7.3.3 - Code of Conduct with respect to trading and market activities

In 2006, the Group adopted a Code of Conduct with respect to trading and market activities, which was reviewed in the first six months of 2011 to take into account AMF recommendation no. 2010-07 of November 3, 2010 on the prevention of insider misconduct by executives of listed companies.

This Code, adopted by the Board of Directors on June 2, 2006, applies to Company officers, similar persons, insiders and occasional insiders. The Board has appointed the Group's Company Secretary to be in charge of ethical duties, responsible for ensuring compliance with the Code of Conduct.

The main provisions of this Code of Conduct aim to control the Company securities transactions that may be carried out by persons with regular access to privileged information about the Company (see paragraph 7.4.2 of this Registration Document).

7.4 - REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Chairman's report relating to corporate governance and internal controls is drawn up pursuant to Article L.225-37 of the French Commercial Code and after discussion with the Audit Committee, the Company's Statutory Auditors, and the Group's Audit and Internal Control Department. The Chairman's report was approved by the Board of Directors on March 7, 2012.

The Company makes formal reference to the principles of corporate governance for listed companies set out in the the Afep-Medef Code of Corporate Governance issued in December 2008 completed by the recommendations issued in April 2010 ("Code of Corporate Governance"). As this Code allows for the principle of "comply or explain", those recommendations with which the Company does not comply in the strict sense are explicitly indicated in this report, as are the reasons for non-compliance. This Code of Corporate Governance can be viewed on the MEDEF website: www.medef.fr.

7.4.1 - Composition of the Board of Directors

At December 31, 2011, the Board had 10 members. The duration of mandates was reduced to four years for any renewals or appointments after the General Meeting of May 27, 2010. The biography and list of mandates outside the Group of Directors can be found in chapter 7 of the Company's Registration Document available from the AMF website (www.amf-france.org) and from the Company's website (www.legrand.com). In accordance with the Company's Articles of Association, each Director must hold at least 500 Company shares. For historical reasons linked to the Company's shareholding, the composition of the Board and its specialized Committees reflected the two majority shareholders, acting in concert, efforts to seek a lasting balance among Directors representing these shareholders, independent Directors and management (please refer to chapter 9 of the Registration Document for further details on the Company's shareholding on the date of this Registration Document). For this reason, and contrary to the recommendations of the Code of Corporate Governance, Directors' mandates representing these shareholders have not been staggered.

Composition of the Board of Directors

Name	Duties	Date of first appointment	Expiry date of mandate (1)
Mr. Gilles Schnepp	Chairman and CEO	12/10/2002	2014
Mr. François Grappotte	Honorary Chairman	12/10/2002	2014
Mr. Olivier Bazil (2)	Director	12/10/2002	2014
Mr. Mattia Caprioli	Director	07/25/2007	2014
Mr. Jacques Garaïalde	Director	06/06/2003	2014
Mr. Gérard Lamarche (3)	Director	04/06/2006	2012
Mr. Thierry de La Tour d'Artaise (3)	Director	04/06/2006	2012
Mr. Frédéric Lemoine	Director	05/05/2009	2014
Ms. Eliane Rouyer-Chevalier (3)	Director	05/26/2011	2015
Mr. Patrick Tanguy	Director	02/10/2010	2014

(1) The term of office will end at the General Meeting called to approve the financial statements of the previous financial year.

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association.

(3) Independent Director.

Independent Directors

Ms. Eliane Rouyer-Chevalier and Mr. Gérard Lamarche and Mr. Thierry de La Tour d'Artaise are independent Directors.

In accordance with the Company's internal rules, which can be viewed on the Company's website, Directors' independent status is discussed every year by the Nominating and Compensation Committee which draws up a report on this matter. The situation of each Director is then examined by the Board of Directors with regard to the independence criteria defined by the Company's internal rules, based on the report by the Nominating and Compensation Committee. The qualification of a Director as "independent" defined by the Company's internal rules includes the independence criteria set out in the Code of Corporate Governance.

During its meeting of February 8, 2012 the Board of Directors renewed its assessment that Ms. Eliane Rouyer-Chevalier, Mr. Gérard Lamarche and Mr. Thierry de La Tour d'Artaise could be qualified as independent in accordance with the stipulations of the Company's internal rules.

At December 31, 2011, the proportion of independent Directors within the Company's Board of Directors is 30%. The composition of the Company's Board of Directors, which is no longer controlled by majority shareholders, is not compliant with the Code of Corporate Governance, which recommends that half of the Board members of uncontrolled companies should be independent Directors. This non-compliance with the Code of Corporate Governance was justified by the Company's historical shareholding, and particularly by the existence of a shareholders agreement concluded between both majority shareholders, acting in concert, in order to organize Company governance.

However, a change in the composition of the Board of Directors and its specialized Committees in terms of independence is expected during 2012 to comply with the Code of Corporate Governance. At the General Meeting of May 25, 2012, the Board of Directors proposed the appointment of two Directors that meet the independence criteria of the Company's internal rules – Ms. Christel Bories and Ms. Angeles Garcia-Poveda. In the event of a favorable vote, the Board of Directors would have, following the General Meeting of Shareholders of May 25, 2012, 12 members, including five independent Directors (*i.e.*, given the composition of the Board of Directors at December 31, 2011, 42%).

Diversity of membership of the Board of Directors

Every year, the Board investigates the desirable balance of its composition and that of its Committees, particularly as regards the representation of women, the diversity of skills and internationalization, so as to ensure shareholders and the market that their work is carried out with the necessary independence and objectivity.

At December 31, 2011, the Board included only one female Director among its members. At the General Meeting of May 25, 2012, the Board of Directors suggested that two female Directors be appointed, Ms. Christel Bories and Ms. Angeles Garcia-Poveda. In the event of a favorable vote, the Board of Directors would have, following the General Meeting of Shareholders of May 25, 2012, 12 members, including three women (*i.e.*, given the Board composition as at December 31, 2011, 25% women), and would thus be compliant, from 2012, with the recommendations of the the Code of Corporate Governance (20% from 2013).

Following the General Meeting of Shareholders of May 25, 2012 and given the composition of the Board of Directors at December 31, 2011, Belgian, Spanish, French and Italian nationalities will be represented on the Board, subject to the appointments of Ms. Christel Bories and Ms. Angeles Garcia-Poveda being approved.

Plurality of mandates

Mr. Gilles Schnepp, Chairman and Chief Executive Officer, is also a member of the Board of Directors of another French listed company.

7.4.2 - Preparation and organization of Board work

Taking the information below into account, the Company's practices in terms of preparing and organizing the work of the Board and its Committees are in compliance with the recommendations of the Code of Corporate Governance except for certain rules on the composition and organization of the Board and its Committees described hereunder.

Internal rules and Code of Conduct with respect to trading and market activities

The Company's Board of Directors has adopted internal rules (including a Directors' Charter) which can be viewed on the Company's website: www.legrand.com

The Group has also adopted a Code of Conduct with respect to trading and market activities, which is available from the Company's website. Its main purpose is to define the rules governing dealings in Company's shares by Company officers, similar persons, insiders and occasional insiders. Under this Code, executive directors and persons with access to inside information are prohibited from effecting, directly or indirectly, whether for their own account or on behalf of some other person, transactions in Legrand shares (i) as a minimum, during the 30 days preceding publication of annual, half-yearly and quarterly financial statements, and the two trading days following their publication, and (ii) where they are apprized of a project of a nature to constitute inside information, throughout the period from the date a meeting of the Board of Directors is called to consider this project and the date of its official public announcement by Legrand. The content of this Code was revised in the first half of 2011 to take into account the AMF recommendation no. 2010-07 of November 3, 2010 on prevention of insider misconduct by executives of listed companies.

Directors' Charter

To promote good governance, the Board of Directors has adopted and integrated into its internal rules a Directors' Charter setting out the rights and duties of Directors, which each Director must respect.

Conflicts of interest

Article 7 of the Directors' Charter explicitly states that every "Director agrees to make the Board of Directors aware of any actual or potential conflict of interest and to refrain from taking part in the corresponding discussions and voting". Furthermore, in accordance with the Directors' Charter, Directors cannot be personally involved in companies that are competitors of the Company and its Group, without notifying the Board of Directors and obtaining its consent.

As far as the Company is aware, there is no conflict of interest.

Information on Directors

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide Directors with all documents and information necessary to consider items on Board meeting agendas at least 48 hours prior to the meeting.

Directors may request any documents they believe relevant for the preparation of the meeting, provided that they submit such requests with reasonable notice.

When required by confidentiality, in particular where sensitive financial information is concerned, information may be communicated during the meeting.

In addition, Directors receive all relevant information on significant events or transactions for the Company.

Board of Directors

In 2011, the Board met seven times.

Attendance of Directors at Board meetings was satisfactory, with the attendance rate 81% for the year. Participation in meetings of specialized Committees averaged 95%. Representatives of the Central Works Council attend the meetings of the Board of Directors.

In order to allow it to perform its duties in the best conditions, the internal rules of the Board state that its deliberations should be prepared in certain fields by specialized Committees: the Audit Committee, the Strategic Committee, and the Nominating and

Compensation Committee. At Board meetings, these Committees present detailed reports on their work.

In 2011, the Board met to consider the following agenda:

- *Company results:*
  - approval of the consolidated and company financial statements for the financial year ended December 31, 2010 and the related reports, the quarterly consolidated financial statements at March 31, 2011, the half yearly consolidated financial statement and the related report at June 30, 2011, and the consolidated quarterly financial statements at September 30, 2011,
  - report of the Audit Committee on its review of the annual, half-yearly and quarterly consolidated financial statements as well as the Company financial statements and the related management reports, on the summary of the statutory auditors, the press release figures, the work of external auditors and the budget for their fees, the Group's risk management approach and the internal audit plan,
  - review and approval of the press release on the annual, half-yearly and quarterly consolidated financial statements,
  - proposal for appropriation of earnings,
  - presentation of forecast financial statements at December 31, 2010 and at June 30, 2011;
- *governance:*
  - resignation of two Directors and proposal for the appointment of a new Director,
  - termination of the Vice-Chairman and Chief Operating Officer duties, as he had reached the age limit set by the Company's Articles of Association,
  - approval of a regulated agreement on a special mission to be assigned to a Director,
  - self-evaluation of the performance of the Board of Directors and its Committees (summary and proposals),
  - changes to the Board of Director's internal rules and review of the Code of Conduct with respect to trading and market activities,
  - report of the Nominating and Compensation Committee on directors' applications, particularly that of Ms. Eliane Rouyer-Chevalier as an independent Director, the fixed compensation and bonuses of executive directors, determination of overall allocation of performance shares, allocation of performance shares to executive directors and employees, allocation of attendance fees, determination of an exceptional compensation to be paid to a Director for a special mission assigned by the Board of Directors, procedure for the renewal of status of independent directors, and approval of parts of the Registration Document on the compensation of executive directors;
- *financial management of the Company:*
  - financing of the Company and the Group,
  - renewal of annual powers granted to the Chairman and the Vice-Chairman for bonds, endorsements and sureties,
  - delegation of financial powers to the Board of Directors to be proposed to the General Meeting of Shareholders;
- *Company strategy and growth:*
  - Strategic Committee report on the 2011 budget, on projected acquisitions, and on a review of acquisitions made and of strategic guidelines for future acquisitions,
  - presentation of operational matters (annual review of sustainable development process and equal opportunity for employment and compensation policy, presentation of the intranet space for Directors and the impact of the Internet on the Group's relations with its stakeholders and presentation of the talent management policy);
- *preparation for the Annual General Meeting:*
  - convening of the annual Combined Ordinary and Extraordinary Meeting of Shareholders (proposed agenda and resolutions),
  - production of reports for the General Meeting (report by the Chairman of the Board on corporate governance and internal control, and the special reports on the allocations of stock options and performance shares);
- *others:*
  - implementation of the delegation approved under the seventh resolution of the Combined Ordinary and Extraordinary Meeting of Shareholders of May 26, 2011,
  - disclosure of the list of agreements stipulated by Article L.225-39 of the French Commercial Code; and
  - confirmation of capital increase following the exercise of options and confirmation of capital increase resulting from the expiry of the vesting period of the performance shares plan, for French residents, implemented by the Board of Directors on March 4, 2009.

Audit Committee

The powers and operation of the Audit Committee are outlined in the Board's internal regulations. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.

Membership and duties

The Audit Committee is made up of three members appointed by the Board of Directors, including one independent Director: Mr. Jacques Garaïalde, Mr. Gérard Lamarche and Mr. Patrick Tanguy.

Their biographies and education can be found in chapter 7 of the Company's Registration Document. It is chaired by Mr. Gérard Lamarche, an independent Director, who has financial and accounting skills. Mr. Gérard Lamarche is Managing Director for the Bruxelles Lambert Group. Mr. Jacques Garaïalde, Managing Director of Kohlberg Kravis Roberts & Co. Ltd, and Patrick Tanguy, Managing Director and member of the Wendel Investment Committee and Management Committee, are also skilled in financial and accounting matters.

The composition of the Audit Committee is not compliant with the recommendations of the Code of Corporate Governance as two-thirds of its members are not independent Directors. This non-compliance was justified by the Company's historical shareholding and the governance implemented by the Company's two majority shareholders acting in concert.

The Audit Committee assists the Board of Directors in finalizing separate and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of internal control and risk management systems. It is also responsible for ensuring monitoring of matters relating to the production and control of accounting and financial information and the legal auditing of financial statements. In particular, its main roles are:

- assess the effectiveness and quality of internal control procedures for the collection and control of information to ensure that such information is reliable, review the Group's internal audit plan and the work schedule of the Statutory Auditors, apprize itself of the Group's internal audit programs;
- analyze and monitor the risks, and track the implementation and effectiveness of the Group's risk management processes;
- review the financial statements of the Company and the Group as communicated by the Company at least 48 hours before its meeting;
- ensure that the accounting methods used for the preparation of the consolidated and parent company financial statements are consistent and accurate, and that material transactions at Group level are adequately addressed, calling on the assistance of outside experts as necessary;
- guarantee the effective verification of parent company and consolidated financial statements by the Statutory Auditors, and their independence and objectivity;
- guide the process for selecting or renewing the terms of the Statutory Auditors;
- consider any financial or accounting issue submitted to it by the Chairman of the Board or by the Chief Executive Officer, as well as any issue of conflict of interest of which it is apprized; and
- examine the report by the Chairman of the Board of Directors on internal control and risk management.

The Audit Committee meets 24 hours before the review of the annual, half-year and quarterly financial statements by the Board of Directors, not 48 hours before as recommended by the Code of Corporate Governance. This is due to the fact that Audit Committee members expressed a desire to avail of more time for in-depth analysis of the documents communicated to them in advance.

Meetings of the Audit Committee may take place by telephone or video-conference; a quorum exists when at least half of the members are present.

The Audit Committee may interview the Group Chief Financial Officer and/or members of his staff, the head of internal control, or receive the observations of the Statutory Auditors without the members of the general management being present.

Work done in 2011

The Audit Committee met on four occasions during the 2011 financial year. Attendance for the year was 100%.

In 2011, the Audit Committee met to consider the following agenda:

- *Company results:*
  - presentation of parent company and consolidated annual financial statements at December 31, 2010, of quarterly consolidated financial statements at March 31, 2011, of half-year consolidated financial statements at June 30, 2011 together with the half-year financial report, and the financial statements for the quarter ended September 30, 2011 (review of work of Statutory Auditors),
  - review of intangible assets and pension commitments,
  - review of key figures in the press release on annual, quarterly and half-year consolidated financial statements and prospects for 2011;
- *risk management and internal control:*
  - review of the internal control and risk management section of the report of the Chairman of the Board,
  - risk management,
- *auditing and relations with external auditors:*
  - recommendations concerning the renewal of mandates for a Statutory Auditor and a deputy Statutory Auditor,
  - assignments of Statutory Auditors and budget for auditors' fees,
  - review of the internal audit plan;
- *others:*
  - presentation of the Registration Document, and
  - modification of the Audit Committee's internal rules.

The Audit Committee reports to the Board of Directors on the performance of its duties.

Nominating and Compensation Committee

The powers and operation of the Nominating and Compensation Committee are outlined in the Board's internal rules. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.

Membership and duties

The Nominating and Compensation Committee is made up of three members appointed by the Board of Directors, including one independent Director: Mr. Jacques Garaïalde, Mr. Gérard Lamarche (independent Director) and Mr. Frédéric Lemoine. It is chaired by Mr. Frédéric Lemoine.

The composition of the Nominating and Compensation Committee is not compliant with the recommendations of the Code of Corporate Governance as the majority of its members are not independent Directors. This non-compliance was justified by the Company's historical shareholding and the governance implemented by the Company's two majority shareholders acting in concert.

In particular, the Nominating and Compensation Committee is responsible for approving:

- all proposals of candidates for membership of the Board, Chief Executive Officer, Chairman of the Board, members and Chair of the Audit Committee and the Strategy Committee;
- all proposed succession plans for executive directors;
- all types of compensation to managers, including benefits in kind received from any Group company or any affiliated company, as well as any provisions relating to their retirement;
- the establishment of stock option plans, and any other types of compensation based on shares or indexed on or otherwise connected with shares, for managers or employees or groups of employees of the Company or its subsidiaries.

The Chairman and Chief Executive Officer is involved in the Committee's work as far as examining directorship applications are concerned, as well as the succession plan for executive directors.

The Nominating and Compensation Committee meets as often as necessary.

Meetings of the Nominating and Compensation Committee may be held by telephone or videoconference; a quorum exists when at least half of the members are present.

Work done in 2011

The Nominating and Compensation Committee met on three occasions during the 2011 financial year. Attendance for the year was 86%.

In 2011, the Committee met to consider the following agenda:

- *compensation*:
  - compensation of executive directors in respect of the 2010 financial year (amount of compensation: fixed compensation, quantitative and qualitative bonuses, insurance, retirement supplement, non-competition clause, benefits in kind, subsidiary attendance fees; allocation of stock options and performance shares and setting of performance conditions),
  - attendance fees (allocation for 2010 financial year, increase of individual allocation and amendment to the allocation rules for 2011),
  - rules for the compensation of executive directors for 2011 financial year (setting fixed compensation, principles for calculating bonuses, principles for the allocation of stock options and performance shares),
  - implementation of plans for performance shares allocated in 2011 for the 2010 financial year (individual allocations of performance shares to employees and to executive directors, setting the number of shares to be held by executive directors, plan rules),
  - principles of option and performance shares plans to be allocated in 2012 for the 2011 financial year;
- *composition of the Board of Directors and its Committees:*
  - procedure for the review of the status of independent Directors,
  - compliance with the law and the Code of Corporate Governance as regards well balance between male and female representation within the Board of Directors,
  - examination of the various directorship applications, particularly that of Ms. Eliane Rouyer-Chevalier as independent Director,
  - termination of the Vice-Chairman and Chief Operating Officer duties and examination of a regulated agreement,
  - study of the succession plan following the termination of the Vice-Chairman and Chief Operating Officer duties.
- *others:*
  - approval of part of the report of the Chairman of the Board of Directors on corporate governance and internal control, and of certain sections of the Registration Document.

The Nominating and Compensation Committee reports on its work to the Board of Directors.

Strategic Committee

The powers and operation of the Strategic Committee are outlined in the Board's internal rules. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.

Membership and duties

The Strategic Committee is made up of four members appointed by the Board of Directors: Mr. Olivier Bazil, Mr. Jacques Garaïalde, Mr. Frédéric Lemoine and Mr. Gilles Schnepp. It is chaired by Jacques Garaïalde, and its responsibilities include:

- examining major projects relating to the strategic development and positioning of the Group, and in particular, strategic partnerships projects and main investment or divestment transactions; and
- reviewing the draft annual budgets and development plans of the Company submitted to the Board of Directors. In this capacity, the Strategic Committee consults with the managers of the Company concerning the assumptions on which such plans and budgets are based or amended.

The Strategic Committee meet whenever necessary.

Meetings of the Strategic Committee may take place by telephone or video-conference; a quorum exists when at least half of the members take part.

Work done in 2011

The Committee met on four occasions during the 2011 financial year. Attendance for the year was 100%.

In 2011, the Strategic Committee met to consider the following agenda:

- *acquisitions*:
  - review of acquisitions made from 2005 to 2011,
  - strategic orientations for future acquisitions,
  - projected acquisitions;
- *budget*:
  - presentation of the 2010 estimate and the projected 2011 budget, and
  - approval of the 2011 budget.

The Strategy Committee reports on its work to the Board of Directors.

Evaluation of the Board of Directors and its Committees

In compliance with internal rules, the work of the Board of Directors is reviewed and assessed at least once a year.This is a separate point on the agenda of the meeting concerned, and is reported on in the Company's annual report.

A self-evaluation was carried out at the end of 2010. The summary at the start of 2011 revealed that Directors were satisfied on the whole with the functioning of the Board and its Committees.

In the course of 2011, the Board of Directors deployed the following improvements in response to requests made by Directors during the self-evaluation:

- presentations on operational or cross-over matters were made during 2011 regarding the Group's strategy (impact of the Internet on the Group's relations with its stakeholders and talent management policy) and on the annual review of the sustainable development process, as well as the Group's policy on equal opportunity for employment and compensation;
- the invitation to the worldwide launch of the new line "Living & Light" wiring devices from BTicino and the visit of a site where the Group's products are showcased (the Horizon Tower in Boulogne-Billancourt);
- the implementation of a secure Internet site for Directors which allows them to view documentation relating to Board and Committee meetings, information about the Company's governance (Articles of Association, internal rules, Code of Conduct with respect to trading and market activities), and the various presentations made to shareholders at the Annual General Meeting;
- the increase in the individual allocation of attendance fees so as to better reflect market practices and encourage the involvement and work of the Directors.

In November 2011, a questionnaire was sent to Company Directors to assess the functioning of the Board and its Committees for the 2011 financial year.

7.4.3 - Limits on the powers of the Chief Executive Officer

The Board of Directors, at its meeting of March 17, 2006, decided to combine the functions of Chairman and Chief Executive Officer, both to be assumed by Mr. Gilles Schnepp. This decision was made as the Company was listed on the stock exchange. Combining the two functions corresponds both to Company tradition and to the reality of Legrand's operating model.

Subject to the transactions and decisions that require prior approval from the Board of Directors in accordance with Article 1 of the internal regulation (which can be viewed at www.legrand.com), the Board of Directors did not place any limitation on the powers of the Chief Executive Officer.

7.4.4 - Principles and rules for determining the compensation and benefits of executive directors

Compensation of executive directors is set by the Board of Directors on the basis of recommendations made by the Nominating and Compensation Committee.

7.4.4.1 COMPENSATION AND BENEFITS OF EXECUTIVE DIRECTORS

Contract of employment of the Chairman and CEO

In accordance with the Code of Corporate Governance, the Board of Directors, on March 4, 2009, acknowledged the termination of the contract of employment between Mr. Gilles Schnepp and the Company, with immediate effect and without compensation.

Termination benefits

With the exception of benefits due on retirement (this information is noted in section 7.2.1.3 of this chapter) and of the covenants not to compete described below, executive directors do not benefit from any commitment concerning components of compensation, indemnities or other benefits that might be due as a result of the termination of their office or assignment to a different position, or subsequently ("golden parachutes").

A non-competition agreement was entered into between the Company and Mr. Gilles Schnepp for two years with the main purpose of submitting the latter to the restrictions under a covenant not to compete. If this non-competition clause is implemented by the Company, this would occasion the payment of a monthly indemnity equal to 50% of his average fixed compensation and bonuses received over the last 12 months with the Group. The amount of this indemnity would be in line with the recommendations of the Code of Corporate Governance which limit the amount of said indemnity to two years' compensation. This non-competition covenant can only be implemented once Mr. Gilles Schnepp as left the Company and at the sole initiative of the Company.

Mr. Olivier Bazil was subject to the standard non-competition clause provided for in the collective labour agreement for metal industries which provides for an indemnity equal to a maximum of one year's compensation (fixed and bonuses) in accordance with the recommendations of the Code of Corporate Governance which limit the amount of said indemnity to two years' compensation. Following his retirement, the Board of Directors decided not to enforce the standard non-competion clause and to release Mr. Olivier Bazil from all his obligations under this non-competition clause, without consideration or compensation.

As such, the Company is compliant with the recommendation of the Code of Corporate Governance relating to the benefit of these termination benefits.

Pension plan

The Company's executive directors benefit from a supplementary pension entitlements, compliant with the recommendations of the Code of Corporate Governance with regard to the number of beneficiaries, seniority, the limited percentage of executive directors' compensation and the reference period used to calculate the entitlements (this information can be found in paragraph 7.2.1.3 of this chapter). Mr. Olivier Bazil is a beneficiary of this plan.

Upon his retirement, Mr. Olivier Bazil received a termination benefit of €199,488 calculated in accordance with the collective labour agreement for metal industries and the company agreements applicable within the Group according to which any Group employee that retires must be paid a termination benefit proportional to the years of service. Mr. Gilles Schnepp, whose contract of employment was terminated on March 4, 2009, is not eligible for this plan.

Stock options and performance shares

Company plans for the granting of options to purchase or subscribe shares are described in section 8.2 of this Registration Document.

For allocations of performance shares made in respect of the 2011 financial year (i.e. the 2012 plan), the Board of Directors at the start of 2011 set the targets to be achieved in terms of economic income. In view of his retirement, Mr. Olivier Bazil was granted no allocation of performance shares in respect of the 2011 financial year.

In light of the level of achievement of targets in terms of economic income, the Board of Directors on March 7, 2012, decided to make an allocation of 30,710 performance shares to Mr. Gilles Schnepp, representing 0.01% of the Company share capital (see chapter 8 of this Registration Document). Moreover, the Board of Directors, further to a proposal from the Nominating and Compensation Committee, decided to toughen the performance conditions applicable to the vesting of all of the performance shares allocated to Mr. Gilles Schnepp, this decision to take effect as of the setting-up of the 2012 performance share plan in respect of the 2011 financial year, thereby potentially cancelling part or all of the initial allocation. These performance conditions are designed to foster sustainable value creation and come in addition to those used to determine the initial allocation. A first performance criterion thus makes the vesting of the full initial allocation conditional upon an increase in economic income over a four-year period preceding the vesting of performance shares, thereby providing evidence of sustainable value creation. Should this criterion not be met, however, a second criterion would be examined to determine whether the Group's performance, as measured by economic margin, was above that of a panel of peers over the same period.

In respect of the financial year 2011, the vesting of performance shares allocated to Mr. Gilles Schnepp is thus subject to a twofold set of performance conditions, one of which is applied at the time of initial allocation and the other at the time of vesting.

In respect of this and past plans, no discount is applied and the Company has implemented no hedging instruments for options and performance shares.

Performance shares for the 2011 financial year were granted under the twelfth resolution approved at the Shareholders' General Meeting of May 26, 2011 which stipulated that the number of performance shares granted to Company executive directors may not exced 10% of all of the shares allocated by the Board of Directors under this resolution. The grant of performance shares to Mr. Gilles Schnepp represented 3% of the total number of performance shares granted.

The Company has for many years also implemented a system of profit sharing beyond the legal requirements for the benefit of all its employees and those of its French subsidiaries. The executive directors have not benefited from this.

The Company is complying with the rules on the granting of options and performance shares defined in this Code of Corporate Governance, apart from the recommendation on the granting of performance shares on the condition that a set number of shares are purchased when granted performance shares vest. Executive directors have already substantially invested in the Company's share capital and are already subject to the requirement to hold at least 30% of all shares acquired until the termination of their duties (including options and performance shares). Considering this, the Board of Directors, on the proposal of the Nominating and Compensation Committee, has decided not to comply with this recommendation to the letter.

Principles for determining compensation

Compensation for the 2011 financial year for the Chairman and Chief Executive Officer and the Vice Chairman and Chief Operating Officer, on a prorata basis for the latter, was determined according to the following principles:

- a fixed annual compensation, determined according to the level of responsibility and the experience of each person, and in line with market practice according to a survey conducted by an outside consultant;
- a bonus which is determined as follows:
  - one half based on pre-defined quantitative criterion linked to the Company's financial performance, measured each year by the "economic income" (*i.e.* the adjusted operating income, less the cost of capital used). This quantitative part, whose target value was set at 50% of the fixed compensation, could vary between 0% and 100% of said fixed compensation,
  - the other half based on the following qualitative criteria: (i) sales growth, innovation and increased market share, (ii) the external growth policy and (iii) general criteria linked to sustainable development and labour relations concerns. This qualitative part, whose target value was set at 50% of the fixed compensation, could vary between 0% and 100% of said fixed compensation;
- a supplementary pension;
- a company car and a cell phone as benefits in kind;
- the mandatory Group contingency insurance plan and supplementary health insurance for the Group's executives;
- the allocation of performance shares to the Chairman and Chief Executive Officer according to pre-defined quantitative criteria linked to the Company's financial performance, measured each year by the "economic income" (*i.e.* the adjusted operating income, less the cost of capital used). Furthermore, the vesting of all performance shares by Mr. Gilles Schnepp is subject to the performance conditions defined by the Board of Directors. The vesting of performance shares allocated to Mr. Gilles Schnepp is thus subject to a twofold set of performance conditions, one of which is applied at the time of initial allocation and the other at the time of vesting. No discount is applied at the time of allocations.

7.4.4.2 ATTENDANCE FEES PAID TO DIRECTORS

The maximum amount of attendance fees was set at €600,000 by the Shareholders General Meeting of May 26, 2011. This resolution remains in force until a new one is adopted.

The Board of Directors decided, from the 2011 financial year, to allocate the attendance fees paid to Directors as follows:

- €35,000 a year to be paid to each member attending all meetings of the Board of Directors, this amount being reduced by €3,000 for each absence from a meeting of the Board of Directors;
- in addition, €5,000 a year to be paid to each member of the Board of Directors who is also a member of a Committee, with the exception of executive directors, this amount being increased to €10,000 per year for the chairs of the Strategic Committee and the Nominating and Compensation Committee, and to €20,000 for the chair of the Audit Committee, each of these amounts being reduced by €1,000 for each absence.

These rules for attendance fees comply with the Code of Corporate Governance.

Executive directors waived their right to receive attendance fees from 2011 during the exercice of their duties.

7.4.5 - Participation of shareholders in the General Meeting

Conditions for participation in the Company's General Meeting are outlined in Article 12 ("General Meetings") of the Company's Articles of Association; these can be viewed at: www.legrand.com.

7.4.6 - Information pursuant to Article L.225-100-3 of the French Commercial Code concerning factors likely to affect the outcome of a public offer

Readers are invited to refer to paragraph 19 of the management report, which contains factors likely to influence a public offering. This report can be found in appendix 2 of this Registration Document.

7.4.7 - Risk management and internal controls

7.4.7.1 DEFINITIONS, PURPOSES AND FRAMEWORK

Definition and purposes of risk management and internal control procedures

Risk management involves using a set of concepts, tools, methodologies and initiatives adapted to the Group's specific features to enable management to hold risk to an acceptable level.

A risk represents the possibility of an event occurring that might have adverse effects on people, resources, the environment, Group objectives or the Group's reputation.

Risk management aims to:

- create and preserve the Group's value, assets and reputation;
- make Group decision-making and processes secure, and thus contribute to achieving objectives;
- ensure that initiatives undertaken are consistent with Group values; and
- rally Group employees around a shared vision where major risks are concerned, and raise awareness of the risks inherent to their activity.

The Group's internal control system involves the use of appropriate resources and behavior for procedures and action, implemented in ways suited to the Group's special features and which:

- contribute to control of its business, the effectiveness of its operations and the efficient use of its resources; and
- enable it to take appropriate account of significant operational, financial and compliance risks.

The objective of the Group's internal control procedures is to ensure the following:

- protection and safeguarding of assets through procedures such as cycle counts of inventory, inspections of plant and equipment through regular physical inventory controls, and insurance policies matching the Group's needs;
- fraud prevention and detection, particularly with regard to accounting and financial information;

- the reliability and integrity of accounting information in relation to actual transactions;
- achievement of management objectives;
- compliance with laws, regulations and internal procedures;
- optimization of operations.

It should be noted that the internal control mechanism cannot provide an absolute guarantee that the Group's targets will be met. However, the unique nature of its economic model is a major factor which facilitates understanding and appropriation of the internal control principles by all of the Group's subsidiaries.

Links between risk management and internal control procedures

Risk management and internal control procedures are constantly interacting, reinforcing each other in the process. The Risk Management component is the cornerstone of the Internal Control process in that it allows risks to be identified which, if they exceed the limits acceptable to the Group, must be dealt with, potentially by way of an action plan. Action plans may require controls to be implemented under the responsibility of Internal Control, which also involves risk processing. At the same time, Internal Control, via a process approach within the Group organizations, allows certain risks to be identified and overcome; these risks may in turn influence the approach of Risk Management.

Given these links, the Group decided during 2010, group all of these functions together in the same department: "Risk Management and Internal Control", which is attached to the Group's General Secretariat. It also handles internal audits.

Scope of action

The Company's assets consist almost exclusively of equity interests in Group companies.

The scope of its internal control system is thus the entire Group and all of its businesses.

Framework

In order to implement these risk management and internal control objectives, the Group's Management has established an internal control and risk management framework based on the recommendations of the AMF in the reference Framework published in June 2010.

7.4.7.2 INTERNAL CONTROL AND RISK MANAGEMENT MECHANISM

Risk management

Organizational framework

The Group's Risk Management strategy is led by the Risk Management and Internal Control department, under the responsibility of the General Secretariat. The Group's risk management policy defines the process for identifying, analyzing and dealing with risks. The Risk Management and Internal Control department is responsible for implementing this policy, by gathering the indicators necessary to assess them and by following the action plans implemented by the Group's various Operational or Functional departments.

This general approach is overseen and monitored by a Risk Committee that includes the Group's general management. The Risk Committee met twice during 2011. Furthermore, crossover matters are regularly discussed at the Group's Management Committee meetings.

The Group Audit Committee is also kept informed of all issues. The policy for assessing and dealing with risks is discussed specifically every year between the auditing Committee and a summary before the Board of Directors.

Risk management procedures

The Group's risk management procedure has three stages:

1) risks are identified at all levels of the Group's value chain. From this perspective, risks are defined as threats or missed opportunities, as the latter are inherent to the Group's model and/or is considered as such by other stakeholders. This risk framework is regularly updated by the Risk Committee using data gathered from the main Group Directors ("Top Down") or using contributions from Group subsidiaries or departments ("Bottom up");

2) risks are analyzed on the basis of indicators that are defined and validated by the Risk Committee. These indicators, produced using historic and prospective data, are fed back to the Risk Management and Internal Control Department for each risk by the operational or functional departments responsible. Indicators are then used to measure and rank risks relative to the probability of their materialization and their potential impact, assessed on the basis of a homogeneous set of criteria. The assessment is made on a "gross" basis (prior to the risk management mechanism) and on a "net" basis (after the risk management mechanism);

3) risks are dealt with in several ways: the reduction, transfer, or acceptance of a risk. The measures are decided upon and shared between the Group's Risk Management and Internal

Control Department and the risk owners identified within the operational and functional departments. The Risk Committee directly validates the procedure for dealing with the main risks.

Leadership

The dedicated function within the Risk Management and Internal Control department and the risk owners within the Group's operational and functional departments continually lead the Risk Management mechanism.

Internal Control

Control environment

The control environment is based on principles structuring Group philosophy in this area and determining the appropriate level of staff awareness regarding internal control requirements. The principal purpose of the related organization deployed by the Group is to ensure that the responsibilities of each unit and department are clearly defined. It is also based on messages and values that are broadly communicated and shared across the Group as a whole. The resulting control environment is in particular materialized by the Group's Charter of Fundamental Principles, aimed at sharing values and principles with all entities and staff members.

Risk evaluation and management

Risk evaluation and management is a fundamental aspect of the Group's internal control scheme. Related structures and processes are described in the section above dedicated to Risk Management.

Structure of communication and information flows

The Group has adopted processes and procedures ensuring timely, reliable communication of relevant information to the parties concerned. Reporting structures have been set up for all the Group's major business processes, providing a common language for the exchange of information between different levels of Group organization (subsidiaries, Divisions, Group departments and management).

Internal control operations

The Group's internal control operations are defined in a manual of administrative and financial procedures that also includes accounting, management and reporting rules. This manual, designed for the Group's specific economic environment and industry, has existed for over a decade, and is updated regularly. Clear emphasis is placed on tracking product flows (with reliability of inventories monitored through cycle counts, analysis and justification of inventory discrepancies) and sales transactions (compliance with revenue recognition rules, tracking and authorization of discounts or rebates).

Application of these regulations ensures compliance with management objectives. The Group's dedication to a single strategic business area has allowed it to define simple operating rules for each of its functional and operational divisions.

Internal control operations are revised annually, using a process that combines detailed tests of critical controls and self-evaluation questionnaires completed by the subsidiaries concerned. Data gathered in these questionnaires and tests is documented, consolidated and analyzed using a dedicated intranet tool. This review mechanism is reflected in the realization of dedicated action plans.

Leadership

The Group's internal control unit:

- coordinates the Group's internal control operations and ensures that reviews are conducted in keeping with appropriate methodology;
- conducts internal audits at Group entities.

Assigning these two tasks to a single unit ensures consistent methodology and constant adaptation of audit procedures to the internal control risk areas.

For the main Group entities (France, Italy, United states), the Group's internal control department relies on local internal controllers who lead the approach in their respective units. In smaller subsidiaries, internal control is the responsibility of the head of each business unit. Regular audits by the Group's internal auditors and financial controllers ensure that Group procedures are properly implemented and enforced. The tools, procedures and results of internal control reviews are available to the Group's Statutory Auditors at all times, and there are regular consultations to optimize the internal control framework and coverage of risk areas.

In the Group as a whole, a total of around 16 staff members will be fully dedicated to internal control in 2012.

7.4.7.3 PROCEDURES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Objectives

Internal control applied to accounts and finance must meet the following objectives:

- guarantee that the accounting and financial information published complies with regulations;
- ensure that instructions issued by the Group's general management are applied, where such information is concerned;

- preserve the Group's assets;
- detect and prevent fraud and accounting irregularities insofar as possible;
- guarantee the reliability of financial information and internal accounts, as well as the information disclosed to the markets.

Contributors

Main contributors are:

- general management, insofar as it is responsible for setting up and structuring the Group's internal control system, as well as preparing financial statements for approval and publication;
- the Board of Directors that approves the financial statements, based in particular on the preparatory work conducted by the Audit Committee;
- the internal audit team, which, through its work, supplies various recommendations to General management and to the Audit Committee on areas for improving internal control applied to accounts and financial statements;
- external auditors who, through their work, express an independent opinion on published consolidated financial statements.

Control mechanism

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 steering purposes, and so that it can be disclosed externally and published by the markets. The system is deployed through concerted action involving contributions from the following staff:

Financial managers in subsidiaries

Financial managers play a critical role in the finance function. Candidates for these positions are reviewed systematically by the Group's financial management, to ensure consistently outstanding levels of expertise.

Management control

The Group's management control plays an important role in the monitoring and control of subsidiary performance. It coordinates the preparation of annual budgets and regularly reviews achievements and estimates. This work relies on reporting and budget rules, which can be found in the internal control procedures manual.

All subsidiaries issue a detailed consolidation report every month, which includes a balance sheet, an income statement and analysis, allowing detailed monitoring of their performance.

Corporate financial analysis

The corporate financial analysis unit 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 difference between actual performance and targets.

Accounting data are consolidated by a dedicated team using the consolidation reports available online to all Group subsidiaries. Consolidated financial statements are prepared on a monthly basis, except at the end of July, according to a schedule circulated to all subsidiaries. This allows them to plan accordingly and provide the 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.

Cash flow management

Cash flow is monitored through specific Group procedures. Investment, borrowing and hedging transactions are centralized and controlled by the Group's Finance Department. All bank accounts are managed in accordance with the Group's treasury management, ensuring a degree of overall consistency in relationships with banks.

IT Department

To ensure the reliability of accounting and financial data processing, Legrand has implemented a full set of IT procedures and data back-up plans for the various IT systems used by the Group.

Implementing internal controls has also strengthened and harmonized procedures and operations relating to IT systems, and improved protection and access conditions to systems and networks.

Internal control is managed by the Risk Management and Internal Control Department. Evaluation and test methods are in place and are applied annually at all Group subsidiaries where this is required. These methods, which are applied to each of the business's major financial and accounting cycles, ensure that fundamental controls for these cycles are both applied and operational.

7.4.8 - Financial ratings of the Company

At December 31, 2011, Legrand was rated as follows by financial rating agencies:

- Standard & Poor's: BBB+ positive outlook;
- Moody's: Baa1 stable outlook.

Fitch decided to stop the Company's rating.

Changes subsequent to December 31, 2011 and on the date of this Registration Document were as follows:

On February 22, 2012, the Company's rating from Standard & Poor's was upgraded from BBB+ positive outlook to A- stable outlook.

This information is disclosed in accordance with the Code of Corporate Governance recommendations.

7.4.9 - Report of the Statutory Auditors prepared as provided by article L.225-235 of the French Commercial Code

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Legrand

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Legrand on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

For the year ended December 31, 2011

Legrand

Société Anonyme

128, avenue du Maréchal de Lattre de Tassigny

87000 LIMOGES

To the Shareholders,

In our capacity as statutory auditors of Legrand (the "Company") and in accordance with Article L.225-235 of the French Commercial Code *(Code de Commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, particularly relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our engagement are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 28, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit

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Deloitte & Associés

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