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MANAGEMENT BOARD REPORT

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MANAGEMENT BOARD REPORT
TO THE COMBINED GENERAL MEETING OF 14 MAY 2014

Ladies and Gentlemen,
In accordance with legal and regulatory provisions in force, the Management Board has convened you here in order to inform you on the management of your company and its subsidiaries and to submit for your approval the financial statements for the year ending 31 December 2013.

The Somfy Group is structured as two separate branches: Somfy Activities, which is dedicated to the automation and control of openings and closures in residential and commercial buildings (blinds, shutters, curtains, screens, doors, gates, etc.); and Somfy Participations, which is dedicated to investments and equity shareholdings in industrial companies operating in various business sectors.

Highlights of the year

Changes in Group structure

In May 2013, **Somfy Activities** made a 51% equity investment in the Brazilian company **Giga** for BRL 18 million (approximately € 5.5 million, including a deferred payment of € 1.8 million). This company designs and manufactures security systems which it markets to specialised distributors and installers in Brazil. This transaction includes an earn-out clause payable in 2015 based on the results of the 2013 and 2014 financial years. It also includes a first mutual put/call option exercisable in 2016 in relation to 24% of the capital and a second one exercisable in 2018 in relation to the remaining 25%. This acquisition generated provisional goodwill of BRL 23.6 million (€ 7.3 million), which is liable to change during the 12-month allocation period from the acquisition date. This company has been fully consolidated from April 2013 and contributed € 11.2 million to Group sales in the financial year.
At the end of November 2013, **Somfy Activities** acquired the usufruct of the entire capital of the Brazilian company **Garen Automação** for BRL 20 million (€ 6.1 million). This transaction includes an earn-out clause payable in 2016 based on performance criteria. Somfy Activities will also have the option of acquiring full ownership of the securities from 2016, through the exercise of options. Garen Automação has been fully consolidated from 31 December 2013. This acquisition generated provisional goodwill of BRL 46.9 million (approximately € 14.4 million), which is liable to change during the 12-month allocation period from the acquisition date.
In July 2013, **Somfy Participations** acquired shares in **CIAT** for a total of € 3.3 million, through its subsidiary Arve Finance, thereby increasing its equity holding in this company from 44.5% to 46.1%. This increase in the holding percentage did not alter the equity accounting of this company.

Tax audits

Somfy SAS was subject to a tax assessment in relation to the 2009 and 2010 financial years. The main adjustment related to the transfer price policy implemented between a subsidiary of Somfy SA, Somfy SAS and a number of distribution subsidiaries. The proposed tax adjustment for these two years totalled € 35.6 million. No provision was established at 31 December 2012 as the Group was confident at that time of achieving a favourable outcome and had therefore classified this dispute as a contingent liability pursuant to IAS 37.
During the second half of 2013, Somfy SAS, with the assistance of its legal advisers, accepted to enter talks with the tax authorities in order to reach an outcome acceptable to all parties.
Even though the Group still considers that the arguments put forward by the tax authorities are disputable, it is now likely that Somfy SAS will be compelled to accept a portion of the tax adjustment notified.
Therefore, the Group recognised a liability in the financial statements ended 31 December 2013 for the amount it deems necessary to settle this tax risk.
A provision of € 8.4 million was thus established, with a corresponding impact on the income tax charge for the 2013 financial year. A provision was also established at 31 December 2013 for other residual impacts resulting from this tax adjustment.
Somfy SA was subject to a tax audit in relation to the 2010 and 2011 financial years. A total proposed adjustment of

€ 4.4 million (including late payment penalties) for these two years was received on 27 November 2013. A provision was recognised in the financial statements for the year ended 31 December 2013 to cover the estimated cash outflow.

Somfy Mexico SA de CV, the Group's Mexican subsidiary, has been subject to a tax audit by the tax authorities in relation to foreign trade matters. The proposed tax adjustment amounts to € 1.6 million, primarily related to customs duties. Somfy Mexico has appealed to the Mexican tax authorities which confirmed its opinion at the end of September 2013. Following this reply, Somfy Mexico has appealed to the administrative court. The Group considers that the arguments put forward by the tax authorities remain disputable and is confident in the likelihood that this ruling will be overturned. Therefore, the Group qualified the risk as a contingent liability and no provision was recognised at 31 December 2013.

Presentation of financial statements

Parent company financial results

For the year to 31 December 2013, Somfy SA sales were € 2.7 million. Net financial income amounted to € 77.6 million, including € 63.4 million in dividends paid by its subsidiaries in respect of their net profit for the year to 31 December 2012.

Net profit totalled € 62.5 million, after deducting an income tax charge of € 4.6 million.

Consolidated financial statements

Sales

Group sales totalled € 996.8 million for the full year just ended. This was an increase of 0.7% in real terms compared to the previous year (up 3.2% on a like-for-like basis), and significant added momentum over the second half-year (up 5.2% on a like-for-like basis).

Somfy Activities' sales rose from € 889.8 million to € 922.8 million (up 3.8% on a like-for-like basis), an increase that was due to growth across all regions with the exception of Northern Europe.

The most significant growth was seen in Asia-Pacific, the Americas, and Central and Eastern Europe (up 10.2%, 8.1% and 5.2% respectively on a like-for-like basis).

Germany and France also performed well (up 4.2% and 2.7% respectively on a like-for-like basis). The same was true of Southern Europe, which returned to growth despite an economic environment that remained challenging across much of the region (up 1.6% on a like-for-like basis). Northern Europe by contrast remained negative due to poor weather conditions at the beginning of the year and the weak construction market (down 1.2% on a like-for-like basis).

Somfy Participations' sales fell from € 103.1 million to € 77.3 million (down 4.1% on a like-for-like basis), a decline that resulted primarily from the deconsolidation of Cotherm. The other two fully-consolidated companies, Sirem and Zurflüh-Feller, both recovered over the latter part of the period, but reported full year declines as a result of the fall recorded over the first few months (down 7.4% and 2.9% respectively on a like-for-like basis).

Sales by customer location

€ thousands	31/12/13	31/12/12	Change N/N-1	Change N/N-1 like-for-like
France	250,936	244,398	2.7%	2.7%
Germany	144,797	138,967	4.2%	4.2%
Northern Europe	87,769	89,619	– 2.1%	– 1.2%
Central and Eastern Europe	85,025	82,144	3.5%	5.2%
Southern Europe, Middle East and Africa	161,880	161,036	0.5%	1.6%
Asia-Pacific	94,080	89,884	4.7%	10.2%
Americas	98,331	83,789	17.4%	8.1%
SOMFY ACTIVITIES	**922,818**	**889,838**	**3.7%**	**3.8%**
SOMFY PARTICIPATIONS	**77,281**	**103,068**	**– 25.0%**	**– 4.1%**
Intragroup sales	– 3,297	– 3,265	1.0%	1.0%
SOMFY GROUP	**996,801**	**989,641**	**0.7%**	**3.2%**

Results

The Group's current operating result was € 150.6 million for the financial year, a 13.9% increase in real terms, and represented 15.1% of sales compared to 13.4% in the previous financial year. This increase was due to a higher margin on cost of sales, controlled employee expenses (2.1% decline against sales growth of 0.7%) and stable external expenses.

Consolidated net profit totalled € 101.2 million over the financial year (up 19.9% in real terms). It sustained a tax charge that rose sharply (€ 39.0 million in 2013 compared to € 26.1 million in 2012), as a result of the recovery in profits and a provision for the ongoing tax dispute within Somfy SAS (€ 8.4 million) and the increase in the tax rate to 38% (additional tax charge of € 2.2 million). It also benefited from an improvement of the net non-recurring expense (€ 11.8 million in 2013 compared with € 17.3 million in 2012) and a substantially improved share of profit of equity-accounted companies (profit of € 1.5 million in 2013 compared with a loss of € 10.1 million in 2012).

Financial position

The Group had a net cash surplus of € 92.3 million at the end of December, compared to € 31.1 million twelve months previously. This was due to a marked decrease in working capital requirements and a high level of cash flow being maintained. The change was primarily due to increased cash from operating activities.

The net financial surplus corresponds to the difference between financial assets and financial liabilities. Notably, it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earn out on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, convertible bonds, deposits & guarantees and government grants.

The net financial surplus is detailed in note 23 to the consolidated financial statements.

Segment reporting at 31 December 2013

€ thousands	Somfy Activities	Somfy Participations	Other	Inter-segment	Consolidated
Segment sales	922,818	77,281	–	– 3,297	996,801
Segment profit/(loss) (current operating result)	145,065	5,745	– 238	–	150,572
Share of net profit/(loss) of associates	59	1,440	–	–	1,499
Cash flow	139,102	15,653	– 9,722	–	145,032
Intangible assets and PPE investments	54,301	5,395	–	–	59,696
Goodwill	205,622	21,537	–	–	227,159
Net intangible assets and PPE	261,567	48,512	–	–	310,079
Non-controlling equity investments	143	152,705	–	–	152,848
Investments in associates	2,070	107,811	–	–	109,881

Valuation of Somfy Participations portfolio

Methodology

The net asset value at December 2013 is the sum of the financial assets owned by Somfy Participations.

Financial assets defined as bonds are valued at their nominal value including accrued interest.

Regarding fully-consolidated or equity-accounted investments and assets available for sale, the assessment methods chosen are the following:

Securities of unlisted companies:

For each investment, the enterprise value is measured according to standard methods, namely:

– **Market Peer Multiples method**
  A sample of comparable companies, comprising listed companies in the same industry for which analysts regularly publish their research and estimates, is identified for each company valuation. It is stable over time and is adjusted only if a comparable sample is no longer relevant. The multiples of the companies in the sample are calculated by (i) the average market capitalisation over the last 20 trading days prior to the assessment and net debt, which is estimated by analysts at the assessment date and (ii) EBITDA and EBITA estimates for the current year and the subsequent two years,

derived from the most recent consensus among analysts at the time of the analysis. A discount may be applied on certain multiples to reflect the smaller size of companies in the sample and the company being valued. The average multiples of EBITDA (Earnings before interest, taxes, depreciation and amortisation) and EBITA (current operating result excluding amortisation of intangible assets allocated following acquisitions) of companies in the sample are applied to the recurring EBITDA and EBITA of the current year and subsequent two years of the company being valued. The enterprise value derived is calculated as the average of the values obtained by applying these multiples to investment aggregates.

– **Discounted cash flow method (DCF)**
  This method involves determining the present value of cash flows that a company will generate in the future. The cash flow projections, prepared in association with the management of the company concerned, include a critical analysis of the business plan of these companies. The discount rate used is the weighted average cost of capital and represents the level of expected return on capital employed (equity and debt required to finance the activity). It is calculated using financial data collected for the same sample as that used for multiples. The cash flow projections correspond to those used for impairment testing.
– **Choice of method**
  Where the company being valued is mature in its market, its enterprise value is calculated by averaging the market peer multiples valuation and the discounted cash flow valuation.
  For investments where the bulk of future growth depends on new markets (resulting from a change of strategy) or which are in decline or recovering, the enterprise value is calculated using the DCF method.

This multiple criteria analysis notably takes into account Somfy Participations intrinsic knowledge of its equity and its approach to medium-term investment.

The so-calculated enterprise value is increased or decreased by non-operating items, assessed at their net book value or market value if it can be reliably determined and the net financial debt, to obtain the recalculated value of 100% of the subsidiary. Financial debt is valued at its nominal value plus accrued interest. The equity stake value in the net assets is obtained by applying the percentage of ownership by Somfy Participations at the date of valuation. A minority discount is applied for certain subsidiaries with minority shareholding and/or reduced control.

Securities of listed companies are valued using the average closing price of the last 20 trading days preceding the assessment.

New investments, subsidiaries and affiliates, whether listed or unlisted, are valued at cost during the first 12 months of their acquisition. Post-acquisition, the subsidiaries establish yearly consolidated financial statements, certified by the Statutory Auditors, and update their business plans and profit forecasts for the fiscal year following the date of acquisition. After this period, companies are valued as per the above listed methods.

Somfy Participations portfolio valuation

€ millions	31/12/13	31/12/12
Portfolio valuation:		
– Equity portfolio	313.4	275.3
– Mezzanine and convertible bonds portfolio	79.0	73.0
– Private equity funds	4.1	4.0
TOTAL PORTFOLIO VALUE	**396.5**	**352.3**
Net book value of the portfolio*	240.2	234.8

** Historical cost net of writedowns.*

Post-balance sheet event

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company Spirel, which took place in 2010. Somfy SA challenges the arguments put forward by Spirel employees' legal counsel and considers that it has fulfilled its obligations. Since it cannot be held responsible for Spirel's current situation, Somfy SA is confident in the likelihood that the Court will rule in its favour.

Outlook

The Group remains cautious due to current economic and monetary uncertainty. For this reason, the action plan aimed at increasing the Group's efficiency and competiveness will continue over the coming months.
The development effort will be maintained in parallel and adjusted in line with the economic climate. Its primary aim will be to consolidate Somfy Activities' positioning in strategic markets (original business, residential access, home automation, and emerging countries) and may therefore lead to tactical acquisitions, of the same type as Giga and Garen Automação.
Similarly, new investments will be examined by Somfy Participations, with the aim of strengthening the existing companies, in particular Zurflüh-Feller, and enhancing the portfolio.

Information on the distribution of capital and holdings

Distribution of capital (Article L. 233-13 of the Commercial Code)

To the best of the company's knowledge, the distribution of capital and voting rights is as follows:

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights at AGMs
J.P.J.S. SCA	3,858,802	49.24	7,717,604	58.59
J.P.J.2 SA	643,005	8.20	1,227,275	9.32
Manacor	391,900	5.00	483,810	3.67
Despature family and other	679,942	8.68	1,200,482	9.11
Total action in concert	**5,573,649**	**71.12**	**10,629,171**	**80.70**
FAAC Holding SAS	571,400	7.29	1,142,800	8.68
Treasury shares	412,730	5.27	–	–
Other shareholders	1,279,021	16.32	1,399,481	10.63
TOTAL	**7,836,800**	**100.00**	**13,171,452**	**100.00**

In November 2010, Silchester International Investors, acting on behalf of funds under its management, declared that on 1 November 2010 it had a holding of 595,775 shares representing 7.60% of the share capital of Somfy SA. Due to the lack of disclosure of whether upward or downward threshold crossings, this company is still presumed to hold between 5% and 10% of Somfy SA's share capital.
No shareholder other than those mentioned above holds, directly or indirectly, alone or in concert with others, more than 5% of the share capital or voting rights of the company.
Changes to this list during the 2013 financial year are described below in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

Reciprocal holdings (Articles L. 233-29 and R. 233-19 of the Commercial Code)

There are no reciprocal holdings as defined by current regulations.

Action in concert and retention agreements

Action in concert

By letter received on 7 June 2013, notably supplemented by a letter received on 18 June 2013, the limited partnership with share capital J.P.J.S., the limited companies J.P.J.2 and Manacor, the simplified joint stock company Somplus and certain members of the Despature family concluded, on 3 June 2013, a shareholders agreement constituting an action in concert between them, in relation to the company Somfy SA.

The main clauses of the agreement provide:

- **Action in concert:** the parties confirm their wish to act in concert within the meaning of Article L. 233-10 of the Commercial Code to implement a common policy with regard to Somfy SA. To that end, the parties undertake to make every effort and to consult one another, before every vote in the General Meeting of Somfy SA shareholders on resolutions relating to the appointment of members of the Supervisory Board or modification of the mode of administration or management of the company and any transaction in the capital of Somfy SA with a view to establishing a common position.
- **Maintaining the equity holding:** the parties undertake to maintain their overall equity holding in Somfy SA at more than 50% of the share capital and voting rights of this company.
- **Duration:** these undertakings are made for a period of ten years from the signature of the agreement, namely 3 June 2013. Any decision to reduce the term of the agreement will be made by a 3/4 majority of the Somfy SA shares held by the parties, it being understood that in the case of separation of the shares, the voting right will belong to the usufructary.

Collective retention agreements

A collective retention agreement relating to 60.83% of the share capital of Somfy SA and 70.08% of the voting rights of shares issued was signed on 30 December 2009 by several shareholders, including Management Board members Paul Georges Despature, Wilfrid Le Naour and Jean-Philippe Demaël, as well as Supervisory Board members Jean-Bernard Guillebert (for the duration of his term of office as member of the Supervisory Board, being until 16 May 2013), Jean Despature, Victor Despature, Xavier Leurent and Anthony Stahl, in accordance with Article 885 I bis of the General Tax Code, for a period of two years from 30 December 2009, automatically extended indefinitely after this two-year period.

In addition, ten collective retention agreements relating to 56.84% of the Somfy SA company share capital, were signed on 9 and 22 April 2010 and 13 December 2010 by a number of shareholders, including Management Board members Paul Georges Despature, Jean-Philippe Demaël and Wilfrid Le Naour and Supervisory Board member Jean-Bernard Guillebert (for the duration of his term of office as Member of the Supervisory Board, being until 16 May 2013) in accordance with Article 787 B of the General Tax Code, for a two-year period from the date of registration and automatically extended indefinitely after this period, unless one of the signatories gives notice of termination to other signatories.

Bylaws providing provisions relating to multiple voting rights (Excerpt of Article 28 of the bylaws)

"The voting right attached to the shares is proportional to the capital that they represent. All shares have the same par value and entitle their owner to one vote.

A voting right that is double that conferred on other shares is allocated to all fully paid shares that have been duly registered for at least four years in the name of the same shareholder at the end of the calendar year preceding that of each General Meeting.

In the case of a capital increase by the capitalisation of reserves, profits or issue premiums, registered shares granted free of charge to a shareholder in exchange for existing shares, which already benefit from this right, will be entitled to the same double voting right.

All shares converted into bearer shares or whose ownership has been transferred shall lose their entitlement to a double voting right, except in instances provided for by law."

Disclosure of shareholding threshold crossings during the 2013 financial year, pursuant to Article L. 233-7 of the Commercial Code

The concert between (i) Paul Georges Despature, his children and the company J.P.J.S. and J.P.J.2 under his control, the company Manacor, the company Somplus and certain members of the Despature family, stated that it had, on 3 June 2013, due to certain members of the Despature family entering into the above mentioned agreement, crossed the threshold of 2/3 of the share capital of the company Somfy SA and holds 5,554,832 Somfy SA shares representing 10,212,565 voting rights, equating to 70.88% of the capital and 77.43% of the voting rights in this company[6], broken down as follows:

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S.[1]	3,858,802	49.24	7,717,604	58.52
J.P.J.2[2]	633,558	8.08	1,142,902	8.67
Despature Family[5]	630,183	8.04	796,293	6.04
Manacor[3]	391,900	5.00	483,810	3.67
Somplus[4]	37,266	0.48	66,692	0.51
Paul Georges Despature and his children	3,123	0.04	5,264	0.04
TOTAL CONCERT	**5,554,832**	**70.88**	**10,212,565**	**77.43**

1. Company (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix) controlled by Paul Georges Despature.
2. Company (registered office: 11 A, boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg) controlled by Paul Georges Despature and his children.
3. Company (registered office: 11 A, boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg) controlled by Thierry Despature.
4. J.P.J.S. holds 35.71% of the share capital of Somplus, with the balance being owned by ten senior executives of Somfy Group.
5. Namely: Monique Delcourt (and her children), Jean Despature (and his children), Marie-Christiane Devienne (and her children), Anthony Stahl and the limited liability company PBA SARL that he controls, Françoise Leurent (and her children), Victor Despature (and his children), Chantal Ibled (and her children), Jean Despature and the limited company Yainville that he controls and Patrick Despature and the limited company Compagnie Financière Industrielle that he controls.
6. Based on a share capital comprising 7,836,800 shares representing 13,188,858 voting rights, in application of paragraph 2 of Article 223-11 of the General Regulations.

Information on the buyback of own shares
(Article L. 225-211 of the Commercial Code)

The company has implemented several successive share buyback programmes. The most recent buyback programme was launched in 2013; it was authorised by the Combined General Meeting of 16 May 2013, and had the following objectives:

– To stimulate the secondary market or ensure the liquidity of the Somfy SA share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by the “Autorité des Marchés Financiers”;
– To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company’s share capital;
– To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
– To cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
– To proceed with the possible cancellation of acquired shares, according to the authorisation granted by the General Meeting of 15 May 2012 in its seventh resolution, sitting in extraordinary session.

These transactions may notably be carried out at times of a takeover bid, in compliance with Article 232-15 of the AMF General Regulations, if the bid is entirely cash-based and buyback transactions are carried out as part of the continued implementation of an on-going programme and are not liable to make the bid fail.

The maximum purchase price is set at € 250 per share. Therefore, the maximum amount of the share buyback programme is € 195,920,000.

During the financial year just ended, on the basis of the authorisations given by the General Meetings of 2012 and 2013, the company bought back 18,695 shares at an average price of € 160.80, sold 19,454 shares at an average price of € 159.62 and transferred 14,100 shares at an average price of € 85.98 in relation to the exercise of share purchase options and 5,520 shares at an average price of € 120.15 in relation to the final allocation of free shares.

Out of the 18,695 shares acquired, 14,433 were allocated to the liquidity objective and 4,262 to covering share purchase option plans and plans to grant free shares to employees and senior executives of the Group.

Trading fees amounted to € 1,327.51.

No other shares were re-allocated for objectives other than those initially specified.

The company held 412,730 of its own shares at 31 December 2013, representing 5.27% of the capital. The value of the purchase price of the share amounted to € 176.80 for a nominal value of € 1 each, representing a total nominal value of € 412,730 (€ 862 for the liquidity contract, € 112,254 to be retained for future acquisition transactions and € 299,614 for option plans to purchase shares and/or free share allocation plans).

The Management Board will submit a new treasury share purchase plan for a period of eighteen months for shareholders' approval. This plan would replace the current programme, which will be terminated early. It would allow management to purchase up to 10% of the shares of the company, if necessary restated for any potential capital increase or decrease transactions that may be carried out over the timeframe of the programme. The objectives of this programme would be:

- To stimulate the secondary market or ensure the liquidity of the Somfy SA share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by the "Autorité des Marchés Financiers";
- To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company's share capital;
- To ensure the coverage of stock option plans and/ or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
- To cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
- To proceed with the possible cancellation of acquired shares according to the authorisation to be granted by this General Meeting of shareholders in its sixth resolution, sitting in extraordinary session.

These transactions may notably be carried out at times of a takeover bid, in compliance with the applicable legislative regulations.

The company reserves the right to use options or derivative instruments, in accordance with applicable regulations.

We propose to set the maximum purchase price at € 250 per share, and consequently the maximum amount of the share buyback programme at € 195,920,000.

As a result of the cancellation objective, we request that you authorise the Management Board, for a period of 24 months, to cancel, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, the shares which the company holds or could hold following share buybacks exercised under the terms of its share buyback programme, and to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force.

The Management Board would thus be granted the power to do whatever is necessary in that respect.

Information on investments and controlled companies

Investments in French companies during the financial year ending 31 December 2013 (Article L. 233-6 of the Commercial Code):

	Direct control		Indirect control	
Company name	Number of shares	% share capital	Number of shares	% share capital
Stor'm SARL	300 shares	60.0	–	–

Names of companies directly or indirectly controlled and the portion of Somfy SA's share capital held by them (Article L. 233-13 of the Commercial Code): none of the companies controlled by Somfy SA hold shares in Somfy SA.

Elements liable to have an impact in the event of a public offering (Article L. 225-100-3 of the Commercial Code)

Under existing regulations, the following may have an impact in the event of a public offering:

– The capital structure and all direct or indirect holdings known of Somfy SA and all relevant information that is described under "Information on the distribution of capital and holdings";
– There are no bylaw restrictions to the exercise of voting rights;
– There are no securities carrying special voting rights, aside from the existence of double voting rights enjoyed by fully paid shares registered under the same named shareholder for at least four years (see excerpt from Article 28 of the bylaws);
– Voting rights attached to Somfy SA shares held by personnel through FCPE Somfy (Somfy Investment Fund Scheme) are exercised by a representative appointed by the Supervisory Board of the FCPE to represent it at the Annual General Meeting;
– Commitments signed between shareholders that could lead to restrictions on the transfer of shares and exercise of voting rights have been referred to in the "Action in concert and retention agreements" section;
– Rules governing the appointment and replacement of Management Board members and any bylaw amendments are respectively provided for in Articles 15 and 30 of the bylaws reproduced below:

Bylaw provisions relating to the appointment and replacement of members of the Management Board (Article 15)

"The Management Board is composed of a minimum of two and a maximum of five members who may or may not be shareholders.

In accordance with and for the period provided for by the law, the Supervisory Board will appoint Management Board members, determine their number, nominate the Chairman of the Management Board and determine their remuneration.

No person aged over 70 may be appointed to the Management Board. Upon reaching this age, members of the Management Board are deemed to have resigned at the Supervisory Board's next meeting.

The Supervisory Board is authorised to assign the powers of the Chairman of the Management Board, as conferred by law, to one or more members of the Management Board who carry the title of Chief Executive Officer.

Management Board members can be re-elected.

In case of a vacancy, a replacement shall be appointed for the time remaining until re-election of the Management Board.

If a Management Board member seat is vacant, the Supervisory Board must change the number of seats it had previously set or fill the vacancy within a two month time frame so that the number of Directors does not fall below the minimum required by the bylaws. Otherwise, any interested party may ask the President of the Commercial Court, acting in chambers, to make this temporary appointment. The person thus appointed may, at any time, be replaced by the Supervisory Board.

Management Board members or the Chief Executive Officer may only be dismissed by the Annual General Meeting or by the Supervisory Board. If dismissal is decided without just cause, it may give rise to damages. In the case where an individual holds an employment contract with the company, the revocation of his/her functions purely as a Management Board member or Chief Executive Officer will not terminate this contract."

Bylaw provisions relating to bylaw amendments (Excerpt of Article 30)

"Only an Extraordinary General Meeting can modify the company's bylaws in all its provisions. Nevertheless it cannot increase shareholders liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.

It requires a two-thirds majority of votes of present or represented shareholders, including shareholders who voted by mail";

– Concerning powers, the Management Board has no delegations except those described under the sections "Information on delegations relating to share capital increases and other authorisations" and "Information on the buyback of own shares";
– Agreements concluded by the company that may be altered or terminated upon a change of control of the company are as follows: contracts signed between Somfy SA and credit institutions concerning credit facilities granted require the latter to inform the said banks of all projects related to a significant change in its shareholding, notably those resulting in a transfer of control to a new company;
– There are no particular agreements providing for benefits upon termination of the term of office of a Management Board member.

Information on the terms and conditions of retention of shares allocated free of charge to senior executives (Article L. 225-197-1 II section 4 of the Commercial Code)

At its meeting of 13 May 2009, the Supervisory Board set the number of shares that every member of the Management Board is required to retain in nominative form until the termination of their term of office: resulting in every member being required to retain 25% of the total shares allocated free of charge, this percentage being reduced to 20% at the end of four years from the allocation, then successively to 15% at the end of six years from the allocation, to 10% at the end of eight years from the allocation and to 5% until termination of their terms of office.

Information on appointments held and remuneration received during the financial year (Article L. 225-102-1 of the Commercial Code)

The Supervisory Board met on 15 November 2013 and reappointed the Management Board members. These appointments took effect on 27 November 2013, for a period of four years.
The Management Board is composed as follows:

Name	Position	Date appointed	Date term expires
Paul Georges Despature	Chairman	27 November 2013	26 November 2017
Jean-Philippe Demaël	Member	27 November 2013	26 November 2017
Wilfrid Le Naour	Member	27 November 2013	26 November 2017

Appointments held by Management Board members and remuneration received from Somfy SA and subsidiaries under its control

Paul Georges DESPATURE
Chairman of the Management Board

- Chairman of the Supervisory Board of Damartex SA,
- Chairman of the Remuneration Committee of Damartex SA,
- Member of the Audit Committee of Damartex SA,
- Member of the Supervisory Board of CIAT Group SA,
- Director of FAAC SpA and Compagnie Industrielle d'Applications Thermiques SA,
- Manager of CMC SARL.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of the measurements of performance for both the Somfy Activities and Somfy Participations branches, weighted by the contribution of each branch to the Group's net profit. A debt measurement criterion is added (net debt/ cash flow at 31 December of the relevant year).
Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.
Details of remuneration paid during the financial year just ended are included in the summary table (page 24).
Since the termination of his employment contract on 30 June 2010, the Chairman of the Management Board only receives remuneration in respect of his term of office.

Wilfrid LE NAOUR
Chief Executive Officer of Somfy SA, Somfy Participations branch

- Chairman of the Supervisory Board of Financière Nouveau Monde SA and Direction Marty Holding - DMH SA,
- Observer of NMP SAS,
- Chairman of Provence Nouveau Monde SAS,
- Member of the Supervisory Board of Damartex SA and CIAT Group SA,
- Director of Gaviota Simbac SL, FAAC SpA, Compagnie Industrielle d'Applications Thermiques SA and Pellenc SA,
- Manager of Somfy GmbH.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of three criteria specific to Somfy Participations:

– The change in the net asset value of equity investments,
– The percentage achievement of annual budgets,
– The improvement of Somfy Participations' financial position.

A qualitative criterion based on the Supervisory Board's approval of the strategic plan submitted has been added to these criteria.

Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.

The variable remuneration also includes profit sharing, employee shareholding and contributions to the Group savings scheme, as described in the Chairman's report on internal control and corporate governance.

Benefits in kind consist of the use of a company car.

Details of remuneration paid during the financial year just ended appear in the summary table (page 24).

Jean-Philippe DEMAËL Chief Executive Officer of Somfy SA, Somfy Activities branch

– Chairman of Somfy SAS,
– Chairman of the Board Office of Fondation d'Entreprise Somfy pour mieux habiter la planète,
– Chairman of the Management Board of Somfy España SA,
– Director of Automatismos Pujol SL, Asian Capital International Limited, BFT Italia SpA, Chusik Hoesa Somfy, Hong Kong CTLT Trade Co., New Unity Limited, Ningbo Dooya Mechanic & Electronic Technology Co, Ltd., Promofi BV, Sino Global International Holding Limited, Sino Link Trading Limited, Somfy Brasil Ltda, Somfy Middle East Co. Limited, Somfy Nederland BV, Somfy PTE Ltd., Somfy PTY. Limited and Somfy Taiwan Co Ltd,
– Manager of Somfy GmbH.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of an objective scale, taking the following items into account:

– Profit growth (average annual growth of current operating result over two years),
– Return on capital employed (average ROCE over two years),
– Business development, measured by sales growth and by its differential with the sales growth of a range of reference points comprised of nine companies considered to be comparable.

Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.

The variable remuneration also includes profit sharing, employee shareholding and contributions to the Group savings scheme, as described in the Chairman's report on internal control and corporate governance.

Benefits in kind consist of the use of a company car.

Details of remuneration paid during the year just ended appear in the summary table (page 24).

The company CMC SARL established a supplementary pension plan in 2006. This plan applies to Directors and III-C position Senior Executives, as well as Managers benefiting from an employment contract, in accordance with the categories defined by the French Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie.

The plan grants a contingent right to supplementary pension, pursuant to the so-called "Article 39", which is dependent on the seniority of the beneficiary (a minimum of 15 years). The right to a supplementary pension is acquired at a rate of 0.75% per year of service and cannot exceed 15% of the potential beneficiary's reference salary. The reference salary is defined as the average of the best three years after applying CNAV re-evaluation coefficients. Based on estimates setting at 35% the future rate of replacement provided by the compulsory pension plans when the affected population reaches retirement age, this plan should enable the rate to increase to 35 + 15 = 50% of the reference salary for beneficiaries whose career within the Group lasted 20 years or more.

Commitments of the plan and corresponding assets have been outsourced to an insurance company. Future commitments are fully covered by plan assets under management, which were measured at fair value.

Management Board member likely to be concerned by this plan: Jean-Philippe Demaël.

In relation to his employment contract prior to his appointment to the Management Board, Jean-Philippe Demaël also benefits from CMC SARL so-called "Article 83" defined contribution pension plan, applicable to Senior Executives as well as Managers benefiting from an employment contract, for whom the portion of contributions payable by the company represents 6.25% of remuneration, limited to the tranche B cap applicable to the Senior Executives' regime.

The exercise of stock options previously granted to Wilfrid Le Naour and Jean-Philippe Demaël is included in the special report presented to the Annual General Meeting, pursuant to Article L. 225-184 of the Commercial Code.

For members of the Management Board who had benefited from stock options until then, the new constraints introduced by the Law of 3 December 2008 have led the Supervisory Board to exclude them from future allocations of performance-based shares and stock options. However, the Board deemed it necessary to continue giving perspective to their contribution and bring their interest as much as possible in line with those of the shareholders and other managers, as in the past. Therefore, it was decided to grant them variable remuneration based on identical performance conditions to those used for allocating performance-based shares to Management. The proportion of the variable remuneration paid in this respect in 2013 corresponded to a performance condition achieved at 60%.

It should be noted that the Chairman of the Management Board remains excluded from stock option and performance-based share allocations and is therefore not concerned by this decision.

Appointments held by Supervisory Board members and remuneration from Somfy SA and subsidiaries under its control

Paule CELLARD
Member of the Supervisory Board

- Member of the Audit Committee of Somfy SA,
- Member of the Supervisory Board of Damartex SA,
- Chairman of the Audit Committee of Damartex SA,
- Member of the Remuneration Committee of Damartex SA,
- Director and Member of the Audit Committee of Crédit Agricole Private Banking Luxembourg.

Jean DESPATURE
Member of the Supervisory Board

- Member of the Supervisory Board of Damartex SA,
- Chairman of the Management Board of Yainville SA,
- Director of Autoplanet, Carbeo and VGL Food.

Victor DESPATURE
Vice-Chairman of the Supervisory Board

- Chairman of the Audit Committee of Somfy SA,
- Member of the Remuneration Committee of Somfy SA and SAS Mobilis,
- Chairman and Chief Executive Officer of MCSA SA,
- Chairman of the Supervisory Board of SCA J.P.J.D., J.P.J.S., Valorest, Acanthe, Cimofat and SC Soderec,
- Member of the Supervisory Board of SAS Mobilis,
- Permanent representative of MCSA SA, Chairman of SAS MCSA-CELERC, MCSA-SIPEM and MCSA-SET,
- Manager of SARL MCSA-Tunis and of SC VICMA, DEVIN-VD and LE MARECHAL,
- Director of SA COLAM ENTREPRENDRE.

Xavier LEURENT
Member of the Supervisory Board

- Vice-Chairman and member of the Supervisory Board of Damartex SA,
- Manager of FIDEP.

Valérie PILCER
Member of the Supervisory Board

- Member of the Audit Committee of Somfy SA.

Michel ROLLIER
Chairman of the Supervisory Board

- Chairman of the Remuneration Committee of Somfy SA,
- Chairman of the Supervisory Board of Michelin,
- Chairman and Chief Executive Officer of Siparex Associés,
- Director of Lafarge.

Anthony STAHL
Member of the Supervisory Board

- Member of the Supervisory Board of Damartex SA,
- Chairman of the Management Committee of FIDEP.

At the General Meeting of 16 May 2013, the following Board members were reappointed for the following durations to allow the implementation of staggered terms of office:
- Jean Despature, for a term of four years, until the end of the General Meeting to be held in 2017, convened to approve the financial statements for the financial year just ended,
- Victor Despature, for a term of four years, until the end of the General Meeting to be held in 2017, convened to approve the financial statements for the financial year just ended,
- Xavier Leurent, for a term of two years, until the end of the General Meeting to be held in 2015, convened to approve the financial statements for the year just ended,
- Anthony Stahl, for a term of two years, until the end of the General Meeting to be held in 2015, convened to approve the financial statements for the year just ended.

Remuneration of members of the Management Board and Supervisory Board

Summary of remunerations

(€)	Attendance fees 2013	Fixed remuneration 2013	Variable remuneration 2013 (*)	Benefits in kind 2013
Members of the Management Board				
Paul Georges Despature Chairman of the Management Board	–	210,000	40,000	–
Jean-Philippe Demaël	–	415,000	140,428	4,668
Wilfrid Le Naour	–	380,000	210,428	3,989
Members of the Supervisory Board				
Jean-Bernard Guillebert Chairman of the Supervisory Board until 16/05/2013	7,400	15,039 (**)	–	–
Michel Rollier Chairman of the Supervisory Board from 16/05/2013	10,709	31,183 (**)	–	–
Paule Cellard	6,500	–	–	–
Jean Despature	4,400	–	–	–
Victor Despature	15,000	–	–	–
Xavier Leurent	4,400	–	–	–
Valérie Pilcer	10,800	–	–	–
Anthony Stahl	4,400	–	–	–

(*) Variable remuneration paid in 2013 in respect of 2012.
(**) Remuneration as Chairman of the Supervisory Board.

Options allocated and exercised during the financial year

The Chairman of the Management Board is not a beneficiary of option plans or performance-based shares.
During the financial year, no member of the Management Board received option or performance-based shares, nor benefited from performance-based shares that became available to them.

Wilfrid Le Naour – Position at 31/12/13

Plan N°	Date of allocation	Date of vesting	Allocation price	Unexercised at 31/12/12	2013 allocations	2013 exercised	2013 lapsed	Balance at 31/12/13
15	02/04/08	03/04/12	155.00	3,000	–	– 3,000	–	–
				3,000	**–**	**– 3,000**	**–**	**–**

Jean-Philippe Demaël – Position at 31/12/13

Plan N°	Date of allocation	Date of vesting	Allocation price	Unexercised at 31/12/12	2013 allocations	2013 exercised	2013 lapsed	Balance at 31/12/13
15	02/04/08	03/04/12	155.00	3,000	–	– 3,000	–	–
				3,000	**–**	**– 3,000**	**–**	**–**

Procedure for setting the remuneration of Management Board and Supervisory Board members

The remuneration of Management detailed above is proposed by the Remuneration Committee. It is revised each year on the basis of expert advice and is in line with the market.

The Remuneration Committee, having considered the Middlenext recommendations on the remuneration of Directors of listed companies, submits for approval to the Supervisory Board the various components of remuneration and the criteria for allocating the variable share of Directors' remuneration, so that their remuneration may be fixed.

At the General Meeting of 16 May 2013, the shareholders decided to set attendance fees for the next financial years at € 100,000 until otherwise specified.

The Supervisory Board apportions attendance fees among its members in proportion to their attendance at Board meetings and Audit Committee and Remuneration Committee meetings.

The Chairman of the Supervisory Board receives specific remuneration for carrying out his duties as Chairman.

Information on transactions performed by directors during the financial year (Article 223-26 of AMF General Regulations)

The company is aware that various transactions falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code have been carried out during the past financial year.

Purchases (€)

Registrant and nature of transaction	Amount
Wilfrid le Naour, Member of the Management Board	465,000
Jean-Philippe Demaël, Member of the Management Board	465,000
Exercise of stock options	930,000
Michel Rollier, Chairman of the Supervisory Board	9,350
Yainville, related to Jean Despature, Member of the Supervisory Board	206,730
J.P.J.2, related to Paul Georges Despature, Chairman of the Management Board	1,588,071
Acquisition	1,804,151
TOTAL PURCHASES	**2,734,151**

Sales (€)

Registrant and nature of transaction	Amount
Wilfrid le Naour, Member of the Management Board	409,899
Jean-Philippe Demaël, Member of the Management Board	327,663
Disposal of securities issued through the exercise of stock options	737,562
TOTAL SALES	**737,562**

Corporate governance

Audit Committee

The Audit Committee currently comprises three members: Victor Despature Committee Chairman, Valérie Pilcer and Paule Cellard.

The Committee's mission is to monitor the preparation of financial information and the efficiency of internal control and risk management systems. It is also informed of due diligence carried out by the Statutory Auditors in their legal assignment to audit the parent company and consolidated financial statements, ensures the latters' independence and is involved in their selection.

The Audit Committee supervises the work of Internal Audit and approves the annual audit plan. It proposes, directs and ensures the follow-up of Internal Audit assignments.

Since its creation, it has met at each half-year and year-end balance sheet date.

During the 2013 financial year, the Audit Committee met on five occasions with all members in attendance, with the exception of one absence at one meeting.

Under the supervision of the Audit Committee, the Internal Audit Department reports to the Chairman of the Management Board, and by delegation to the Group's Chief Financial Officer.

This department, comprising the Internal Audit Officer and the equivalent of 2.5 auditors, carries out audits that evaluate the correct application of accounting principles, the organisation and the systems put in place within the entity subject to audit.

An annual audit plan, prepared together with the Management of Somfy Group, is approved by the Management Board and then validated by the Audit Committee. The assignments included in the audit plan provide an independent assessment of the efficiency of the systems of internal control in each entity.

Where appropriate, the main weaknesses identified in internal control are reported and recommendations are issued. A follow-up of the implementation of recommendations is made each year. A report is presented to the Management Board and to the Audit Committee.

In addition, urgent assignments that were not provided for in the audit plan may be carried out during the year at the request of the Management Board or the Audit Committee. Twice a year, the Internal Audit Officer presents a report on the activities of the Department to the Management Board and the Audit Committee.

Remuneration Committee

Following the expiry of Jean-Bernard Guillebert's term of office as member of the Supervisory Board with effect from 16 May 2013 and as result of its non-renewal, the Remuneration Committee currently comprises the following two members: Michel Rollier, Committee Chairman (independent member) and Victor Despature. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount and calculation of Director remuneration and to provide advice concerning the amount of attendance fees.

At least once a year, the Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.

During the year just ended, it met three times. The rate of attendance by the members was 100%.

The members of the Remuneration Committee report verbally to the Board on their work and on the opinions they have issued, thus helping the Board to prepare and make decisions in terms of Directors' remuneration.

Independence of members of the Supervisory Board

As provided by the Middlenext framework, the Board has assessed the independence of its members.

Based on the independence criteria suggested by the Middlenext framework, the Supervisory Board notes that, to date, an independent member of the Board is a member who has no relationship of any nature whatsoever with Somfy SA or its management, or with a company consolidated by the Somfy Group, that may affect his/her freedom of judgment, and who meets the following criteria:

– Is not and has not been an employee and does not hold and has not held a general management position within Somfy SA or any other Group company over the last three years;
– Is not a significant customer, supplier or banker of Somfy SA or its Group, or for which Somfy SA or its Group represents a significant share of his/her business activity;
– Is not a significant shareholder of Somfy SA;
– Is not closely related to a Director or major shareholder;
– Has not been a Statutory Auditor of Somfy SA over the past three years.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Valérie Pilcer and Michel Rollier qualified as independent members.

Information on research and development activities (Articles L. 232-1 and L. 233-26 of the Commercial Code)

In 2013, Somfy Group firstly redesigned its "R&D Center" site in Cluses in order to accommodate multidisciplinary teams on project platforms. By providing a common workspace for all the functions connected to a project (design, marketing, purchasing and production), sharing and efficiency should be improved, thereby reducing the development time and the time to market for new products. 90% of Somfy Group's R&D and marketing teams are now based in Cluses and not far from the factory which assembles the value-added products.

In research related to home automation, efforts were focused on expanding the range to include new equipment. In 2013 therefore, image handling to remotely display the interior of homes, compatibility with all security sensors and energy consumption monitoring were all incorporated. In addition, to create a genuine "ecosystem" of interoperable home automation solutions, Somfy Group's R&D teams forged links with leading home, heating and security manufacturers. Development partnerships were signed with GDF Suez, Atlantic, De Dietrich and Hitachi. Lastly, in line with the Group's mission to help improve living environments, home automation research also focused on the issue of supporting elderly people in their homes. Thus, tests were carried out in Holland to develop a new concept of housing for the elderly: equipment evolves in parallel with the occupant's level of dependency and is only deployed as and when required.

In the commercial buildings market, R&D focused in 2013 on the creation of digital solutions enabling feedback and improved interaction with the building's management system. Somfy Group's aim is to launch these digital motors from 2014, notably in Asia and America. In parallel, Somfy Group has been working with Bouygues, on providing householders the opportunity to control their blinds from their computer.

In 2013, these new products and solutions were protected by the registration of 36 new patents, enhancing a portfolio of 450 active patents.

Information on employee shareholding
(Article L 225-102 of the Commercial Code)

At 31 December 2013, the FCPE Somfy (Somfy Investment Fund Scheme) held 52,254 Somfy SA shares amounting to 0.67% of the company's share capital.

Social and environmental reporting (Article L. 225-102-1 of the Commercial Code)

A policy of Sustainable Development integrated into the Somfy Group strategy

The Somfy Group shares with its employees a culture of responsibility that underpins its Sustainable Development policy.

Somfy Group companies exercise their environmental, social and societal responsibility through the implementation of Sustainable Development strategies guided by the following objectives:

- Minimising the environmental impact of all its activities, sites and products;
- Ensuring the professional and personal development of all its employees;
- Discharging their civic responsibility by involving themselves in social issues consistent with their areas of work;
- Supporting the development of communities wherever they are established.

In the field of housing, Somfy Group sought to help improve living environments, by meeting peoples' growing expectations in terms of comfort, security, saving energy and maintaining their independence, by acting responsibly and ensuring that natural resources are preserved.

Several principles help ensure the implementation of these strategic policies:

- A continuous improvement plan measured by indicators,
- The establishment of a structured dialogue with the stakeholders: customer satisfaction survey, measuring employee commitment, investor and shareholder relations policy, active participation both internationally and locally with working groups and organisations on industry issues,
- Regular and transparent communication.

Somfy Group's Sustainable Development policy addresses the high expectations of its customers and all its stakeholders, be they the development of environmentally friendly solutions, or social or societal commitments.

Governance

The organisation as a whole and the teams within the Group contribute to the continuous improvement of the Sustainable Development policy.

Since 2008, Somfy Activities has had a Sustainable Development Department. It reports to the Group's Operations Department. Its missions are to guide the implementation of the Group's environmental commitments.

The Group Human Resources Department has the task of guiding the implementation of Somfy Activities' commitments relating to social matters.

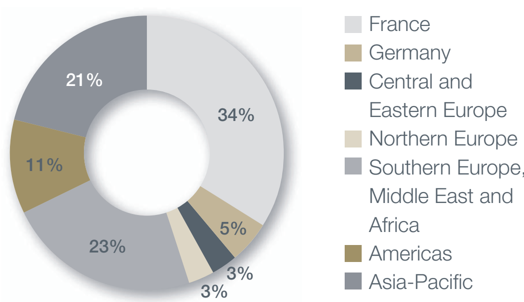
The Communications Department has the task of guiding the implementation of Somfy Activities' commitments relating to societal matters. In this regard, the Group Communications Director is a member of the Somfy Foundation Governing Board, the main driving force of the Group's citizenship policy, and whose main purpose is to support projects that fight poor housing.

The Strategic Committee for Sustainable Development brings together the Sustainable Development Director, the Group Human Resources Director and the Group Communications Director. Its mission is to ensure the coherent implementation of the three lines of Somfy Activities' Sustainable Development strategy: Planet, Employees and Company.

Social information

Contextual data

At 31 December 2013, total group workforce was 6,654 people and was analysed as follows:



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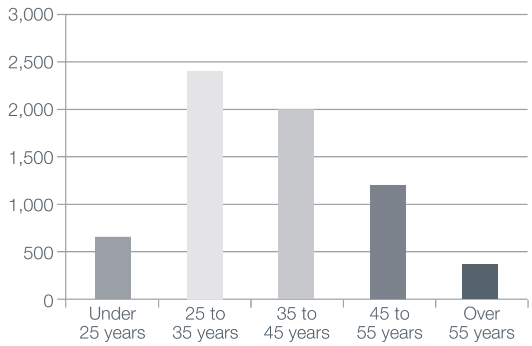
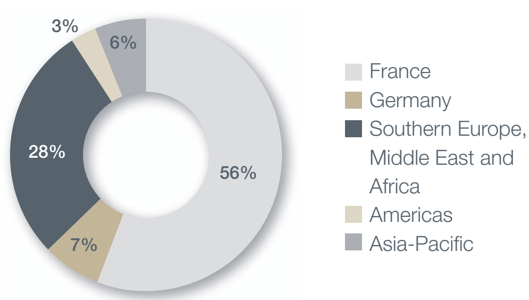
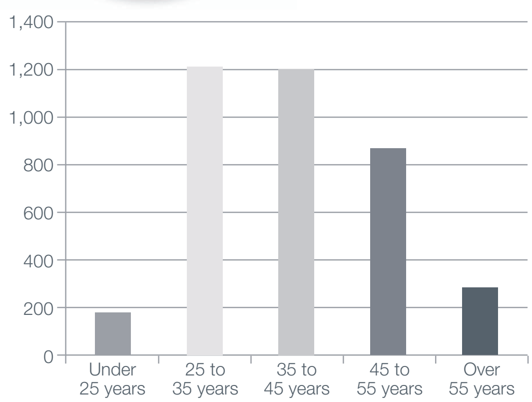


Employee expenses amounted to € 298.9 million at 31 December 2013.

The 2012 report was limited to a scope covering France, comprising 2,154 people in four companies. The 2013 report now covers nine Somfy Group companies, representing a workforce of 3,776 people, equating to 57% of the Group's total staff.

These companies are located on four continents (Europe, Africa, Asia and America) and in six countries (France, Germany, Italy, Tunisia, China and USA).





It should be noted that the expanded analysis scope of the social data will temporarily render any comparison with data from the previous report difficult.

Some companies were excluded from the scope of this report. This situation is related to the existence of very low workforces in certain organisations (distribution subsidiaries spread out over vast geographic areas such as Russia or South America), or the lack of Human Resources information systems designed for collecting data easily.

To overcome this last difficulty, an international information system is currently being deployed within the Group's main entities, its aim in the long run being to cover all Somfy Activities regions and companies.

A responsible corporate policy

The Group's Social Responsibility policy is to primarily support Somfy Group's transformation in its continued international expansion, in creating new markets and increasing its innovation activity.

In 2013, the Group continued to deploy its Human Resources road map along three main lines:

– Commitment,
– Skills and employability,
– Performance.

All the initiatives deployed are aimed at developing the Group's "Employer" brand to simultaneously make it a lever to create both commitment and external attractiveness.

Commitment

• Preamble

The measures deployed help to provide both direction to the collective project and consistency to maintain and strengthen commitment within the teams.

• Working organisation

In all the companies within the scope, the average working week complies with the applicable local legislation and varies between 35 and 40 hours of work per week.

The options for individual arrangements vary according to country and site activity. Such arrangements are better developed in Europe and in non industrial activities.

Workforce analysis by shift

	31/12/13	
Daytime work	2,321	61%
Shift work	1,279	34%
Part time work	176	5%
TOTAL	**3,776**	**100%**

Organisation by shift schedule is predominant on our production sites. Depending on the sites it varies between 25 and 90% of the workforce. Overall, shift-based organisation concerns 40% of the scope's workforce.

It should be noted that on the six industrial sites covered by this report, night work is not a permanent working arrangement.

Collective working hours can vary depending on production plans and business opportunities. This flexibility is essential in adapting to market needs.

• Social relations

Social dialogue is an important element in regulating the collective organisation of work. The company wishes to enhance its quality and role.

All the companies comply with the local laws and agreements connected with their activities.

Although not all have union representatives, social dialogue is guaranteed or implemented through meetings and/or communication with staff representative bodies or with employees directly.

In 2013, certain companies signed new agreements or amendments to agreements concluded in previous years.

Certain agreements or action plans related to issues triggered by the legislature, for example in France (professional equality) or in Italy (training).

More generally, the main agreements and amendments signed related to:

– Salary increases (France, China and Italy),
– Arrangements for the allocation and administration of profit sharing and employee shareholding to beneficiaries (France),
– The allocation of exceptional bonuses (Tunisia),
– Gender equality (France),
– Employee training (France, Italy),
– Generational contract and Forward Planning of Employment and Skills (France),
– Social dialogue framework (France).

Social dialogue is a way of making Somfy Group's social frame of reference progress and informing employees about the Group's position and its development and transformation areas.

• Health and safety

Most of the companies have an occupational health department and internal safety functions, notably strengthened in France by the support of Company Doctors and specialists in ergonomics.

At a constant scope compared with 2012, it should be noted that the frequency of work related accidents fell significantly for three of the companies concerned and increased for the fourth. Conversely, the severity increased for three of them, with only one company making progress in relation to this second indicator. Preventive actions had an effect on the frequency but they must be continued in order to reverse the severity trend.

Rate of frequency and severity

Companies	Somfy SAS		Simu SAS		Zurflüh-feller		Sirem	
Period of comparison	2012	2013	2012	2013	2012	2013	2012	2013
Frequency	15.28	7.53	17.25	12.01	20.15	34.12	80.65	69.56
Severity	0.35	0.38	0.11	0.13	0.33	0.72	4.70	3.77

Within the new 2013 scope, it should be noted that the consolidated rate of frequency was 14.55 and the severity rate was 0.42.

Safety training was completed by new and existing employees as well as specialist staff (nurses and safety officers).

By way of illustration, Somfy SAS staff completed the following safety training:

Type of training	Number of hours	Number of trainees
Reception Security	241	107
Improving how we move on a daily basis	133	19
First-aid training	728	52
Electrician accreditations	952	57
Stress management training	231	46
Professional licence for health and environmental occupations	350	1
CACES recycling training courses	367.5	35
Electrical/housing/electronic recycling accreditation	885	85
TOTAL	3,887	402

More than a quarter of staff thus received safety training, for an average of around ten hours.

The average rate of absenteeism was 4.4% for the entire reporting scope. This rate is lower than the rate observed, for example, in the metallurgy sector in France (5.4% in June 2012).

Work related accidents and occupational diseases are monitored, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example).

In regard to accidents at work, preventive action taken in 2012 and 2013 within companies already included in the 2012 report was successful, leading to a significant reduction in work related accidents (90 in 2012 compared to 59 in 2013).

The rate of frequency is in line with the industry average whilst the rate of severity remains significantly lower than the average rate, notably in France. The company will nevertheless continue to take action in this area as it remains unsatisfied with this situation.

The employees at highest risk are provided with individual protective equipment.

With regard to occupational diseases, the operations carried out in our production workshops are mainly assembly operations involving small parts. The main risks are those linked to repetitive assembly process operations (Musculo-Skeletal Disorders – MSD).

Close monitoring of these MSDs has been carried out for many years in the French factories, with measures targeting improvement from the design of equipment through to the training of workers in their gestures and posture. This expertise in the prevention of MSD in France has benefited other Group factories through the application of our industrial standards.

Nevertheless, the number of people affected by a recognised occupational disease has slightly increased over the last two years and warrants greater attention in terms of reducing the demanding nature of certain work situations.

Monitoring of Somfy SAS trends in occupational diseases

	2010	2011	2012	2013
Number of conditions declared	10	7	15	15
Number of people affected	7	6	8	10

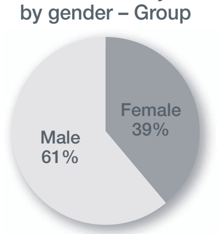
In addition, action in the area of reducing psycho-social risks and managing stress has been taken, notably in France. Prevention in these areas helps to strengthen wellbeing at work and therefore employees' commitment. Quality of working life is a leverage tool that the company will gradually extend across its entire organisation.

• Equal treatment

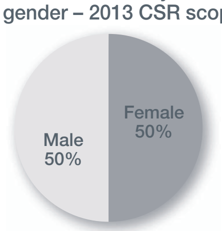
Taking into account developments in legislation, the French companies have signed agreements or action plans committing them to action in the field of professional equality.

It should be noted that, of the 3,776 employees included within the scope of this report, the workforce is almost equally split between men and women. This ratio falls to 39% women and 61% men across the Group as a whole.

Workforce analysis by gender – Group



Workforce analysis by gender – 2013 CSR scope



In the area of disability, the majority of the Group's companies are subject to local regulations with which they comply. Some take additional action, often with the support of specialist agencies, to improve the working conditions of any employees affected by specific health problems, their continued employment remaining an ongoing priority.

Several measures, such as adapting workstations or working hours, adapting premises, or support in terms of restructuring or reclassification can be seen.

In regards to recruitment, the publication of employment offers on specialist sites, participation in disability forums, partnerships with specialist agencies, etc., all create greater potential for recruiting disabled people.

In other areas, most of the companies take great care not to discriminate in any way whatsoever from the recruitment process on, and later in the career management of employees.

Certain agreements and action plans expressly refer to objectives in this regard.

Somfy Group has a network of Human Resources Managers extending across the entire scope covered by this report. One of their main roles is to ensure the respect of Human Rights, particularly examining within their scope rights and concerns relating to racial discrimination, torture, enforced disappearances, disabled people and the rights of women, children, migrants, minorities and indigenous peoples.

By way of example, the agreements signed by the French companies in the field of professional equality particularly relate to:

- Working conditions and reconciling work and the exercise of family responsibility,
- Actual remuneration,
- The training and professional qualification of women,
- Job desegregation,
- Professional career and promotion,
- Recruitment.

• Commitment survey

In late 2012, the Group conducted a survey on commitment covering its entire worldwide scope. Commitment goes beyond just team satisfaction and constitutes a key factor for the company's success.

The Group return rate for this survey was 82%.

The overall results were provided to all management and employees at the start of 2013.

These results highlighted our strengths, to be maintained, as well as our opportunities for improvement:

Opportunities	Strengths to maintain
Career opportunities	Somfy Group
Remuneration	Company image
Performance	Interesting work
Local management	Colleagues

Management was responsible for implementing and following an action plan with its team and to thereby help improve the commitment of Somfy Group employees.
To date, approximately 350 action plans (in France and internationally) have been finalised in consultation with the teams.
The main areas covered by these action plans are cooperation, training and development, Performance management, work processes, recognition, career opportunities, customer focus and management.
During the first half of 2014, a new commitment questionnaire will measure the extent to which these action plans have improved the previous score.

Employability and skills

• Preamble
All the initiatives are undertaken to ensure that the skills of Group employees are matched with the organisation's needs and to ensure the employability of staff.

• Employment
Following a global effort initiated by Group management to reduce structural costs, Somfy Group sought to maintain profitable growth as the only way to preserve its financing capacity and growth drivers.
This streamlining was accompanied by a different breakdown of staff. Thus, five companies located in Europe and the United States saw their workforce fall in 2013, whilst four others, mainly industrial sites, saw their staff numbers increase (by 3% in China and 6% in Tunisia).
In total, the workforce within the scope has remained stable, with 372 new employees for 373 people leaving (including 26 redundancies).

• Training
All levels of staff employed by all companies within the scope of the report received training.
The most popular training topics concern management, lean manufacturing, design and innovation, quality, safety, and the development of international opportunities.
New training modules were launched in the area of project management and customer focus.

Analysis of training hours

	2013	
Managers	17,065	36%
Employees and Technicians	21,090	45%
Workers	8,686	19%
Total excluding SITEM*	46,841	100%
Total including SITEM	**52,073**	

** No tracking of training hours per professional category.*

• Jobs and Skills Planning and Generations
Somfy Group has begun setting up an Observatory in France responsible for skills forecasting analysis, in particular those that may be impacted in qualitative and quantitative terms in the years ahead.
Somfy Group will provide its skills forecasting analysis, particularly in relation to affected skills, through this Observatory. In this way, the company and its employees will be mutually accountable on the issue of employability.
In parallel, a device known as HORIZON was introduced in France to support employees in relation to analysing and securing their career path and to identify further progression where applicable.
Created in the autumn of 2013, approximately 150 employees will benefit from this programme in 2014.

• Academy: Leadership and management
Somfy Group has created and deployed a new Academy focused on strengthening leadership and team management. This training programme was rolled out globally through both France and International pilot groups. This Course, aimed at Managers' Managers, strives to strengthen our ability to adapt to internal and external change, and to encourage transformation by sharing a common managerial language and practices.
The course involves 12 days of training, spread over nine months. It covers all top management, approximately 170 people. 30 managers were thus trained in 2013, with another 30 in 2014.
In parallel, the Management Committees of the various entities have adopted the processes and tools identified during this course, and have deployed them at an operational level within their teams.
This dual approach encourages the adoption of managerial practices best suited to our organisation's challenges.

Performance

• Preamble
The Group's aim is to strengthen the culture of individual and collective performance whilst adhering to its values.

• Project to overhaul the performance review
A new mechanism to monitor performance is under construction, integrating cross entity targets to promote cooperation, and the strengthened link between performance and bonus. It should be rolled out from the end of 2014, following the training of managers.
Within the framework of the Academy "Leadership and Management", the managers are already being trained in providing feedback to and coaching their teams.
The impact of the new Performance development system will ensure quality and uniformity in the rollout of an appraisal system which:

– Expressly informs employees of the requirements and priorities related to their position (permanent tasks);
– Defines Group performance targets by entity, individual and of management;
– Explains the level of expectation in terms of skills and behaviours via a clear and common frame of reference;
– Establishes a clear link between performance and remuneration: individual increase measured against performance of permanent role and bonus measured against annual targets;
– Interacts with other HR processes (remuneration, training, career management).

Ensuring that managerial interviews are properly conducted:
– Training managers in a SMART definition of targets and in how to conduct various interviews;
– Offering support to managers on the assessment of employees in the event of a particular concern (poor performance, behaviour problem, etc.).

• Talent review
Providing better information regarding career opportunities within the Group:
– Global: People review (succession planning, identifying potential and key roles),
– France: Professional Development Process currently being finalised.

• Remuneration: Project to categorise management positions (Grading)
The aim of this project is to implement, in 2014, an organised and hierarchical system of management positions within the Group's structure through the intermediary of a Mercer assessment methodology.
The implementation of Grading will enable the provision of clear information on the rules for employees' eligibility for the different components of the remuneration packages and on employee benefits in place.
This approach will mean that common rules can be shared, enabling internal and external fairness to be better defended, and providing managers with a common tool to monitor their management teams (remuneration and career management).
The definition of benchmarks, assessment and the validation of results were completed by the management and the members of the Executive Committee at the end of 2013. Implementation and notification will take place during the first quarter of 2014.

• International Human Resources Information System: IHRIS
The Human Resources Department sought to equip the Group with an international human resources information system, able to monitor key HR processes in support of Somfy Group's economic project.
These processes notably concern staff monitoring, management and performance, team reviews, succession planning, remuneration, etc.

This Human Resources information system (HRIS) will help to build and develop an HR culture that is shared far beyond the HR community, and to provide management with new decision making aids.
The creation of this HRIS is based on a foundation of personal and professional data which was prepared during the second quarter of 2013.
Its gradual rollout across all the Group's companies is planned to start at the end of the first quarter of 2014 and will continue for between two and five years depending on the scope.
Additional HR business applications will be under consideration from the second quarter of 2014 and will form the basis of a progressive international deployment plan over the next few years so that the information system increasingly adds value for Group management and employees.

The Humans Resources roadmap is an ambitious reflection of the company's economic project. Somfy's responsible company model is gradually being strengthened, thereby supporting the Group's values and the trust of the stakeholders who are committed to the success of the connected home.

Environmental information

Nature of activities, associated risks and measures taken

The activities of the sites are tertiary, industrial and logistical. The industrial sites mainly perform product assembly operations from plastic components, metals and circuit boards sourced from outside the sites. Assembly operations do not product gas emissions, liquid releases or substances discharges, with the exception of packing waste and possible manufacturing scrap which are subject to selective sorting and recovery.
There are no machine operations generating waste material. There is no specific noise pollution generated by the industrial sites affecting local residents. Indeed, operations are situated inside the buildings and mainly consist of the assembly of small parts.
The different sites located within French territory are subject to classification levels compliant with French legislation in relation to pollution or nuisance risks that these facilities are likely to create.
The sites are subjected to an authorisation scheme for storage in covered warehouses and a registration scheme for compression facilities and installation of accumulators for recharging fork-lift trucks.
Zurflüh-Feller takes in machine operations and metal forming, plastics moulding and surface treatment.
Every year, Zurflüh-Feller, due to the nature of its activities, carries out a campaign to measure its noise emissions that has not shown any evidence of any particular environmental nuisance.

There are no facilities that correspond to the maximum level, “Authorisation with encumbrances - (AS)3” commonly known as “SEVESO”.

Conclusions on the nature of activities, associated risks and measures

For these reasons, the risk of air, soil, water and noise pollution is low or non-existent. This report does not therefore provide any information on these subjects.

In relation to these risks of pollution or nuisance that Somfy Group’s sites are likely to create and the preventive measures introduced, the amount of provisions and guarantees for environmental risks is nil.

Given this low level of environmental risk on these sites, there are no specific resources deployed. The measures introduced are managed by the facilities departments of the sites.

General environmental policy

Somfy Activities has a Sustainable Development Department. This department integrates the resources and skills necessary for the completion of projects that come under the heading “Planet”. It oversees a network of 35 eco-ambassadors who support, in each sector, the introduction of measures resulting from the Sustainable Development policy.

In 2013, Somfy Activities redefined its priorities regarding its environmental policy. The major projects completed in 2012 facilitated a better understanding of the challenges and focuses on which it could take action.

The Carbon Test® completed in 2012 identified as a priority work on electricity consumption and the use of raw materials.

Both the requirements of our markets and regulations reinforced the need to better understand the substances used in our products.

The eco-design of products was therefore identified as a **priority area**.

New requirements for eco-design were identified for integration into the specifications of new products. These requirements cover three topics:

- Controlled greenhouse gas emissions,
- Materials selected for their low impact on health and the environment,
- An available statement of the environmental impacts in line with the PEP ecopassport® programme. Somfy Activities has signed up to the PEP Eco Passport programme. This programme, developed by the electricity industry, defines a standardised method for making environmental declarations in accordance with international regulations (ISO 14025 & ISO 14040s).

Also in the field of eco-design, Sirem has put onto the market a new range of swimming pool pumps, S Series, with electricity consumption that is 10 to 20% lower than market norms.

The work begun in 2012 on collection and processing networks for end-of-life products continued in 2013, for products in the professional sector, representing the majority of the volumes put on the market:

- In France, through a contract signed with RECYLUM, an organisation authorised to process professional WEEE. This is the result of an industry approach in which Somfy Group was a stakeholder;
- In Germany, through registration with the “ElektroAltgeraete Register”.

In 2013, Somfy Group continued to introduce eco-gestures and eco-practices:

- An electric vehicle was thus introduced for distributing mail between the various sites in the Haute-Savoie region in France;
- A partnership was agreed with Corabio to increase the percentage of the organic and local products served in the company restaurant (5% in 2014, 10% in 2015 and 20% in 2016);
- The use of recycled paper was systematised for the production of printed instructions in France (saving eq. 29.3 tonnes CO_2);
- Introduction of a system to reuse laptops (more than 500 computers processed in 2013). The refurbishment of these computers is carried out by a company which employs disabled workers;
- Somfy Germany uses a gas generator, tailored to the German energy environment, to heat its new warehouses and to supply electricity to the German network.

Internal communication activities continued in 2013, aimed at raising awareness amongst Somfy Activities employees of issues related to the protection of the environment. These activities took the form of articles in various in-house publications, both in video and paper format (for example, in the in-house magazine “Imagine”, distributed in five languages to all Somfy Activities employees), or in events at the different Somfy SAS sites, such as micro-conferences during the Sustainable Development week in April.

The topics discussed included, amongst others:

- Arrangements introduced in France for the collection and processing of end-of-life products: collective procedure introduced in partnership with RECYLUM;
- Results of the survey on commuting which covered all Somfy SAS staff, and the introduction of a car-pooling platform;
- Somfy solutions to promote active energy efficiency in buildings. TaHoma is the home automation system developed by Somfy Group. It particularly provides the option to monitor energy consumption within the home.

Zurflüh-Feller put into service a system to concentrate and stabilise its emissions on surface treatment lines. This led to a reduction in the quantity of waste produced.

Initiatives to optimise production means and heating management led to a reduction in gas usage.

Pollution and waste management

	2012 scope		2013 additions to the scope	Total
	31/12/12	31/12/13	31/12/13	31/12/13
Quantity of non-hazardous waste (Tons)	1,777	1,406	780	2,186
Quantity of hazardous waste (Tons)	224	175	7	182
TOTAL	**2,002**	**1,581**	**787**	**2,368**
% of waste recovered		78%		77%

Electronic products that fall under the European ROHS Directive were subject to the removal of hazardous substances, so as to eliminate their impact on products that become waste on reaching the end of their life.

Sustainable use of resources

Water

Water consumption of the sites is limited to sanitary consumption. There is no manufacturing process that is likely to exhaust local water resources or that depends on a limited water supply.
Zurflüh-Feller is unusual in that it uses water from a private pond for its industrial processes.

	2012 scope		2013 additions to the scope	Total
	31/12/12	31/12/13	31/12/13	31/12/13
Water consumption (m^3)	22,313	20,509	32,096	52,605

99% of waste water is discharged into public treatment networks.

Energy

The companies use gas, network electricity and heating oil. Energy consumption is primarily linked to the heating and air conditioning of the premises.

	2012 scope		2013 additions to the scope	Total
	31/12/12	31/12/13	31/12/13	31/12/13
Gas consumption (KWh)	15,644,873	15,940,375	3,280,916	19,221,291
Electricity consumption (KWh)	18,422,149	18,204,481	5,200,964	23,405,445
TOTAL (KWH)	**34,067,022**	**34,144,856**	**8,481,880**	**42,626,736**

For its heating requirements, LianDa uses 69,751 KWh of heating oil.
In 2013, Zurflüh-Feller carried out modernisation work for monitoring and regulating its heating.
SITEM conducted an energy audit of its buildings and compressors; air conditioning management systems were put in place.
Measures to improve the performance of BFT's boilers led to a reduction in gas and electricity consumption.

Land use

There are no mining operations on any Somfy Group's sites.
Our plants have HOSHIN or 5S workshops in order to optimise the footprint of the sites. A team of specialists, integrated into the Group's Industrial Management, is dedicated to leading these projects at the Group's plants.

Adapting to the consequences of climate change

Our industrial activities do not present any risks linked to climate change, whether they relate to the growing scarcity of water, rising sea levels or the rise in temperature.

Protection of biodiversity

No site is located within or bordering a protected area that requires specific measures.
Nevertheless, Somfy SAS owns several sites in the heart of the French Alps, near Mont Blanc. Somfy Group wants to act to protect the mountain's eco-systems and is involved in local initiatives such as the "Club d'Entreprises pour la Montagne et son Développement Durable" (CEM2D) (Club of businesses supporting the mountain and its sustainable development). A charter was notably developed in 2013.

Societal information

Economic and social territorial impact of the company's activity

Employment and regional development

Leader in its fields of activity, Somfy Group contributes to local employment in all the areas where it is located. Thus, in 2013 the opening of a new industrial site SOPEM in Poland created 100 new jobs. In Tunisia, production company SITEM which has a workforce of 879, recruited 53 new employees.
In 2013, Somfy Group's ambition and intention was to continue creating jobs in France and particularly in the Rhône-Alpes region, where its business has traditionally been located. Somfy Group is a provider of direct employment in its research and development centres, its production facilities (more than 200 people recruited between 2011 and 2013 including 30 in production) and the service divisions located throughout France. Somfy Group also contributes indirectly to job creation via its sub-contractors and suppliers (more than 4,650 indirect jobs created in Europe).

On neighbouring and local populations

In order to promote regional development, Somfy Group has committed to support the lives of schools and higher education establishments in the Rhône-Alpes region. In this way, Somfy Group is a founding member of the Partner Companies Club of the Universities of Savoie ("Club des Entreprises Partenaires des Universités de Savoie"). In 2013, Somfy Group welcomed students from this university on work placement or work-study contracts.
Since 2012, Somfy Group has chaired the Board of the *Ecole Polytech Annecy Chambéry*; the University of Savoie's engineering school.
Somfy Group is heavily involved in technology clusters and competitiveness centres active in the Arve valley (Haute-Savoie), where the Group's historical sites are located.
Somfy Group is an active participant in Thésame, the technological network for mechatronics businesses, sharing experiences with other local companies, and collaborating in the development of several strategic projects. Somfy Group is also a member of the Public Interest Group MIND, an innovative Franco-Swiss platform specialised in the field of mechatronics. Alongside other companies, the CNRS (National Scientific Research Centre) and the Swiss Centre for Electronics and Microtechnology, Somfy Group is involved in developing links between businesses and research centres.
A sponsor of the French Biathlon Teams since 2005, Somfy Group sought to exercise its responsibilities towards athletes by helping them to prepare for their post sporting careers. With the help of companies and the General Council of the Haute-Savoie region, Somfy Group created the organisation Rebondir, to support the region's athletes in their career transition.

Relationships with people or organisations interested in the company's activity

In 2013, le Groupe carried out a comprehensive mapping of its stakeholders in order to better understand the challenges and expectations of each of them, and to identify those of them which are the company's priority. In 2014, this mapping will be forwarded to the Group's senior management.
In 2013, Somfy Group maintained a regular and constructive dialogue with priority stakeholders and in particular its employees, shareholders, investors, customers, suppliers and regional authorities.

- As part of the Group's Human Resources policy, several tools to promote dialogue were implemented with employees at a collective and individual level: satisfaction and commitment surveys, and individual interviews and employee appraisals. Staff representatives and managers also completed training in responsible social dialogue.

– In relation to shareholders, compliance with governance rules ensures a structured dialogue on the Group's performance targets and its strategy.
– For investors, Somfy Group has spent the year rolling out an action plan to provide them with reliable and high quality information.
– The Suppliers Quality System includes an information and exchange mechanism covering topics including social and environmental responsibility.
– Being responsive to professional customers and end users is a strategic priority for Somfy Group. For each customer profile, Somfy Group has developed dialogue activities – studies, surveys, training, services – tailored to the expectations of these stakeholders.
– Involved in the development of the areas in which the Group is located, Somfy Group has promoted dialogue in France with the various levels of public decision-making to contribute to structured policies in the areas of education, the use of research and sustainable development or to support cultural and sporting projects for local people.

Sub-contracting and suppliers

Suppliers and sub-contracting are important for Somfy Group due to the nature of its industrial activity which is essentially assembly. Indeed, all the components that form part of the composition of the products are purchased components.
In order to make progress in relation to responsible purchasing, Somfy Group, in collaboration with other manufacturers, has developed a maturity frame of reference in relation to collective and responsible purchasing: this framework incorporates the central issues of the standard, ISO 26000.
This work was carried out within the framework of PEAK, a business Research and Training network aimed at developing collaborative customer supplier relationships.
Somfy Activities has begun to introduce measures to make sure that its suppliers and sub-contractors are socially and environmentally responsible.
Thus, Somfy Activities has auditors who assess suppliers prior to their admittance to the panel. These audits are conducted on the basis of a questionnaire that includes questions on the following topics:
– Existence of an environmental policy,
– Planning to ensure that products conform to environmental requirements,
– Existence of a health and safety policy and consideration of ergonomic and safety aspects in the design of workstations.
These questions are rated, with the ratings forming part of the final assessment score of the supplier.
If significant variations are discovered, relating for example to safety in the workplace, Somfy Group may ask the supplier to take corrective action.
For every component developed by a supplier, Somfy Group requests a written undertaking relating to the European Directives REACH and ROHS.

Fair practices

As part of the growing internationalisation of its activities, Somfy Group is finalising the setting up of an Ethics Charter which will set out the Group's policy in regard to tackling corruption, compulsory or forced labour and the respect of human rights, freedom of association and the right to collective bargaining. The Group has the ambition to issue it to all Group employees.

Measures promoting consumer health and safety

Ensuring the safety of the users of its products is a top priority for Somfy Group. Alongside other leading companies in the electrical industry and the building shutters sector, Somfy Group is heavily involved in standardisation in order to ensure that the good safety practices implemented in relation to product development are maintained. This action operates on an international (IEC standards), European (CENELEC and CEN standards) or local (UL standard for the United States for example) scale.
To show that its products comply with safety standards, Somfy Group's products are accredited by independent bodies in its different territories (VDE, NF, SASO, UL, etc.).
Somfy Group acquired a quality system enabling it to ensure that its products comply with the standards and requirements in place within its markets.
To control the performance and safety of its product installations, Somfy Group has developed a network of expert installers throughout the areas in which the Group is located. These specialists benefit from professional training to help ensure that the products are installed under optimum safety conditions both for the installer and users. Somfy Group trained more than 7,000 professionals in France in 2013.
Every product is accompanied by usage and safety instructions.

A citizen's policy involving employees

The main task for the Fondation Somfy has been to implement Somfy Group's citizen's policy. Its fields of intervention are centered around the fight against poor housing, in parallel with Somfy Activities' strategic mission to improve living environment.
In 2013, the Foundation's budget of € 300,000 was used to finance three main types of action:
– Confirmation of support for the Emmaüs France charity, with the renewal of an annual agreement providing for a financial contribution to Emmaüs communities' building rehabilitation projects,

- The creation of an online crowd funding platform (www.lespetitespierres.org) enabling anyone to donate to community projects in the area of access to decent housing,
- The development of a participation programme for Somfy Group employees, “Time for Others” (“Un Temps pour les Autres”). In 2013, 108 employees took part in community projects on behalf of associations during their working hours.

Methodology note

Reporting protocol

Somfy Groups’ CSR reporting protocol is the reference guide for all those involved in CSR reporting within the Group. It is drawn up in French and English. Its purpose is to define all the Group’s CSR indicators along with their method of calculation, and to describe the procedures for their collection and for reporting in order to promote the consistency and comparability of data. This document is distributed to and applied at all levels of data preparation and reporting. The reporting protocol is updated annually to take into account Group developments.

The CSR reporting protocol also serves as a reference framework for the external verification of data, in accordance with Article L. 225-102-1 of the Commercial Code (“Grenelle 2” Law). It is available on request from Head Office.

Selection of indicators

Somfy Group’s indicators were defined by the CSR officers for each area in line with the Group’s CSR strategy and the resulting social, environmental and social objectives. They facilitate the monitoring of the CSR policy’s progress in each of the improvement areas identified by the Group and the transparent communication of the Group’s CSR performance in this report.

The indicators used comply with the Grenelle II decree and are based on the general principles of the GRI (Global Reporting Initiative) guidelines.

Collection, internal control and consolidation

The collection of CSR indicators is ensured by the CSR officers within their respective fields of expertise. They rely on their network of local experts who provide the data.

The CSR officers are also responsible for the consistency and plausibility of the data prior to its consolidation in order to generate the Group indicators included in the CSR section of the management report.

Reporting period

The data collected covers the period from 1 January to 31 December 2013.

Depending on the indicators, it can relate to:
- An annual consolidation of the data from 01/01/2013 to 31/12/2013,
- The data measured at 31/12/2013.

Where historic information is available, data is reported on the last two closed financial years.

Reporting scope

Companies which are controlled by the Group and fully consolidated within the financial reporting scope are included within the reporting scope. The concept of control means the power to govern the financial and operational policies of an affiliated company so as to benefit from its operations. Control is generally deemed to exist where the Group holds more than half of the controlled company’s voting rights.

Newly acquired companies are integrated into the reporting scope following a probationary period necessary for the introduction of reporting.

Companies which were sold during the financial year are not included within the reporting scope.

Specifics of the scope for 2013 reporting:

The reporting scope taken into account for the 2013 financial year was restricted to the following entities:
- Somfy SAS (France),
- Simu SAS (France),
- Sirem (France),
- Zurflüh-Feller (France),
- SITEM SARL (Tunisia),
- LianDa (China),
- Somfy GmbH (Germany),
- Somfy Systems Inc. (US),
- BFT SpA (Italy).

For reasons of access to information, the other Group companies have not been included. Collection of information for the companies concerned which are located outside French territory will be introduced gradually. The Group’s aim is to improve its reporting scope over the coming financial years.

It may be recalled that the 2012 reporting scope included the following companies:
- Somfy SAS (France),
- Simu SAS (France),
- Sirem (France),
- Zurflüh-Feller (France).

Methodology limitations

The methodologies used for the reporting of certain CSR indicators may present limitations due to:
- Particularities of local legislation in the various countries in which the Group is located,
- Lack of availability of information on certain scopes,
- Use of estimates in the absence of assessment tools,
- Practicalities of collecting and processing data.

Information on delegations relating to share capital increases and other authorisations

(Article L. 225-100 of the Commercial Code)

The Management Board benefits from the following delegations of authority:

	Date of General Meeting	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2013	Residual amount at 31 December 2013
Authorisation to issue stock options	Extraordinary General Meeting 15 May 2012	14 July 2015	1.5% of share capital	Nil	1.5% of share capital
Authorisation to grant existing free shares	Extraordinary General Meeting 15 May 2012	14 July 2015	1.5% of share capital	Nil	1.5% of share capital
Authorisation to buy back shares	Ordinary General Meeting 16 May 2013	15 November 2014	10% of share capital	0.05% of share capital	4.73% of share capital
Authorisation to cancel the shares bought back by the company	Extraordinary General Meeting 15 May 2012	14 May 2014	10% of share capital	Nil	10% of share capital

The Management Board does not benefit from any delegation of authority or powers granted by the General Meeting in respect of increases in capital in relation to Articles L. 225-129-1 and L. 225-129-2 of the Commercial Code.

Information on terms of payment (Article L. 441-6-1 of the Commercial Code)

At 31 December 2013 as at 31 December 2012, there are no liabilities due but unpaid to Somfy SA suppliers.
Trade receivables specific to Somfy SA's activity represent payment terms generally less than forty-five days from the end of the month.

Information on risks (Article L. 225-100 of the Commercial Code)

Financial risks

The main financial risks to which the Somfy Group is exposed are interest rate, foreign exchange rate, and liquidity and investment risks.
According to IFRS, all derivative financial instruments are measured at their fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market). The amounts covered exclusively relate to current or future transactions within the framework of Somfy Group's normal business activities.
As part of the transposition of the MIF Directive that came into force on 1 November 2007, Somfy SA and its French subsidiaries opted for the "individual clients" category.

Foreign exchange risk

Somfy Group's exposure to foreign exchange risk is primarily related to its operational activities (intragroup sales of manufactured products distributed by commercial subsidiaries outside the Euro zone, these sales being denominated in local currencies and purchases denominated in local currencies).
Derivative financial instruments are primarily comprised of forward exchange contracts.
The management of foreign exchange risk is covered in note 25 to the consolidated financial statements.

Interest rate risk

Somfy Group's interest rate risk originates from its financing facilities: interest rate hedges related to Somfy Participations' LBO financial debt and to medium-term borrowings to secure Somfy SA's working capital requirements.
Somfy Participations' LBO package liabilities are hedged, in accordance with contract terms and conditions, by standard interest rate swaps (swap of variable rates for fixed rates) hedging against an increase of more than 150 basis points in EURIBOR 3 months, compared to the available rate.
The management of interest rate risk is covered in note 25 to the consolidated financial statements.

Liquidity risk

The Somfy Group must have permanent access to the necessary financial resources to allow it to finance its day-to-day activities and its investments. The Group's liquidity risk primarily arises from the obligation to repay its existing debt, the funding of its future resource requirements and observance of its financial ratios.
Funds made available by the credit institutions are subject to Somfy's SA commitment to comply with two types of financial covenants based on:
– The Group's financial structure (net financial debt/shareholder's equity) and,
– Its ability to repay (net financial debt/cash flow and net financial debt/EBITDA).
For Somfy Participations, each LBO liability is subject to compliance with covenants contracted at the time the finance packages were negotiated.
The management of liquidity risk is covered in note 25 to the consolidated financial statements.
Credit facilities and compliance with covenants are detailed in note 22.6 to the consolidated financial statements.

Investment risk

The Group's exposure to investment risk is related to its cash surplus deposited with banks.
The management of investment risk is covered in note 25 to the consolidated financial statements.

Raw material risks

Somfy Group hedges against the volatility in the price of raw materials that are significantly used in the manufacturing of its products by placing firm orders with its suppliers, depending on market conditions.

Share risks

The Group is exposed to equity risk on treasury shares, with their loss in value, due to the fall in the markets, resulting in the recognition of a tax-deductible provision of € 1.3 million. The corresponding € 0.5 million deferred tax was posted to reserves.

Legal risks

Somfy Group's operations are not subject to specific regulations. Its business does not require a specific legal or regulatory authorisation with the exception of the compulsory listing on the Register of Companies and stock exchange regulations.
Somfy Group is involved in a number of disputes in respect of its business. These should not have any significant negative impact on the Group's financial position.
To the Group's knowledge, there were no exceptional events or litigation likely to have a significant negative impact on the Group's or its subsidiaries' operations, assets or results, other than those mentioned in the highlights of the financial year.

Insurance – risk coverage

Somfy Group covers the main risks with the following insurance policies:
- "Property damage", covering buildings and their contents (equipment, goods, IT equipment) up to the maximum amount of damage likely to be incurred;
- "Resulting loss of profit".

Risks insured by these two policies include, fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, electrical risks, storms, snow, hail, water damage, frost, machine breakage, IT equipment theft, natural disasters and other non-designated events;
- "General civil liability relating to monetary consequences of an insured entity's liability following physical injury, property damage or moral prejudice caused to a third party during or in relation to its operations";
- "Directors' civil liability";
- "Transported goods";
- In addition, "Credit" insurance contracts, both in France and internationally, enable the Group to limit the impact of customer bad debts. Approximately 60% of sales are thus insured.

Country risk

The majority of operations occur in safe areas such as Europe, the United States and Asia.
The Group does not operate in any significant hyperinflationary area.

Climate risk

Due to the nature of the products marketed (notably motors for blinds), Somfy Group's activity is partly connected to weather conditions, in particular during the first half of the year, during which sales of motors for blinds are concentrated.

Customer credit risk

Customer credit risk is linked to the receivables portfolio and the sometimes challenging economic environment in certain parts of the world. Nevertheless, customer profile, the Group's international geographic presence and the credit insurance cover help to mitigate this risk.
Customer credit risk analysis is addressed in note 18 to the consolidated financial statements.

Information on non-deductible charges (Articles 39-4 and 223 IV of the General Tax Code)

The financial statements for the financial year ended 31 December 2013 do not include any non-allowable charges with regard to the income tax base, as defined by Articles 39-4 and 223 IV of the General Tax Code.

Allocation of net profit

The Management Board proposes to allocate the net profit of € 62,455,414.44 for the year ended 31 December 2013, increased by retained earnings of € 2,045,011.20 to a total of € 64,500,425.64, as follows:

– Allocation to shareholders of a gross dividend of € 5.20 per share, being € 5.20 x 7,836,800 shares	€ 40,751,360.00
– Transfer to optional reserve	€ 23,749,065.64
	€ 64,500,425.64

A gross dividend of € 5.20 will be distributed for each share with a par value of € 1, and this carries the right to a tax rebate granted to individuals subject to income tax in France, in accordance with Article 158-3-2° of the General Tax Code.

Shares held by the company on the ex-dividend date are not entitled to dividends, with the corresponding amount of unpaid dividends being transferred to retained earnings.

The dividend will be payable on 5 June 2014; the shares must be held on 2 June 2014 (ex-date) to benefit from the dividend.

In accordance with legal provisions, it should be noted that the following dividends were paid during the last three financial years:

Financial years ending	31/12/2010	31/12/2011	31/12/2012
Number of shares eligible*	7,608,775	7,403,866	7,410,756
Par value	€ 1	€ 1	€ 1
Total dividends paid	€ 39,565,630.00	€ 38,500,103.20	€ 35,571,628.80
Dividends per share	€ 5.20	€ 5.20	€ 4.80

** Number of shares comprising the share capital, excluding treasury shares held by Somfy SA with no right to dividend.*

Dividends are fully eligible to the rebate provided for by Article 158-3-2° of the General Tax Code.

Regulated agreements

Please note that two new agreements of the same nature as those referred to in Articles L. 225-86 and subsequent of the Commercial Code were concluded during the 2013 financial year.

Stock market performance

During the 2013 financial year, the Somfy SA share price increased by 41.76%. At 31 December 2012, the last trading day before the close of the previous financial year, the share price was € 130.50, compared to € 185 at 31 December 2013.

Based on the share price at 31 December 2013 and taking into account a gross dividend per share of € 5.20, the Somfy SA share yielded 2.81%.

The market for the share recorded a monthly trading volume high of 40,425 and low of 3,960 per month, with a monthly average of 11,107 shares, compared to 11,179 shares the previous year.

Amendments to the bylaws

The following amendments to the bylaws will be proposed to the General Meeting of 14 May 2014 under the terms of two specific resolutions:

Modification of Article 13 of the company's bylaws "Indivisibility of shares - Bare ownership - Usufruct"

Shareholders will be asked to approve the replacement of the 3rd paragraph of Article 13 below:

"Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary. The usufructuaries validly represent the bare owners with respect to the company, unless the company is informed of an agreement to the contrary."

by the following:

"Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary.".

Introduction in the bylaws of an article allowing the appointment of observers and renumbering of bylaws articles as a result

Shareholders will be asked to approve the introduction into the bylaws of an article to appoint observers, who may be natural or legal persons, selected from amongst the shareholders or external to them, thereby enabling them to be invited to and to attend all Supervisory Board meetings in an advisory capacity.

You are asked to approve the introduction into the bylaws of a new Article 21 granting the Supervisory Board the capacity to appoint one or more observers.

In this regard, you will also be asked to approve the resultant renumbering of the bylaws.

Your Management Board asks you to approve the resolutions submitted to your vote.

The Management Board