

# The Legrand Group Fair Competition Charter



OUR CULTURE AND COMMITMENTS

 legrand®



**Honest and fair  
competition enables  
markets to perform  
optimally while  
promoting long-term  
innovation**

The general principles governing the behaviour and actions of Legrand and its employees are defined in the Charter of Fundamental Principles, which outlines the Group's key values. These are based on legal compliance and, in particular, compliance with competition law.

Healthy and fair competition guarantees the best possible working of the markets and encourages long-term innovation.

However, such an approach only becomes legitimate when every employee supports and helps to promote it on a daily basis through our business relationships. Any offences committed by staff may result in legal action being brought against Legrand by the proper authorities and can thus lead it to incur significant financial and indeed criminal sanctions. We therefore wish to make all the group's staff aware of the importance of complying with good commercial practice and understanding the high stakes involved.

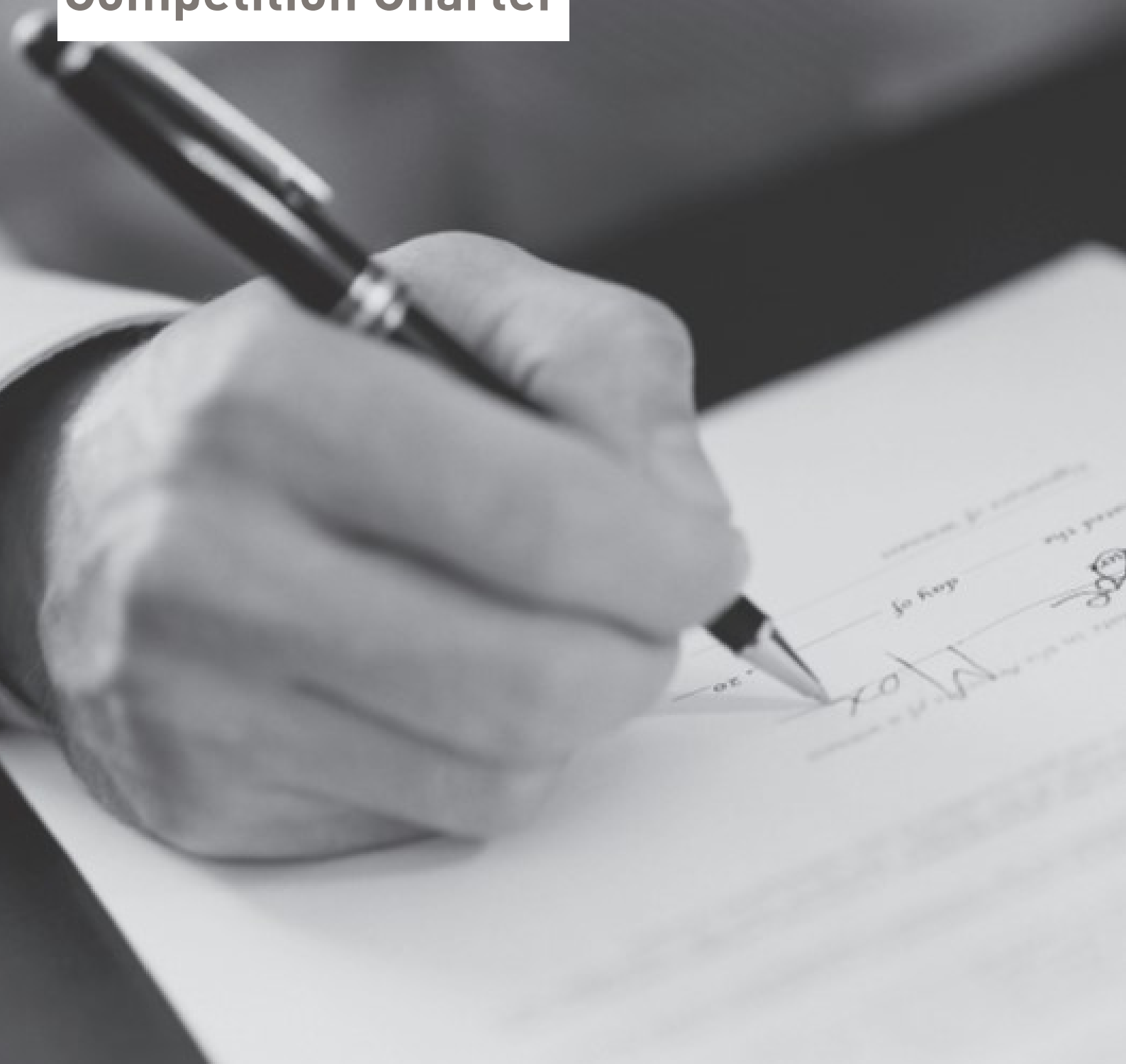
Should Legrand face legal action, this could affect the Group's reputation, its financial strength and even the continuation of its business activities. Committing a breach of competition law is a very serious act, entailing the liability of the employees towards their employer and the authorities.

Please read the following pages carefully and strictly implement the instructions they contain.**G**



**Benoît Coquart**  
Chief Executive Officer

# The Legrand Group Fair Competition Charter



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**These guidelines are designed to help identify behaviours to be prohibited throughout the Legrand Group, and the situations liable to generate risks**

# 1. Introduction

## ■ Use of this guide

The aim of this guide is to make Legrand's employees aware of the practices and rules regarding competition. It is relevant to all staff members.

In order to enable better understanding of the underlying legal principles, this guide uses simple language and does not aim to cover all the existing texts and rules on competition law, nor all potential high-risk situations. For any questions or trouble understanding certain points, the Group's Legal Department will happily provide any assistance required.

This guide describes the high-risk situations that industrial companies such as Legrand can face. It is important to understand that all kinds of behaviour or practices that alter or reduce the level of competition on a given market, either voluntarily or involuntarily, must be approached with the greatest possible care.

Please note that this guide is not exhaustive and is not intended to turn each employee into a specialist in competition law. However, in a very pragmatic sense, it should help you both to pinpoint the kinds of behaviour that the

Group needs to prohibit and to recognize high-risk situations. If in doubt, please contact the Group's Legal Department, which will provide you with an informed opinion.

## ■ Reminder of Legrand's economic chain

The economic chain Legrand deals with comprises the following players:

- Upstream: material suppliers, service providers and sub-contractors;
- Downstream: a range of primary distribution channels including major distributors and buying groups, as well as end customers/users;
- Indirectly: specifiers of Legrand solutions.

Legrand plays an important role in its economic chain. It is strongly involved in professional organisations and it often holds significant market share, which requires it to take special care in ensuring it complies with competition rules, particularly regarding the abuse of market power.

We must take care not to overlook this risk by underestimating our legal requirements in terms of complying with competition rules.





## 2. Prohibited practices

**Price-fixing and market allocation agreements are seen as the most serious violations**

Below is a list of the principal practices that are prohibited in most countries, and which must therefore be avoided at all costs.

These mainly consist of agreements or exchanges of information between rival companies operating on the same level of the economic chain, but occasionally also so-called vertical agreements, involving companies that operate on different levels of a chain of production (e.g. suppliers, distributors, retailers, customers).

### ■ Prohibited agreements between competitors

Agreements or concerted practices devised by several companies operating on the same level of a market constitute clear breaches of competition law, which are prohibited on principle whenever they involve, among others:

- price fixing (for a year, a geographical area, a product family, etc.);
- the dividing-up of geographical areas, customers or markets;
- limits on production or capacities;

- the exchanging of confidential information;
- methods of replying to calls for tenders with the aim of sharing important information;
- boycotting of other competitors.

Agreements on price fixing and the dividing-up of markets are considered as the most serious breaches on this non-exhaustive list.



## Each market actor must remain free to set their own prices

### ■ Prohibited vertical agreements

This refers to agreements between several companies operating on different levels of an economic chain within a market, thereby affecting competition.

Accordingly, it is essential to avoid, among others, practices that involve:

- reaching agreement with one (or more) distributor(s) in order to fix the end customer retail prices charged by the distributor(s);
- reaching agreement with one (or more) distributor(s) in order to fix their profit margin.

Each participant must remain free to independently set the price they wish, depending on their costs incurred, and must not be influenced in any way.

A supplier may however recommend a retail price to its distributors but cannot impose these prices on them, as this would constitute clear restriction of competition, with no possible justification.

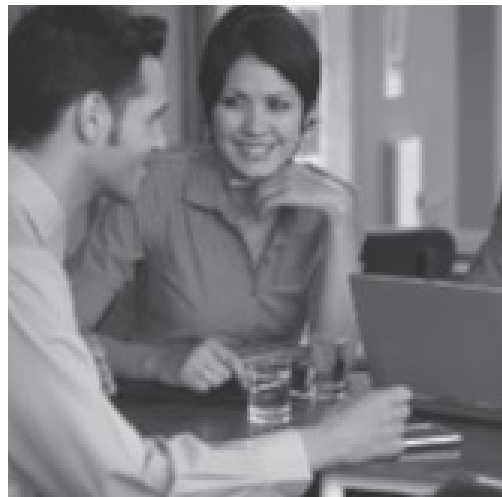
### ■ Exchanging of information with competitors

The exchanging of commercially-sensitive information between competitors artificially increases the level of transparency on a market and thereby reduces competition by removing uncertainty over competitors' behaviour and strategy and increasing the risk of coordination.

It is therefore strictly prohibited for staff to exchange any commercially-sensitive information with competitors, including, among others:

- Current, future or past prices;
- Market share;
- Margins;
- Profits;
- Volume of business;
- Customer names;
- Terms of sale;
- Intentions regarding calls for tenders;
- Estimated company costs;
- Distribution techniques;
- Intentions regarding investment or innovation.

There are a limited number of cases in which competitors can exchange certain sensitive information. These cases only cover activities relating to professional associations or where the legality of the situation has been confirmed by the Legal Department. Indeed, in certain cases, it becomes possible to exchange information due to the need to enter into a legal agreement or hold negotiations in view of a purchase or sale. The content and scope of these exchanges of information must be submitted for in-depth analysis and approval by the Legal Department.



### How to respond

***The practices listed above are prohibited by the Legrand Group.***

***If you discover or suspect that any such prohibited practices are already being implemented, please contact your ethics issues representative as soon as possible.***

***If you are approached, either in writing (letter, fax, email) or orally, by a competitor or another third party in order to discuss a prohibited agreement or, more generally, one of the practices mentioned above, you must refuse to participate in the exchange and inform your superiors.***



## Comply with competition regulations

# 3. Dangerous practices whose legality depends on the circumstances

Certain practices may be either legal or illegal depending on the circumstances or the structure of the market. Such practices (the signing of cooperative agreements, etc.) are intended to pursue a legal objective but it is essential to ensure that their implementation also complies with competition rules.

Please note that pursuing a legal goal can involuntarily have a detrimental impact on a participant on the market or a related market and/or harm competitive conditions.

In all cases, it is essential to contact the Group's Legal Department in order to confirm the legality of your planned agreement or actions.

### ■ Agreements between competitors

Agreements between competitors may potentially put the Group at risk. These situations are not systematically prohibited but a detailed analysis of the situation and the terms and conditions of the planned agreement must be carried out beforehand. The underlying objective of these agreements must not be to restrict the competition that should exist between two or more rival companies.

Such agreements include, for example, the following:

- Agreements regarding the pooling of manufacturing resources;
- Industrial cooperation agreements;
- Technology transfer agreements (e.g. patent licensing or assignment agreements);
- Joint marketing agreements;
- Standardisation agreements;
- Joint replies to calls for tenders.



## The Legal department is there to provide advice before certain agreements can be signed

### ■ Purchase and sales agreements between competitors

A company may choose to supply a competitor or purchase supplies from a competitor. However, it must be possible to justify such agreements. These agreements must not represent a concealed means of collecting sensitive information on competitors (particularly regarding competitors' manufacturing capacities or prices).

Consequently, for the purposes of negotiations and agreements regarding purchase or sale transactions between competitors, information may only be exchanged on the products relevant to the agreements in question. It is prohibited to discuss other products or any price terms in relation to third parties.

The competition authorities do not automatically encourage the signing of such agreements; please contact the Legal Department before taking any steps of this kind.

### ■ Vertical agreements

It is important not to attempt to restrict the commercial freedom of the other party to the contract. Please therefore contact the Legal Department if the aim of certain planned agreements is to:

- recommend retail prices;
- restrict the trade area within which one of the parties wishes to operate;
- prohibit a contra-party from maintaining commercial relations with Legrand's competitors (e.g. by limiting its capacity to purchase supplies from rival suppliers or by requiring it to exclusively purchase its supplies from Legrand);
- restrict the contra-party's capacities to extend its customer portfolio;
- undertake to exclusively purchase supplies from the contra-party and not approach other service providers / suppliers;
- undertake to exclusively supply the contra-party for a given area and not approach other distributors (e.g. by granting it territorial exclusivity).

## A dominant market position is a factor for increased vigilance

### ■ Non-abuse of market power

Abuse of market power is an anti-competitive practice in which a company in a dominant position, i.e. with «market power», is liable to engage in order to maintain or strengthen its dominant position, by closing the market to the arrival of new participants or excluding already-present competitors from it, to the detriment of end customers and consumers.

Market share is a key indication of the existence of a dominant position on a market. The market in question, as defined under competition law, could cover, for purposes of initial analysis, the segments of the Group's different Strategic Business Areas (SBA).

The Legrand Group could be considered as having a dominant position whenever it holds more than 50% of market share. This could also be the case whenever it holds a lesser market share, of around 30 to 40%, but no competitors hold a sufficiently strong position to be capable of competing effectively (which is quite often the case when the market shares of competitors do not exceed 15 to 20%).

It is important to take great care in this case and request assistance from the Legal Department in order to draw up a more accurate definition of the concept of «dominant position» and all resulting risks involved in terms of business practices.



If there is indeed a dominant market position, it is essential to abstain from any anti-competitive behaviour that could be considered as illegal, including, among others:

- Tie-in sales of separate products;
- Unfairly low or predatory prices (i.e. lower than costs) or, on the contrary, excessively high prices;
- Discriminatory prices or terms of sale;
- Unjustified refusal to sell;
- Imposing retail prices or margins upon distributors;
- Rebates or discounts to increase customer loyalty that are not justified on grounds of economies of scale or gains in efficiency;
- Imposing supply-related exclusivity upon a distributor or customer;
- Imposing upon a distributor or customer the need to set aside a minimum market share of its sales for the supplier or comply with a minimum volume of sales.





## How to respond

***If you have any doubts regarding the legality of a situation in which you find yourself or a situation in which you wish to involve the group, you must contact your superiors and the Legal Department.***

***Planned agreements with one of the participants in the economic chain (competitors, distributors or customers) must be submitted to the Legal Department for approval in order to confirm their legality.***

***Likewise, the business practices that are mentioned above and could be considered as abuse of market power must not, under any circumstances, be implemented without prior approval from the Legal Department.***

***If you have access to sensitive information relating to competitors of the Legrand Group in one of its areas of business, please contact the Legal Department in order to inform them of this fact.***



**Associations or business organizations must have a useful, legitimate role**

## **4. Practical recommendations : specific situations to which special attention should be paid**

**Some of the situations mentioned below could occasionally mean that the company finds itself in a situation where it is in breach of competition law.**

**So far as at all possible, please avoid getting involved in such situations or, otherwise, take all necessary precautions.**

**Here are a few of the situations that may arise.**

### **■ Activities involving professional associations / Standardisation organisations**

Professional associations or organisations bring together all the participants in the economic chain and, more specifically, mutual competitors.

Under the pretence of the legitimate goal of promoting and defending the interests of an economic sector, the various meetings and events held by these organisations represent an opportunity for competitors to meet and exchange information and are therefore opportunities to commit breaches of competition law.

All necessary precautions should be taken to avoid exposing the Group to risks of this kind. Firstly, it should be noted that your participation in these

events must meet a Group need and the association must have a useful and legitimate role.



**Make sure  
all business  
practices have  
first been given  
approval from  
the association's  
legal office**

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PRACTICAL RECOMMENDATIONS: SPECIFIC SITUATIONS TO WHICH SPECIAL ATTENTION SHOULD BE PAID

Particular attention must be paid to the exchanges that take place via these professional associations. You must therefore check in advance that:

- the association or organisation has internal rules that make its members aware of competition law;
  - the meetings are organised around an agenda, which does not refer to prohibited practices. Minutes must be drawn up after each meeting.
- If any prohibited practices are implemented or even referred to in the course of the meeting by representatives of competitors, you should immediately demand that these discussions be broken off, publicly and specifically express your opposition and check that the meeting's minutes make reference to your statement. Finally, you must leave the meeting.

Business conducted via a professional association or organisation may prove sensitive due to the exchange of confidential commercial information, the pooling of certain research results or the fact that members do each other favours.

You must ensure that these practices or the information that is exchanged have received prior approval from the legal department of the association itself and/or the Group's Legal Department.



## Step up your vigilance during informal exchanges

### ■ Inevitable / informal meetings with competitors

Meetings may be organised between representatives of competing companies for various reasons. Most often, these meetings are informal and no records are made of what is said. You must take particular care with this type of meeting.

You must therefore request prior approval from your superiors regarding the relevance of your presence at such an event, as well as the information that may be exchanged while you are there.

In spite of their informal and confidential nature, these meetings must under no circumstances result in prohibited practices, either by yourself or by a competitor.

If the representative of a competitor broaches a subject that they should not, you must express your opposition, leave without participating in the discussion and report to your superiors.

### ■ Plant visits not organised in view of a potential take-over

When they are not organised in view of a potential take-over or sale, industrial plant visits require compulsory approval from your superiors or the

Legal Department. You must not ask any questions on sensitive subjects in the course of these visits.

In any case, when organised in view of a potential take-over or sale, the plant visit must take place under the responsibility of the Group's Corporate Development unit.

### ■ Negotiations prior to take-over or sales of subsidiaries or businesses

Before you even contact a competitor in view of a potential take-over or sale, you must contact the Group's Legal Department in order to be briefed and trained regarding the behaviour to be adopted and the information that may be discussed in the course of the negotiations.

Certain information may only be exchanged during the final stages of the take-over or sale process, with staff with the level of confidentiality necessary for the transaction (Corporate Development unit and General Management).

## How to respond

***You must abstain from participating in any events that are of no interest to the Group.***

***You must abstain from joining or participating in the meetings of a professional association that does not provide the necessary guarantees regarding competition law.***

***You must be proactive in the organisation and during any meetings. You must have a clear idea of the subjects that will be covered during future meetings.***

***If you detect or witness any prohibited practices, either when involved with a professional association or during another meeting, you must specifically demand that this be stopped. During an institutionalised meeting, you must demand that the minutes make reference to your request. If the discussion continues, you must leave the ongoing meeting or event and report to the Group's Legal Department.***

***When participating in pre-take-over or pre-sale meetings, we recommend that you contact the Corporate Development in order to be briefed on the elements which you are authorised to discuss and those on which you are prohibited from exchanging information.***

***If you receive a complaint from a competitor, a customer or a third party regarding the Group's involvement in anti-competitive practices, you must immediately inform the Group of the situation. Firstly, inform the company/person who lodged the complaint that you do not believe that there is a genuine risk of anti-competitive practices existing but that you are going to take their complaint into serious consideration by referring it to the relevant department.***

***Finally, if you have doubts over a well-established Group practice, you should contact the Legal Department. The fact that the practice is well-established should not prevent you from raising doubts about it.***

## 5. Conclusion

**Systematically call on the Group Legal department's help to dispel any doubt**

The aim of this guide is to make all of the Legrand Group's employees aware of the basic principles of competition law. Many rules are based on common sense, i.e. the Group's behaviour must not (a) obstruct free access to the market by its direct competitors nor (b) obstruct the commercial freedom of its distributors and customers.

Some practices do however require more in-depth knowledge of legislation: if you have even the slightest doubt, please contact the Group's Legal Department, which will decide whether or not to approve your approach.





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