8.3.2 - Operation of Management

The Chief Executive Officer (*Directeur général*) is vested with the broadest powers to act on the Company's behalf under all circumstances. The Chief Executive Officer exercises his powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to the Board of Directors and General Meetings of Shareholders. The Chief Executive Officer represents the Company its dealings with third parties (see section 12.2.2.2 of this registration document).

The internal rules set out certain major decisions that require prior authorization from the Company's Board (see section 8.3.1.1 of this registration document).

8.3.3 - Code of conduct with respect to trading and market activities

In 2006 the Group drew up a stock trading Code of Conduct.

This Code of conduct was adopted by the Board of Directors on June 2, 2006 and applies to all executive officers (*mandataires sociaux*), managers and senior executives (*personnes assimilées*). 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 at controlling transactions in the securities of the Company which may be carried out by persons with regular access to material insider information concerning the Company (see section 8.4.2).

8.4 - REPORT OF 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 present Chairman's report was approved by the Board of Directors on March 3, 2011*.

The Company makes formal reference to the principles of corporate governance for listed companies set out in 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. The Afep/Medef Code of Corporate Governance may be consulted on Medef's website at www.medef.fr.

* *This report has been approved by the Board of Directors on March 3, 2011, i.e. before the meeting of the Board of Directors which approved the changes in the Board membership as mentioned in paragraphs 8.1.1 and 8.3.1.1.2 of this registration document, and is then not updated with this information.*

8.4.1 - Membership of the Board of Directors

At December 31, 2010, the Board was made up of 11 members, each appointed for a period of four years. Their profiles and directorships outside the Group are presented in the Company's registration document, which can be consulted on the website of the AMF (www.amf-france.org) and on that of the Company (www.legrandgroup.com). Directors are required to hold at least 500 Company shares each. The membership of the Board and that of its specialized Committees reflect the two majority shareholders' efforts to seek a lasting balance among Directors representing these shareholders, independent Directors and management. Accordingly, it has been decided not to stagger the terms of office of Directors representing these majority shareholders.

Membership of the Board of Directors			
Name	**Duties**	**Date of first appointment**	**Term of office expires on (1)**
Gilles Schnepp	Chairman and CEO	12/10/2002	12/31/2013
François Grappotte	Honorary Chairman	12/10/2002	12/31/2013
Olivier Bazil	Vice-Chairman – COO	12/10/2002	12/31/2013
Mattia Caprioli	Director	07/25/2007	12/31/2013
Jacques Garaïalde	Director	06/06/2003	12/31/2013
Edward A. Gilhuly	Director	12/10/2002	12/31/2013
Gérard Lamarche (2)	Director	04/06/2006	12/31/2011
Thierry de La Tour d'Artaise (2)	Director	04/06/2006	12/31/2011
Frédéric Lemoine	Director	05/05/2009	12/31/2013
Ernest-Antoine Seillière	Director	12/10/2002	12/31/2013
Patrick Tanguy (3)	Director	02/10/2010	12/31/2013

(1) As of the date of the General Meeting of Shareholders called to approve the financial statements for the financial year closed at this date.

(2) Independent Director.

(3) Director co-opted to replace Arnaud Fayet. This cooptation was ratified at the Combined Ordinary and Extraordinary Meeting of shareholders on May 27, 2010.

Independent Directors

The Board of Directors ensures that there are at least two independent Directors serving on the Board at all times. Messrs. Gérard Lamarche and Thierry de La Tour d'Artaise are independent Directors.

Meeting on March 3, 2011, the Board confirmed its judgment that Gérard Lamarche and Thierry de La Tour d'Artaise qualify as independent Directors as defined by the Code of Corporate Governance. In compliance with the internal rules of the Board, available on the Company's website, the definition of "independent" is considered each year by the Nominating and Compensation Committee, which submits a report on this subject to the Board.

The Company being controlled by two majority shareholders with a Board of Directors composed of a majority of members that they propose, and the Company having also expressed the wish that its management be represented on the Board, it does not comply fully with the provision of the Code of Corporate Governance calling for at least one-third of Directors to be independent.

Diversity of membership of the Board of Directors

The Board considered the balance to be achieved regarding its own membership and that of its committees, especially concerning gender balance and skills diversity, in order to provide shareholders and the market with a guarantee that its missions are discharged with the required independence and objectivity.

In terms of diversity of Board members' profiles, American, Belgian, French and Italian nationalities are represented.. Seeking to remedy the absence of female Directors, the Board has begun a search for potential female applicants, which will either have reached fruition or be very well advanced by the date of the 2011 Annual General Meeting, thereby enabling compliance with the Code of Corporate Governance on this point.

Plurality of mandates

Gilles Schnepp, Chairman and CEO, holds a Directors' mandate in one other listed company. Olivier Bazil, Vice-Chairman and COO, holds no mandate in any other listed company.

8.4.2 - Preparation and organization of Board work

Considering the information presented below, the Company's practices in the preparation and organization of the work of the Board and its Committees comply with the recommendations of the Code of Corporate Governance.

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

The Board of Directors of the Company has adopted a set of internal rules (integrating a Directors' Charter) that can be consulted on the Company website at www.legrandgroup.com.

The Board has also adopted a Code of Conduct with respect to trading and market activities, also posted on the Company website. Under this code, managers and others with access to inside information are in particular prohibited from effecting, directly or indirectly, whether for their own account or on behalf of some other person, transactions in Legrand securities (i) as a minimum, during the two weeks preceding publication of quarterly financial statements (this period being extended to three weeks for the annual financial statements) and the two 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 is due to be updated during the first half of 2011 in order to take on board AMF recommendation No. 2010-07 of November 3, 2010.

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.

Information on Directors

In the execution of his duties, the Chairman of the Board communicates, at least 48 hours before each meeting, all documents and information necessary to the consideration of points on the agenda.

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 2010, the Board met six times.

Attendance of Directors at Board meetings was satisfactory, with the attendance rate 86% for the year. Participation in meetings of specialized Committees averaged 89%. Representatives of the Central Works Committee (*Comité central d'entreprise*) 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 provide that its deliberations are to be prepared in certain fields by specialized Committees: the Audit Committee, the Strategy Committee, and the Nominating and Compensation Committee. At Board meetings, these committees present detailed reports on their work.

In 2010, the Board met to consider the following agenda:

- resignation and cooptation of Directors;
- approval of the consolidated financial statements for the year ended December 31, 2009, the consolidated financial statements for the quarter ended March 31, 2010, the consolidated financial statements for the six months ended June 30, 2010 and the consolidated financial statements for the quarter ended September 30, 2010;
- Audit Committee report on its review of annual, quarterly and half-year consolidated financial statements and parent-company financial statements and related management reports, the report of the Statutory Auditors, key figures to be included in the press release, the missions of Statutory Auditors and of the budget for auditors' fees, the Company's risk management approach, and the internal audit plan;
- Strategy Committee report on the 2010 budget, on projected acquisitions, and on a review of acquisitions made and of strategic guidelines for future acquisitions;
- proposal for appropriation of earnings;
- consideration and adoption of the press release on annual, quarterly and half-year consolidated financial statements;
- report of the Nominating and Compensation Committee on Patrick Tanguy's application for the position of Director, fixed and variable portions of compensation for Executive Directors and related information, determination of the total allotment of stock options and free shares, amounts of stock-option and free-share allotments to Executive Directors, breakdown of Directors' fees, procedure for the review of the status of independent Directors, and approval of certain parts of the registration document relative to compensation of Executive Directors;

- new financing (bond issue);
- self-evaluation of the performance of the Board of Directors and its committees (summary and proposals);
- 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;
- convening of the annual Combined Ordinary and Extraordinary Meeting of shareholders (proposed agenda and resolutions);
- preparation of reports to be submitted to the General Meeting (Chairman's report on corporate governance and internal control; special reports on allotment of stock options and free shares);
- communication of the list of agreements as defined in article L.225-39 of the French Commercial Code;
- presentation of forecast financial statements at December 31, 2009 and at June 30, 2010;
- acknowledgement of the capital increase following exercise of options;
- presentation on operational subjects (new strategic development guidelines, sustainable development policy, business model for moving into the entry-level segment in emerging markets);
- implementation of the delegation approved under the seventh resolution of the Combined Ordinary and Extraordinary Meeting of shareholders held May 27, 2010, enabling in particular the pursuit of the liquidity contract.

Audit Committee

The powers of the Audit Committee and its organization are specified in the internal rules of the Board of which an excerpt appears in section 8.3 of this chapter, page 106.

Membership and duties

The Audit Committee is made up of three members appointed by the Board of Directors, including one independent Director. They are Jacques Garaïalde, Gérard Lamarche and Patrick Tanguy, whose personal profiles and education are presented in the Company's registration document. The Committee is chaired by Gérard Lamarche, independent Director, who has expertise in finance and accounting. Gérard Lamarche holds the position of Executive Vice President in charge of Finance at GDF Suez. Jacques Garaïalde, Managing Director at Kohlberg Kravis Roberts & Co. Ltd, and Patrick Tanguy, Managing Director and member of both the Investment Committee and the Management Committee at Wendel, also have expertise in finance and accounting.

The Committee assists the Board of Directors in finalizing parent company and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of systems in place for internal control and risk management, and is also tasked with coordinating issues relative to the preparation and control of accounting and financial information, as well as legal verification of financial statements. Its primary duties are to:

- 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 risks, and track 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.

2010 meetings

The Audit Committee met on four occasions during the 2010 financial year. Attendance for the year was 100%.

In 2010, the Audit Committee met to consider the following agenda:

- presentation of parent company and consolidated annual financial statements at December 31, 2009, of quarterly consolidated financial statements at March 31, 2010, of half-year consolidated financial statements at June 30, 2010 together with the half-year financial report, and the financial statements for the quarter ended September 30, 2010 (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 2010;
- review of the internal control and risk management section of the report of the Chairman of the Board;
- recommendations concerning the renewal of mandates for a Statutory Auditor and a deputy Statutory Auditor;
- review of the internal audit plan;
- presentation of the registration document;
- review of changes in IFRS standards;
- assignments of Statutory Auditors and budget for auditors' fees;
- risk management.

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

Nominating and Compensation Committee

The powers and organization of the Nominating and Compensation Committee are specified in the internal rules of the Board, of which an excerpt appears in section 8.3 of the present chapter, page 106.

Membership and duties

The Nominating and Compensation Committee is made up of five members appointed by the Board of Directors, including one independent Director. They are Jacques Garaïalde, Edward A. Gilhuly, Gérard Lamarche, independent Director, Frédéric Lemoine and Patrick Tanguy. The Committee is chaired by Frédéric Lemoine and its duties are to approve:

- all proposals of candidates for membership of the Board, general management, 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 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.

2010 meetings

The Nominating and Compensation Committee met on two occasions during the 2010 financial year. Attendance for the year was 62%.

In 2010, the Committee met to consider the following agenda:

- examination of the application of Patrick Tanguy for the position of Director;
- stock-option plans and free-share plans in respect of the 2009 financial year (total theoretical amount);
- compensation of Executive Directors in respect of the 2009 financial year (amount of compensation: fixed salary, bonus, performance-based, insurance, supplementary retirement benefits, covenant not to compete, benefits in kind, Directors' fees from subsidiaries; allotments of stock options and free shares);
- Directors' fees (breakdown in respect of the 2009 financial year);
- implementation of stock-option and free-share plans allocated in 2010 in respect of the 2009 financial year (individual allotments of options and free shares to employees and to Executive Directors; exercise price; determination of number of shares to be held by Executive Directors; regulations for stock-option and free-share plans);
- stock-option and free-share plans to be allocated in 2011 in respect of the 2010 financial year (principles);
- principles for compensation of Executive Directors in respect of the 2010 financial year (calculation of fixed salary, principles for calculating bonuses, principles for allocation of stock options and free shares);
- procedure for the review of the status of independent Directors;
- 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.

Strategy Committee

The powers and organization of the Strategy Committee are specified in the internal rules of the Board, of which an excerpt appears in section 8.3 of the present chapter, page 106.

Membership and duties

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

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

2010 meetings

The Strategy Committee met on three occasions during the 2010 financial year. Attendance for the year was 100%.

In 2010, the Strategy Committee met to consider the following agenda:

- presentation of 2009 estimates and proposed 2010 budget;
- approval of the 2010 budget;
- projected acquisitions;
- review of acquisitions made from 2005 to 2010;
- strategic priorities for future acquisitions.

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 procedure was formalized at the end of 2009. The summary in early 2010 showed general satisfaction among Directors as to the work of the Board and its Committees.

In the course of 2010, the Board of Directors deployed the following improvements in response to requests made by Directors during the self-evaluation:

- presentations on operational and cross-functional topics were organized, concerning the Company's strategy (development, communications, product design) and its sustainable development policy;
- a guided tour of a Company facility in France was organized in conjunction with the Board of Directors meeting on November 3, 2010;
- the setting-up of a dedicated document sharing platform for Directors was initiated, with the aim of deployment in the course of 2011.

In November 2010, a questionnaire was sent to the Company's Directors for the purpose of assessing the operation of the Board and its Committees in 2010. An item concerning this questionnaire was placed on the agenda for a meeting of the Board of Directors at the beginning of 2011.

8.4.3 - Limits on the powers of the Chief Executive Officer

Meeting on March 17, 2006, the Board of Directors voted 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.

With the exceptions of transactions and decisions requiring the prior approval of the Board of Directors pursuant to article 1 of the internal rules (which may be consulted at www.legrandgroup.com), the Board of Directors has set no limits on the powers of the Chairman and Chief Executive Officer.

8.4.4 - 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.

8.4.4.1 COMPENSATION AND BENEFITS OF EXECUTIVE DIRECTORS

Contract of employment of the Chairman and CEO

In line with the recommendations of the Code of Corporate Governance, the Board of Directors on March 4, 2009, took due note of the decision of Mr. Gilles Schnepp to renounce his contract of employment with immediate effect and without consideration.

The Board of Directors nonetheless judged that it was in the interest of the Company to enter into a new non-competition agreement with Mr. Schnepp, this agreement being for a period of two years and enforceable at the sole initiative of the Company. Mr. Schnepp agreed to provide this new covenant.

These initiatives bring the Company into compliance with the recommendation of the Code of Corporate Governance concerning the termination of contracts of employment in the case of a status of Executive Director.

Termination benefits

With the exception of benefits due on retirement (this information is noted in section 8.2.1.3 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").

Mr. Gilles Schnepp is subject to restrictions under a covenant not to compete which would occasion the payment of an indemnity equal to a maximum of one year's compensation (fixed and bonuses) and thus not exceeding the limit of two years' compensation provided for in the Code of Corporate Governance. This covenant can be enforced at the sole initiative of the Company. Similarly, Mr. Oliver Bazil is 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) and thus not exceeding the limit of two years' compensation provided for in the same Code. This clause can be enforced at the sole initiative of the Company.

The Company thus complies with the Code's recommendation concerning this type of indemnity.

Pension entitlements

The Executive Directors benefit from a system of supplementary pension entitlements compliant with the recommendations of the Code, which concern the number of beneficiaries, seniority, the upper limit as a percentage of Executive Directors' compensation, and the reference period used for the calculation of entitlements (this information is noted in section 8.2.1.3 of this chapter).

Stock options and free shares

The Company's stock option plans are outlined in section 9.2 of this registration document. *Allocations* of stock options and free shares made in the course of financial years 2009 and 2010 were made in light of the performance conditions set at the start of financial years 2008 and 2009.

For *allocations made in respect* of the 2010 financial year (i.e. the 2011 plan), the Board of Directors at the start of 2010 set the targets to be achieved in terms of economic income. Messrs Gilles Schnepp and Olivier Bazil were allocated free shares in light of the achievement of these targets, the number of which was set by the Board of Directors on March 3, 2011, at 65,737 free shares allocated to Gilles Schnepp and 62,151 free shares allocated to Olivier Bazil (see chapter 9 of this registration document).

Moreover, the allocation plan for 2011 makes the *vesting* of most of the free shares allocated to Executive Directors conditional upon the achievement of performance conditions defined by the Board of Directors. These conditions involve an external criterion (performance of consolidated net profit margin compared to a panel of peers over a four-year period) and two internal criteria (performance of economic income and economic margin over successive four-year periods).

In total, for the 2011 plan in respect of the 2010 financial year, the acquisition of free shares by Executive Directors is therefore conditional upon a dual set of performance conditions, which apply at the time of *allocation* as well as at the time of *vesting*.

Moreover, no discount is applied for these allocations and the Company provides no hedging instruments for these stock options and free shares.

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. Executive Directors do not benefit from this system.

The Company complies with the rules for the allocation of stock options and free shares defined in the Code of Corporate Governance, with the exception of the recommendation concerning the allocation of free shares conditional on the purchase of a defined quantity of shares when the free shares vest. The Executive Directors have already substantially invested in the Company's capital stock and are already subject to an obligation to hold at least 30% of all the shares acquired, including free shares and stock options, as long as they remain in office. Considering this, the Board of Directors, accepting the proposal of the Nominating and Remuneration Committee, has decided not to comply with this recommendation to the letter.

Principles for determining compensation

The principles for determining the compensation of the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer include:

- a fixed annual salary, determined with regard to the level of responsibility and the experience of each person, as well as market practice with reference to a survey conducted by an outside consultant;
- a bonus which must not exceed a maximum limit expressed as a percentage of the fixed salary, and which includes:
  - one half based on pre-defined quantitative criteria and linked to the financial performance of the Company, as measured each year by economic income (i.e. adjusted operating income less the cost of capital);
  - the other half based on the following qualitative criteria: (i) positive growth of net sales, innovation, increased market share, (ii) external growth policy, and (iii) sustainable development criteria;
- 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;
- allocation of stock options and/or free shares based on pre-defined quantitative criteria and linked to the financial performance of the Company, as measured each year by economic income (i.e. adjusted operating income less the cost of capital). Moreover, the allocation plan for 2011 makes the *vesting* of most of the free shares and/or stock options allocated to Executive Directors conditional upon the achievement of performance conditions defined by the Board of Directors. In total, the acquisition of free shares and the exercise of stock options by Executive Directors are therefore conditional upon a dual set of performance conditions, which apply at the time of *allocation* as well as at the time of *vesting*. No discount is applied for these allocations.

8.4.4.2 ATTENDANCE FEES PAID TO DIRECTORS

The maximum amount to be paid in attendance fees was set at €330,000 by the General Meeting of shareholders on April 6, 2006. This resolution remains in effect until the adoption of a new resolution.

A resolution will be submitted to the General Meeting of Shareholders on May 26, 2011, to set the overall amount of attendance fees at €600,000 so as to come more closely into line with existing market practise, to encourage the dedication and commitment shown by Directors and to leave shareholders the possibility of appointing additional Directors, thereby fostering diversity of membership in terms of gender balance and independence.

Subject to approval of this resolution by the General Meeting of Shareholders on May 26, 2011, and based on the report of the Nominating and Compensation Committee, the Board of Directors has decided, as of the 2011 financial year, to modify the amount of attendance fees to be paid to Directors in respect of the previous year 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 chairmen of the Strategy Committee and the Nominating and Compensation Committee, and to €20,000 for the chairman 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.

Moreover, the Executive Directors have proposed to waive their attendance fees as of the financial year 2011, a move which received the approval of the Board of Directors.

8.4.5 - Participation of shareholders in the General Meeting

Conditions for the participation of shareholders in Company General Meetings are described in article 11 ("General Meetings") of Company articles, which can be accessed at www.legrandgroup.com.

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

Meeting on February 9, 2011, the Board approved the management report provided for under article L.225-100 of the Commercial Code, concerning in particular factors likely to influence a public offering.

As provided by law, this management report will be filed with the registrar of the *Tribunal de Commerce* in Limoges at the same time as the present Chairman's report.

8.4.7 - Risk management and internal controls

8.4.7.1 DEFINITIONS, PURPOSE AND FRAMEWORK

Definition and purpose 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, resources and reputation;
- make Group decision-making and processes safe, and thus contribute to achieving objectives;
- ensure that initiatives undertaken are consistent with Group values; and
- rally Group employees to 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 purpose of the Group's internal control procedures relates to enforcement of principles that include:

- 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.

While internal controls naturally cannot provide an absolute assurance that the Group's objectives will be met, it should be emphasized that the Group's unique business model makes it easier for all subsidiaries to understand and implement its principles regarding internal controls.

Links between risk management and internal control procedures

Risk management and internal control procedures are constantly interacting, reinforcing each other in the process. Risk management policy is the foundation for internal control procedures, identifying risks that, because they exceed acceptable limits for the Group, must be addressed, if necessary through an action plan. Action plans may include provision for the implementation of controls under the supervision of the internal control unit, which in so doing contributes to treatment of risks. At the same time, the internal control unit, by analyzing processes within Group organizations, helps identify and focus attention on various risks that can, in turn, be addressed through the risk management policy.

Because of this interaction, the Group decided in the course of 2010 to group the two functions together in a single Risk Management and Internal Control Department. This unit reports directly to the Corporate Secretary. 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

To achieve these risk management and internal control objectives, the Group's management has set up a framework based on practices recommended by France's financial market authority AMF in its framework document published in June 2010.

■ 8.4.7.2 INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

Risk management

Organizational framework

This process is headed by the Risk Management and Internal Control Department reporting to the Corporate Secretary. The department has formalized the Group's risk management policy, which defines the process for identifying, analyzing and treating risks. It ensures that this policy is deployed, collecting indicators needed to evaluate risk and monitoring action plans implemented under the responsibility of risk owners identified in various divisions, departments and subsidiaries.

This general approach is overseen and monitored by a Risk Committee that includes the Group's general management. The Risk Committee met three times in 2010. Cross-functional issues are also addressed regularly at meetings of Group management committees.

The Group Audit Committee is also kept informed of all issues. Evaluation and treatment of risk is the object of a special annual exchange with the Audit Committee and of a report presented to the Board of Directors.

Risk management procedures

The Group's risk management procedures are in three stages:

1) Risk are identified relative to the value chain within the Group, being defined as threats or missed opportunities insofar as such opportunities are inherent in the Group's business or considered so by others in the field. The resulting list of risks is updated regularly by the Risk Committee on the basis of the information provided by both the Group's senior managers (top down) and its subsidiaries and departments (bottom up).
2) Risks are then assessed on the basis of historical and forward-looking indicators defined and validated by the Risk Committee. For each risk, these indicators are communicated to the Risk Management and Internal Control Department by the functional department or subsidiary that owns it. 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 homogenous set of criteria. Risk is evaluated both as it is found and as it is expected to be after correction.
3) Risks are treated in a variety of ways, resulting in their reduction, transfer, elimination or acceptance. The appropriate measures are defined by, and shared across, the Risk Management and Internal Control Department and risk owners, identified as such within divisions, departments and subsidiaries. The Risk Committee validates the treatment of the most significant risks directly.

Oversight and guidance

Risk management structures are backed by continuing oversight and guidance through a dedicated function within the Risk Management Department and Internal Control Department, as well as risk owners within divisions, departments and subsidiaries.

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, through a process that combines detailed tests of critical controls and self-evaluation questionnaires filled out by the subsidiaries concerned. Data gathered in these questionnaires and tests is documented, consolidated and analyzed using a dedicated intranet tool. This review process has led to a large number of initiatives resulting in general improvements at subsidiaries. At the end of December 2010, over 90% of such initiatives had already been completed, contributing to a considerable improvement in the overall quality of internal controls. Others will be deployed in 2011.

Oversight and guidance

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 Group's largest entities (France, Italy, the USA and China), the internal control unit also relies on local teams that coordinate the internal control process 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 13 staff members will be fully dedicated to internal control in 2011.

8.4.7.3 PROCEDURES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Objectives

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

- guarantee compliance of information in published accounts and financial statements with regulations;
- ensure that instructions issued by the Group's general management are applied, where such information is concerned;

- preserve the Group's assets;
- ensure detection and prevention of fraud and accounting irregularities insofar as possible;
- guarantee the reliability of financial information and internal accounts, as well as information communicated to 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 closes accounts, 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 framework

This framework is based on defining and deploying processes and procedures used to prepare and review financial and accounting information. Such information is for dissemination both within the Group for oversight and guidance, and outside the Group through communication and publication for markets. The system is deployed through concerted action involving contributions from the following staff:

Financial managers at 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.

Group Finance control

The Group's Finance Control Department plays a key role in monitoring of subsidiaries' performance. It coordinates the preparation of annual budgets and regularly reviews achievements and estimates. In doing so, it applies specific reporting and budget preparation rules, which are included in the internal control procedures manual.

All subsidiaries issue a detailed consolidation report every month, including 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, following 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 management of bank accounts is carried out in agreement 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, as well as protection and access conditions for systems and networks.

Oversight and guidance of internal control is carried out 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 in particular that fundamental controls for these cycles are both applied and operational.

8.4.8 - Financial ratings of the Company

At December 31, 2010, Legrand was rated as follows by financial ratings agencies:

- Standard & Poor's: BBB stable outlook;
- Moody's: Baa2 stable outlook;
- Fitch: BBB stable outlook.

The following developments have been recorded subsequent to December 31, 2010 and at the date of drafting this registration document:

- Standard & Poor's: rating upgraded to BBB+ with a positive outlook on February 11, 2011;
- Fitch: outlook upgraded to positive on January 28, 2011.

This information is communicated in compliance with recommendations in the Code of Corporate Governance.

8.4.9 - 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 the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and relevant professional auditing standards applicable in France.

For the Year ended December 31, 2010

Legrand
Société anonyme
128 avenue du Maréchal de Lattre de Tassigny
87000 Limoges, France

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, 2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing 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, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on 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 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 of:

- 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 of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the 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 given on 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 information

We 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, April 8, 2011
The Statutory Auditors

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