

According to article L.225-38 of the French commercial code (*Code de commerce*), an agreement is said to be regulated when it is concluded between:

- **the Company and one of its managers or shareholders** *i.e.* any agreement concluded between the Company – directly or via an intermediary – and its chief executive officer, a deputy chief executive officer, a director, or a shareholder holding more than 10% of voting rights, or a company controlling² the latter.
- **the Company and an indirectly involved person**³: Legrand defines an indirectly involved person as a person not party to an agreement but deriving a benefit therefrom or liable to derive a benefit from its conclusion, on account of ties, whatever their nature, which said party has with the parties to the agreement or on account of its capacity to influence their conduct⁴.
- **the Company and another company**, where the chief executive officer, a deputy chief executive officer or a director of the Company is an owner, general partner, manager, director or member of the executive or supervisory board or in any way an executive of the other company.

Important note: Prior authorisation from the Board of Directors must be substantiated, outlining the benefit to the Company of the envisaged agreement and specifying the financial conditions involved.

2. Unregulated agreements

According to article L. 225-39 of the French commercial code (*Code de commerce*), an agreement is said to be unregulated if it does not require authorisation by the Board of Directors. This applies to:

- **Intra-group agreements** concluded between the Company⁵ and one its 100% owned direct or indirect subsidiaries, minus the number of shares required to comply with legal obligations.

¹ This amended version comes in response to French order dated July 31, 2014, the update of AMF recommendation No. 2012-05 and the guide issued by CNCC [French national institute of auditors] in February 2014.

² Within the meaning of article L. 233-3 of the French commercial code (*Code de commerce*).

³ For the definition of an indirectly involved person, the Group refers to the wording contained in proposition No.22 of the AMF Recommendation.

⁴ According to the CNCC publication “Regulated and common agreements” (*Les conventions réglementées et courantes*), released in February 2014, the indirect involvement may be of a financial or of a moral nature.

⁵ This concerns only parent companies with legal status as a *Société Anonyme* [public limited company] or a *Société en Commandite par Actions* [partnership limited by shares].

Legrand considers that 100% ownership of intermediary companies is not necessary to establish a case of indirect ownership. It therefore focuses on the notion of control of said intermediary companies⁶, provided no agreement is concluded with an intermediary subsidiary.

- **Agreements relating to regular transactions (a) concluded under normal conditions(b)**

- a) A "regular transaction" refers to a transaction which a Company usually and repeatedly performs in the context of its business. Other criteria may also be examined to determine whether a transaction can be considered as regular, including its legal importance and its economic impact⁷. In practical terms, where a transaction appears either to be isolated or to have significant internal impact, such a transaction should not be considered regular.
- b) A "transaction concluded under normal conditions" refers to a transaction concluded under conditions which are (i) those habitually applied by the Company (so that the involved person does not draw any benefit from said transaction which he would not otherwise have enjoyed as a Company customer or supplier) and (ii) generally applied in a given business sector or for a given type of transaction.

Conditions may be considered abnormal if, for instance, an agreement contains beneficiary clauses (e.g. exclusivity clause or special conditions not applied to all customers, etc.) or if the economic data of the agreement under consideration are not similar to those of agreements usually concluded with third parties.

3. Prohibited agreements

According to article L. 225-39 of the French commercial code (*Code de commerce*), the following agreements are prohibited between a Company and its directors other than legal entities:

- **Loan agreements, overdrafts on a current account or otherwise, and any guarantees or sureties as to undertakings towards third parties.**

The same prohibition applies to the chief executive officer, to the deputy chief executive officers and to the permanent representatives of legal entity directors. It also applies to the spouses, ancestors and descendants of the above-mentioned persons, and to any intermediary.

❖ NON-EXHAUSTIVE LIST OF LEGRAND GROUP APPLICATION PRINCIPLES

The Legrand Group explicitly refers to the guidelines published by the *Compagnie Nationale des Commissaires aux Comptes* (CNCC) [French national institute of auditors] for any question relating to interpretation of the concepts mentioned in this Charter.

1. Regulated agreements:

- Debt write-off, grant and interest-free loan agreements;
- Liability remuneration agreements for the event where (i) a parent-company issues a guarantee to the benefit of a third party on behalf of a not wholly-owned subsidiary and where (ii) the guarantee beneficiary grants the parent-company remuneration beyond usual market conditions in return for the guarantee;
- Parent-company coverage of environmental damages caused by its subsidiary;
- Cash agreement with waiver of interest;

⁶ In line with opinion No. 14-061 of the ANSA Legal Committee dated November 5, 2014, to which Legrand refers generally for purposes of assessment of indirect ownership.

⁷ CNCC publication on "Regulated and common agreements" (*Les conventions réglementées et courantes*), released in February 2014

- Undertakings made by the Company or one of its subsidiaries to the benefit of managers of controlled or controlling listed companies;
- Undertakings made to the benefit of chairmen, chief executive officers or deputy chief executive officers by a Company or its subsidiaries or by a controlling company⁸, and corresponding to items of compensation, indemnities or benefits due or expected to be due as a result of the termination of or a change in their duties or subsequent thereto, are subject to the procedure on regulated agreements.

2. Agreements relating to regular transactions concluded under normal conditions include:

- Invoicing of an entity for services, especially in matters of human resources, information technology, management, communication, finance, legal affairs, marketing, or purchases;
- Invoicing of an entity for disposal of assets at market conditions, except where major assets are concerned;
- Disposal of securities at market conditions;
- Transfers between an entity and one of its directors of a number of securities equal to the number set for exercise of the functions of corporate officer of the company issuing the transferred securities;
- Cash management and/or loan and/or borrowing operations, provided that such operations take place at market rates;
- Facilities granted by an entity (rental of premises, provision of staff), provided that in the case at issue expenses were invoiced at cost;
- Securities and guarantees given by an entity for the benefit of third parties (banks and suppliers) to secure the settlement of another entity's debts;
- So-called "neutral" tax consolidation agreements, for the duration of the consolidation scheme but also at its termination;
- More generally, any agreement concerning financial stakes which are low for all parties concerned, as well as any agreement manifestly concluded under normal conditions.

The above list was drawn up on the basis of agreements observed within the Legrand Group and will be extended as and when further relevant practices are observed. Meanwhile, the regularity of agreements will be assessed and determined on a case-by-case basis, with the help of General Counsel liaising with the Statutory Auditors.

⁸ Within the meaning of article L. 233-16 of the French commercial code (*Code de commerce*)