

Sustainability Focus

Legrand SA, France



Organizational Description

Legrand is the global specialist in electrical and digital building infrastructure with a comprehensive range, suitable for the commercial, industrial, and residential segments of the low voltage market.

The Group is listed on Euronext Paris, and is included in the CAC 40. 2015, Legrand reported €4.8 billion in sales.

Leading Position

Over two-thirds of its sales are from products that rank first or second in their respective markets. Legrand holds leading positions in such countries as France, Italy and the United States—which became the #1 country by sales in 2015.

A worldwide benchmark

Legrand is established in nearly 90 countries, and its products are distributed in almost 180. Together its expertise, the scope of its offering, and its international presence make Legrand a benchmark for distributors, electrical installers, product specifiers and end-users worldwide.

Growth opportunities

Legrand's development is driven by a strategy of ongoing innovation and targeted acquisitions. Social megatrends such as environmental awareness and aging populations, as well as technological megatrends - Big Data, the Internet of Things and more—offer major growth opportunities.

New technologies, in particular digital ones, offer scope for increasing the value-in-use of Legrand products for users. The Group has stepped up its initiatives in this area.

Governance at the center of efforts to strike a balance between different challenges

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

Board of Directors: Independence, Diverse and varied Skills

The Board of Directors determines the directions of the Group's operations and ensures their implementation. Subject to the powers expressly attributed to General Meetings of Shareholders and to the limitation of the corporate object, it concerns itself with all matters relating to the proper operation of the Company and settles related issues by its decisions. The Board's strategy and decisions are made within the context of the Group's sustainable development policy.

As of September 2016, the Board is composed of ten members

including the Chairman and Chief Executive Officer, the Honorary Chairman and the Lead Director. Varied and complementary profiles are thus present with strategic, financial and specific skills such as financial communication, CSR, talent management and marketing.

The Board of Directors has:

- 5 women or 50% of directors;
- 7 independent directors or 70% of directors;
- 4 different nationalities.

In 2015, the Board met 6 times. Over the past 5 years, Directors' attendance rate at Board meetings was 85%.

At least once a year, an item on the agenda is devoted to reviewing the operations of the Board of Directors. This is relayed in the Company's annual report so that shareholders can be informed each year of the assessment carried out and, if applicable, any steps taken as a result. The Lead Director supervises the assessment of the Board's operation.

4 specialized committees: bodies for further examining the Board work

In order to facilitate the work of the Board of Directors and the preparation of deliberations, the Board can form specialized Committees 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 committees: the Audit Committee, the Nominating and Governance Committee, the Compensation Committee, and the Strategy and Social Responsibility Committee.

Focus on the Strategy and Social Responsibility Committee

It is composed of 4 members out of which 50% are independent members. Its main tasks are as follow:

- Examine major projects concerning the Group's development and strategic positioning;
- Assess the balance between the Group's strategy and CSR principles;
- Review the main findings of the independent third-party body.

A CSR strategy that drives the Group's long-term growth

CSR is an integral part of Legrand's development strategy. Its aim is the sustainable use of electricity and access to new technologies for everyone, driving improvements for all stakeholders involved in Legrand's activities. In 2013, Legrand defined a matrix of its issues in the environmental, social and societal areas ("materiality matrix"). The matrix was established based on ISO 26000 recommendations

(determining priority action areas) and helped identify the 10 priority issues facing Legrand and its stakeholders and which the Group must address as a priority as part of its CSR strategy. These issues notably place users and their needs at the center of Legrand's concerns.

Legrand's CSR strategy is formalized in multi-year roadmaps.

In 2014, Legrand published its third road map, covering the 2014-2018 period. The roadmap outlines the 21 priorities the Group has set for itself up to 2018. The 21 priorities are broken down into four focus areas: user, society, employees and the environment.

The deployment and management of the roadmap are handled jointly by the CSR Department with the heads of the SBUs and subsidiaries, and by the functional and service departments (Human Resources, Purchasing, Health and Safety, Environment, etc.) with local representatives concerned. Tracking annual indicators for these 21 priorities makes it possible to measure the Group's CSR performance. For each priority, the group undertakes to publish on an annual basis the progress status based on the indicator(s) identified. The average achievement rate for the entire roadmap, measured against targets at the end of 2015, is 120%.

Users

Legrand places the user of its products and its needs at the center of its attention and concerns. It focuses on innovation to provide the user with sustainable solutions and drive progress within the electrical industry. In 2015, the Group continued its development in the area of assisted living, and marketing of its energy-efficient solutions resulted in the avoidance of 578,000 tons of CO2 emissions in 2 years. It continued its policy of providing information of its products' environmental impact, with 56% of its sales being made of products with PEP (Product Environmental Profiles). 795,000 counterfeit products were confiscated and destroyed. 12 new partnerships and collaborative research projects were embarked on. More than 260,000 clients have been trained since 2014 and 92% of the Group's sales are covered by CRM tools.

Society

Social responsibility applies to all the partners with which the Legrand Group interacts. This interaction takes place in accordance with ethical principles, particularly in terms of business practices and purchasing policy.

In 2015, nearly 700 more people were provided training on business ethics and the deployment of the compliance program continued in more than 50 countries. 230 suppliers exposed to CSR risks have been detected, 73 action plans have been started in 8 countries covering 32% of exposed suppliers. As a socially responsible organization, the Group is also committed to helping as many people as possible gain sustainable access to electricity. In 2015, joint action with *Électriciens Sans Frontières* led to 310,000 people (source: the NGO *Électriciens Sans Frontières*) benefiting directly or indirectly from access to power. The Legrand Foundation has supported 16 projects since its creation.

Employees

Legrand pays special attention to the working conditions of its

employees and to its social responsibilities across the world, in particular respect for Human Rights. The Group is also committed to safeguarding the health and safety of all. Legrand also strives to develop the skills of each individual and to foster diversity. In 2015, 87% of the Group's workforce deemed to be exposed to potential Human Rights violations was assessed. The occupational health and safety plan and the health and safety monitoring and improvement process covered 90% of the Group's workforce, and the workplace accident frequency rate dropped by approximately 18%. 82% of employees attended one or more training courses and 88% of managers had an individual assessment interview.

Environment

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. At the end of 2015, 92% of industrial and logistics sites consolidated within the Group for more than five years were ISO 14001-certified. The Group's average energy intensity dropped by more than 7% between 2013 and 2015 (at current scope). 87% of waste was recovered and 84% of the Group's sales are compliant with the requirements of the RoHS regulations (sales including Group products outside the scope of the RoHS).

The Group also intends to gradually take into account the price per ton of carbon dioxide in its operational thinking, in particular in its investment decision processes.

Audit of CSR information disclosed publicly beyond mandatory scope

The progress and evaluation of the 21 priorities of the roadmap are assessed using indicators deployed at two levels: local (at each Group entity) and consolidated (Group-wide). In 2015, the variable compensation of the Chairman and CEO and of most of the members of the Executive Committee is index-linked – about 10% - to overall CSR performance, in line with the priorities of the roadmap. From 2016, the Board of Directors also plans to index to overall CSR performance, which is linked to the roadmap priorities, a third of the performance criteria attached to the performance shares allocated over three years to the Chairman and CEO, to members of the Executive Committee and to key managers.

Lastly, it is worth noting that the entire approach described above is reviewed annually on a voluntary basis by one of the two Statutory Auditors in order to check the soundness and report findings as transparently as possible to all the Group's stakeholders.

A self-financed business model creating value over the long term

The Group benefits from solid, long-term growth levers. Geographically, around 80% of its sales are generated outside France, with the United States being the Group's highest-selling country.

Legrand at the cornerstone of social and technological megatrends

With regard to Legrand's business, social megatrends (aging

population, increasing willingness to reduce energy consumption, the development of new economies, etc.) and technological megatrends (in particular digital with the Internet of things), offer the Group long-term growth prospects.

At the heart of these developments – in particular those linked to the emergence of the Internet of Things – lies the electrical and digital infrastructure of buildings, an area in which Legrand specializes. More generally, Legrand is convinced that new technologies – especially digital – significantly increase the value-in-use of electrical and digital building infrastructure products for users. The Group has therefore decided to step up its investments in this area – innovation, with the launch the Eliot program; acquisitions with, in particular, the purchase of Raritan and QMotion; signature of strategic partnerships; participation in many technological alliances; and investment in a round of financing for Netatmo. It is within this framework that Legrand set itself ambitious targets, such as achieving double-digit average total annual growth in sales for connected products by 2020; at year-end 2015, the Group's achievements were ahead of schedule.

Innovation and external growth as growth engines

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

- Innovation, particularly technological innovation, as described above, which aims at fueling organic growth with the regular launch of new offerings – including Eliot connected products that enhance value-in-use – and numerous marketing and sales initiatives. Among its new technology-linked initiatives, Legrand is also initiating collaborative agreements and strategic partnerships with leading players, including Samsung, La Poste and Nest.
- The second growth engine is external growth, with targeted and self-financed acquisitions of companies that are front-runners in their markets or have proven technological expertise, and are highly complementary to the Group's business activities.

Self-financed business model

The other feature of Legrand's business model is that it is self-financed. As initiatives linked to new technologies expand, Legrand is at the same time actively pursuing its initiatives targeting productivity and optimal use of capital employed, thanks to the new industrial organization implemented in 2014. In total, benefits generated by this industrial transformation enable financing of the new technology-linked initiatives underway.

This is reflected in the Group's ratios for R&D, industrial capital expenditure and working capital requirement, which are all under control. The Group has also set the ambition of generating normalized free cash flow of between 12% and 13% of Group sales.

Legrand SA, France is a winner of Golden Peacock Global Award for Sustainability - 2016 ■



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