04

MANAGEMENT BOARD REPORT

TO THE COMBINED GENERAL MEETING OF 16 MAY 2018

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 ended 31 December 2017.
Somfy is the global leader in opening and closing automation for both residential and commercial buildings, and a key player in the connected home.

HIGHLIGHTS OF THE YEAR

CHANGES IN THE CONSOLIDATION SCOPE

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There were no major changes in the consolidation scope over the 2017 financial year.
Myfox and iHome, acquired in late 2016, contributed €11.1 million and €1.5 million respectively to Group sales.
The allocation of the acquisition cost of Myfox was finalised in late 2017.

TAX ITEMS

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Following regulatory developments in France, **Somfy SA** has filed requests for tax relief primarily involving taxation on the portion of fees and charges applied to dividends and capital gains on the sale of equity investments, as well as on the 3% contribution on distributions of dividends.
The financial statements at 31 December 2017 include €22.3 million in tax income, including €17.7 million in respect of the 3% contribution on dividends and €4.4 million in respect of taxation on the portion of fees and charges (relating to the dividends and long-term capital gains on the sale of equity investments).
€20 million in rebates was received over the financial year in this regard.

CONTINGENT LIABILITIES

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The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. In April 2017, the Court ruled in favour of Somfy SA, dismissing the employees' claims. However, the plaintiffs immediately appealed this decision.

Moreover, during 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.
Initial proceedings before the Labour Court – involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the District Court – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017. The hearings scheduled for early 2018 have been postponed until July 2018.
These new factors do not change the assessment of risks by the Group which continues to qualify these risks as contingent liabilities and therefore no provision in relation to these disputes was recognised at 31 December 2017.

On 5 January 2015, **Somfy SA** transferred its 46.1% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €13.2 million). The Group considers these requests to be unfounded, and insufficiently detailed and justified.
In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. The hearings are scheduled to take place in 2018.
As the process currently stands, the Group continues to contest the entirety of UTC's demands and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was recognised at 31 December 2017.
At 31 December 2017, Somfy SA's financial statements include a deferred settlement receivable in relation to the sale of the CIAT shares for the sum of €9.7 million with payment spread until 2019.
In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the

deferred payments falling due. The hearings are also scheduled for 2018. Somfy SA remains confident regarding the settlement of these sums and therefore no provision in relation to these receivables was recognised at 31 December 2017.

PRESENTATION OF FINANCIAL STATEMENTS

PARENT COMPANY DATA

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Over the year ended 31 December 2017, Somfy SA generated sales of €3.2 million. Net financial income amounted to €89.1 million, including €92.5 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2016.

Net profit was €107.1 million, after inclusion of an income tax refund of €25.5 million, including the tax reliefs.

CONSOLIDATED DATA

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SALES

Sales increased by 10.1% over the financial year just ended to €1,246.6 million. They benefitted from a positive scope effect of €11.2 million and suffered from a negative currency impact of €12.8 million.

Growth stood at 10.3% on a like-for-like basis over the financial year, including 8.5% over the first half and 12.3% over the second, and followed an increase of 10.2% over the course of the previous year. It reflects significant growth in all business segments and locations(1).

The most noteworthy performances came from Asia-Pacific, America, France, Eastern and Central Europe, and Northern Europe, all of which recorded double-digit growth.

The trend was less impressive, but nevertheless remained definitively positive within the two other major regions, Southern Europe and Germany.

The strong performance of these figures is testament to the growing interest of consumers in different continents in motorised and connected solutions in the home, and thereby validates the Group's choices and positioning (international coverage, innovation, digital transformation, etc.).

SALES BY CUSTOMER LOCATION

€ thousands	31/12/17	31/12/16	Change N/N-1	Change N/N-1 like-for-like
France	312,460	272,611	14.6%	11.3%
Germany	180,394	176,430	2.2%	2.4%
Northern Europe	114,942	105,689	8.8%	10.5%
Central and Eastern Europe	133,063	118,635	12.2%	11.1%
Southern Europe, Middle East and Africa	219,135	207,226	5.7%	7.9%
Asia-Pacific	151,629	127,763	18.7%	20.7%
Americas	134,950	123,384	9.4%	11.5%
TOTAL SALES	**1,246,573**	**1,131,739**	**10.1%**	**10.3%**

RESULTS

Current operating result stood at €168.4 million over the financial year, down 5.2%, and represented 13.5% of sales (current operating margin).

This decline resulted from factors that are both cyclical and structural, namely gaining market share, the rise in the price of raw materials, fluctuations in the main invoicing currencies and the integration of recently-acquired companies (iHome Systems, Myfox).

On a like-for-like basis, current operating result would have been virtually stable at €178.0 million, and as such would have represented 14.3% of sales.

Consolidated net profit was €157.7 million, an increase of 10.1%. It takes into account a negligible net non-recurring operating expense, a net financial expense of €5.9 million, which mainly includes unrealised exchange differences, and income tax of €3.1 million, a particularly low level due notably to the recovery of the tax on dividends.

Excluding tax rebates, net profit would have been €135.4 million, and would have fallen by 5.5%.

Ultimately, profitability remained at a very satisfactory level with a return on capital invested (ROCE) of 19.7%(2).

Detailed calculations of current operating result and ROCE (IAP) is detailed in note 4.3 to the consolidated financial statements.

FINANCIAL POSITION

The balance sheet was further strengthened.

The net cash surplus rose indeed from €15.5 million to €104.6 million year-on-year, an increase of €89.1 million, and shareholders' equity grew to €770.7 million.

The net financial debt 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, earnout 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, deposits & guarantees and government grants. Net financial debt is detailed in note 7.2.3 to the consolidated financial statements.

(1) Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are the geographic regions used to monitor sales. Their sales are calculated based on customer location and therefore the destination of the sales.

(2) Return on capital invested or employed (ROCE) is equal to the ratio between current operating result, after normative tax, and the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt.

SEGMENT REPORTING AT 31 DECEMBER 2017

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	966,137	369,895	–89,458	**1,246,573**
Intra-segment sales	–58,638	–30,820	89,458	**–**
Segment sales – Contribution to sales	907,498	339,075	–	**1,246,573**
Segment current operating result	153,795	14,608	–	**168,403**
Share of net profit/(loss) from associates	–10	-1,480	–	**–1,491**
Cash flow	192,003	16,102	–	**208,106**
Net investments in intangible assets and PPE	53,076	11,416	–	**64,492**
Goodwill	104,253	92,588	–	**196,842**
Net intangible assets and PPE	258,353	59,426	–	**317,779**
Investments in associates	712	227	–	**939**

STOCK MARKET PERFORMANCE

During the 2017 financial year, the Somfy SA share price increased by 6.26%. At 30 December 2016, the last trading day before the close of the previous financial year, the share price was €77.52, compared with €82.37 at 29 December 2017.
Based on this last share price and taking account of a gross dividend per share of €1.30, the Somfy SA share yielded 1.6%.
The market for the share recorded a monthly trading volume high of 177,415 and low of 62,543 per month, with a monthly average of 99,319 shares, compared with 73,598 shares the previous year.

POST-BALANCE SHEET EVENT

EXERCISE OF THE NEOCONTROL CALL OPTION

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Somfy exercised its call option on 20 January 2018, and purchased the remaining 39% interest in Neocontrol, in which it previously held a 61% interest, and which was recognised *via* the equity method at an amount of BRL 2.1 million, *i.e.* around €0.6 million. Somfy has therefore taken control of Neocontrol, in which it now holds 100% of the capital, and will now fully consolidate the company.

OUTLOOK

The environment should remain favourable over the short term within the Group's various business segments and regions, and thus lead to growth in sales over the course of the current financial year in spite of the high comparison base. Similarly, stabilisation or even a slight improvement in the current operating margin(1) will be a possibility given the gradual decline in the factors responsible for last year's erosion.
The current financial year will also be marked by the continued roll-out of the new strategic plan (Believe & ACT) to allow the Group to strengthen its foundation and fully capitalise on the significant potential represented by the move towards the digitalisation of buildings, the motorisation of interior products and the streamlining of energy consumption.
The development of completely open solutions, illustrated by the interoperability agreements recently concluded with the brands Amazon Alexa, Apple Homekit, Google Home, Legrand, Schneider Electric and the IFTTT platform, testifies to the Group's desire to be a key player in the connected home and a byword for comfort, environmental protection and security in the home.

VALUE OF INTERCOMPANY LOANS GRANTED (ARTICLE L. 511-63-BIS OF THE MONETARY AND FINANCIAL CODE)

Somfy SA had not granted any intercompany loans at 31 December 2017.

(1) Current operating margin corresponds to current operating result as a proportion of sales (COR/Sales).

INFORMATION ON PAYMENT TERMS
(ARTICLE L. 441-6-1 OF THE COMMERCIAL CODE)

Trade receivables specific to Somfy SA's activity represent payment terms generally less than 45 days from the end of the month.

	Article D. 441 I.-1°: Invoices received, unpaid and overdue at year end						Article D. 441 I.-2°: Invoices issued, unpaid and overdue at year end					
	0 day *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**	**0 day** *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payment ranges												
Number of invoices concerned	35	3	3	–	1	**7**	17					**–**
Total value of invoices concerned exc. VAT	3,066,295	12,778	14,036	–	37,284	**64,098**	325,126	–	–	–	–	**–**
Percentage of total value of purchases exc. VAT over the financial year	32.24%	0.13%	0.15%	–	0.39%	**0.67%**						
Percentage of revenue exc. VAT over the financial year							10.05%	–	–	–	–	**–**
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables and receivables												
Number of invoices excluded	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Total value of invoices excluded exc. VAT	–	–	–	–	–	**–**	–	–	–	–	–	**–**
(C) Standard payment terms used (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used for calculating late payments	☑ Contractual terms ☐ Statutory terms: (specify)						☑ Contractual terms: Within 10 days after the end of the month ☐ Statutory terms: (specify)					

INFORMATION ON THE DISTRIBUTION OF SHARE CAPITAL AND HOLDINGS

DIVISION OF THE SHARE PAR VALUE

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The Management Board decided on 24 May 2017 to divide the Somfy share par value by five and thereby reduce the said par value from €1.00 to €0.20, in accordance with the resolution adopted by the Annual General Meeting of 17 May 2017.
Each of the existing shares was exchanged for five new shares with the same dividend and voting rights on 3 July 2017, the day the new shares were delivered.
The number of shares comprising the company's share capital was thus increased from 7,400,000 to 37,000,000 shares with a par value of €0.20 each (ISIN Code: FR0013199916).
Upon completion of the transaction, double voting rights were allocated to the registered shares resulting from the division of the existing registered shares that already carried double voting rights.

DISTRIBUTION OF SHARE CAPITAL (ARTICLE L. 233-13 OF THE COMMERCIAL CODE)

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

Shareholding structure at 31/12/17	Number of shares	% share capital	Theoretical voting rights	% theoretical voting rights	Voting rights at AGMs	% of voting rights at General Meetings
J.P.J.S. SCA	19,480,340	52.65%	38,774,350	61.29%	38,774,350	64.03%
J.P.J.2 SA	3,260,025	8.81%	6,475,050*	10.24%	6,430,050	10.62%
Compagnie Financière Industrielle	1,653,875	4.47%	3,307,750	5.23%	3,307,750	5.46%
Despature family and other	1,584,495	4.28%	3,149,495	4.98%	3,149,495	5.20%
Manacor Dev Pte Ltd	700,000	1.89%	700,000	1.11%	700,000	1.16%
TOTAL CONCERT	**26,678,735**	**72.10%**	**52,406,645**	**82.84%**	**52,361,645**	**86.47%**
Treasury shares	2,658,967	7.19%	2,658,967	4.20%	–	–
Other holders of registered and bearer shares	7,662,298	20.71%	8,193,368	12.95%	8,193,368	13.53%
TOTAL	**37,000,000**	**100.00%**	**63,258,980**	**100.00%**	**60,555,013**	**100.00%**

** Including 45,000 voting rights not exercisable until 09/01/19, due to late declaration of threshold crossing.*

The identity of controlling individuals is detailed in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

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 2,978,875 shares representing 8.05% of the share capital of Somfy SA. Due to the lack of disclosure regarding the attainment of 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 2017 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)

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There were no reciprocal holdings as defined by current regulations at the date of preparation of this report.

EMPLOYEE SHAREHOLDING (ARTICLE L. 225-102 OF THE COMMERCIAL CODE)

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At 31 December 2017, the FCPE Somfy (Somfy Investment Fund Scheme) held 261,000 Somfy SA shares amounting to 0.7% of the company's share capital.

ACTION IN CONCERT AND RETENTION AGREEMENTS

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ACTION IN CONCERT

On 3 June 2013, the limited partnership with share capital J.P.J.S., the limited companies J.P.J.2 and Manacor and certain members of the Despature family concluded 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 ¾ 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 usufructuary.

COLLECTIVE RETENTION AGREEMENTS

A collective retention agreement relating to 64.93% of the share capital of Somfy SA and more than 20% of the voting rights of shares issued was signed on 31 December 2015 by several shareholders, including Management Board members Jean Guillaume Despature and Pierre Ribeiro, as well as Supervisory Board members Jean Despature (until 17 May 2017), Victor Despature, Anthony Stahl and Michel Rollier, in accordance with Article 885 I *bis* of the General Tax Code, for a period of two years from 31 December 2015, automatically extended indefinitely after this two-year period.

Furthermore, the company is aware of:

- six collective retention agreements relating to a total of between 49.33% and 54.23% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for an indeterminate period from the date of registration unless one of the signatories gives notice of termination;
- two collective retention agreements relating to a total of between 52.649% and 52.835% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for a period of two years from the date of registration.

BYLAW PROVISIONS RELATING TO DOUBLE VOTING RIGHTS (EXCERPT OF ARTICLE 29 OF THE BYLAWS)

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"The voting right attached to shares is proportional to the capital that they represent. All capital and dividend 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 2017 FINANCIAL YEAR, PURSUANT TO ARTICLE L. 233-7 OF THE COMMERCIAL CODE

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DISCLOSURE OF SHAREHOLDING 217C1162

By letter received on 6 June 2017, the limited company incorporated in Luxembourg Manacor SA(1) (11 avenue Émile Reuter, L-2420 Luxembourg, Grand-Duchy of Luxembourg) and the company incorporated in Singapore Manacor Dev Pte Ltd(1) (26 Chuan Place 554808 Singapore), both controlled by Thierry Despature, informed the AMF that a transfer of Somfy SA shares took place on 31 May 2017, as a result of which Manacor SA(1) transferred all its Somfy SA shares, that is 140,000 Somfy shares representing 1.89% of the share capital of this company to Manacor Dev Pte Ltd(1).

Following this transaction, Manacor Dev Pte Ltd(1) replaced Manacor SA(1) within the concert comprising Paul Georges Despature, his children and the companies J.P.J.S.(2) and J.P.J.2(3) under his control, the company Compagnie Financière Industrielle(4) and certain members of the Despature family; the said concert had not crossed any threshold and stated that at 31 May 2017 it held 5,335,747 Somfy SA shares representing 10,462,498 voting rights, equating to 72.10% of the share capital and 82.85% of the voting rights in this company(5), broken down as follows:

(1) Controlled by Thierry Despature.
(2) Limited partnership with share capital (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.
(3) Limited company (registered office: 29 route de l'Aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.
(4) Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.
(5) Based on a share capital comprising 7,400,000 shares representing 12,627,818 voting rights, in application of paragraph 2 of Article 223-11 of the general regulations.

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S.[2]	3,896,068	52.65	7,754,870	61.41
J.P.J.2[3]	652,005	8.81	1,285,563	10.18
Compagnie Financière Industrielle[4]	330,775	4.47	661,550	5.24
Despature family	313,716	4.24	614,224	4.86
Manacor Dev Pte Ltd[1]	140,000	1.89	140,000	1.11
Paul Georges Despature	3,183	0.04	6,291	0.05
TOTAL CONCERT	**5,335,747**	**72.10**	**10,462,498**	**82.85**

(1) Controlled by Thierry Despature.

(2) Limited partnership with share capital (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.

(3) Limited company (registered office: 29 route de l'Aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.

(4) Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.

The company is not aware of any other threshold crossings at the date of preparation of this report.

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 2017; it was authorised by the Combined General Meeting of 17 May 2017 in its twelfth resolution, sitting in ordinary session, and had the following objectives:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, subject to the authorisation granted by the General Meeting of shareholders of 24 May 2016 in its eleventh resolution, sitting in extraordinary session.

Such share purchases could be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.

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

The maximum purchase price was set at €600 per share (*i.e.* a restated amount of €120 to take account of the five-for-one par value split decided by the Management Board on 24 May 2017), with the maximum amount of the share buyback programme set at €124,375,800, taking account of the 532,707 treasury shares held at 31 December 2016.

During the financial year just ended, on the basis of the authorisations given by the General Meetings of 2016 and 2017, the company bought back 138,418 shares at an average price of €83.70 and sold 142,986 shares at an average price of €79.52.

All of the 138,418 shares acquired were allocated to the liquidity objective.

Furthermore, 12,500 shares were reallocated from "retained for future acquisition transactions" to the "liquidity contract".

No trading fees were paid during the financial year.

The company held 2,658,967 of its own shares at 31 December 2017, representing 7.19% of the share capital; the value of the purchase price of one share amounted to €37.33 for a par value of €0.20 each, representing a total nominal value of €531,793.40 (€2,202.40 for the liquidity contract, €244,354 to be retained for future acquisition transactions and €285,237 to cover share purchase option plans and/or free share allocation plans).

INFORMATION ON INVESTMENTS AND CONTROLLED COMPANIES

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INVESTMENTS IN FRENCH COMPANIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (ARTICLE L. 233-6 OF THE COMMERCIAL CODE)

	Direct control		Indirect control	
Company name	**Number of shares**	**% share capital**	**Number of shares**	**% share capital**
–	–	–	–	–

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 held shares in Somfy SA at the date of preparation of this report.

INFORMATION ON TRANSACTIONS PERFORMED BY DIRECTORS DURING THE FINANCIAL YEAR (ARTICLE 223-26 OF AMF GENERAL REGULATIONS)

The company is not aware of any transactions falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code during the past financial year.

	Purchases	
Euros	**Registrant and nature of transaction**	**Amount**
Acquisition	–	–
Price per share	–	–
Number of shares	–	–
TOTAL PURCHASES	**–**	**–**

	Sales	
Euros	**Registrant and nature of transaction**	**Amount**
Disposal	–	–
TOTAL SALES	**–**	**–**

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES (ARTICLES L. 232-1 AND L. 233-26 OF THE COMMERCIAL CODE)

The efforts made in the field of research and development were continued in 2017, in line with the Believe & ACT strategic plan and following on from major initiatives started in previous years. We can therefore identify three main development areas: a range of connected motors that can be controlled remotely online using a mobile phone or tablet application, solutions to meet new usage patterns made possible by this connected product range, and ecosystems combining different Somfy products with each other or with partner solutions in order to promote the creation of new high added-value services.

The Group as a whole is beginning to see the results of priority within R&D efforts being given to connected solutions. A certain number of important milestones in this area were passed in 2017:

- acceleration of the strategy of openness in terms of protocols;
- change in our development methodology;
- implementation of a connected offer for the Asia & Americas region.

The implementation of our connected strategy is part of a wider approach called "So Open", the Group's policy of openness according greater value to seeking partnerships ahead of the priority historically given to proprietary or semi-open solutions and business models. Somfy continues to enhance and develop the io-homecontrol protocol (wireless radio communication technology) with its partners in the io-homecontrol alliance, but has also decided to integrate the main open protocols on the market, in particular Zigbee, into its solutions in order to produce a range dedicated to the Asia & Americas region. This requires software that makes it possible to connect the Somfy platforms (TaHoma, Overkiz, Myfox and Somfy alarms) with our partners' solutions (Sonos, Google, Apple, Amazon Alexa and IFTTT).

This ambition requires a change in our development practices, which was initiated in 2017 by the Technical Department in collaboration with the Connected Solutions Activity. The development of a connected solution, motors and control units based on a Zigbee protocol enabled the validation of this new methodological approach. Notable results included the simultaneous development of the range at four different sites – Cluses, Annecy, Zhejiang and Hong Kong – over just six months.

This methodology should eventually make it possible to move from four specific IT frameworks, one for each protocol used, to a single framework that can be tailored to the various protocols. This will be possible thanks to the introduction of best practices and standards in terms of programming. The adaptability and capacity to reuse, like components, the various modules of any new

programme, will facilitate the interoperability of our ranges and improve the lifetime of the products *via* simplified updates.
This methodology will also help to improve design times, facilitate functional validation and improve quality performance. It will also help to make ranges more secure in the face of the risk of cyberattacks.
The first tangible result of this change in our practices is the availability of a connected two-way offer based on the Zigbee 3.0 open protocol enabling the needs of the Asia & Americas region to be served. Created in record time, this range was jointly developed by LianDa and BG Interior. It involved the introduction of a transversal taskforce between these two entities, as well as distribution. This latest version 3.0 of Zigbee offers an excellent level of security and reliability since it works on the principle of a network meshed between its various points. In addition, it is an open protocol which will allow the consumer to add other products within their home.
In terms of organisation, the opening in 2017 of the R&D Centre based at SOPEM on the Niepolomice site should be highlighted. The R&D Centre has 17 employees responsible for developing the EVB (External Venetian Blinds) range. Its location, near Krakow, Poland, places the team right in the centre of the main markets for these products: Central and Eastern Europe, outside regions in which our competitors are located and at the heart of the production site responsible to industrialising this range.
In the context of the Smart Home, development agility and the capacity to analyse the data collected are major challenges: the Connected Solutions Activity has structured itself to meet these challenges by creating joint project groups between teams, such as between Overkiz (the subsidiary that develops the Group’s Cloud solution) and the Smart Home team, in order to accelerate the market launch of new solutions and product developments. A team is dedicated to data analysis to anticipate new usage patterns and invent services tailored to them.

In terms of new products, a certain number of significant launches took place in 2017.

FOR THE CONNECTED SOLUTIONS ACTIVITY

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Launched in May, Somfy One is a great example of successful collaboration between the Somfy teams and those of Myfox, the leader in connected security. Since their joining in October 2016, the Somfy Protect range, offering users a comprehensive and innovative alarm and video-surveillance ecosystem, has been created. Somfy One is an “all-in-one” security system which includes video-surveillance, intruder detection, siren, alarm control unit and voice control. It is a genuine innovation and received two awards at CES 2017. From May, the launch of SomfyOne+ ensures compatibility with TaHoma.
The connected door lock has been completely reworked following feedback from customers. The overhaul includes the design, in order to fit into high end doors and improve the perceived quality of the product, a Somfy Keys application, which acts as a digital bunch of keys, and lastly a digital keypad door lock.
Some of these new ranges were launched at Consumer trade shows, which differ greatly from B2B fairs where the Group is usually present.
Following the acquisition of Myfox, Somfy took part in the CES (Consumer Electronic Show) for the first time, which was held in Las Vegas between 5 and 8 January 2017. The Somfy One product won two Innovation Awards, in the “Smart Home” and “Embedded Technologies” categories.
Somfy also took part in the IFA exhibition in Berlin between 1 and 6 September 2017. The leading European trade show for consumer electronics and home appliances, each year it welcomes more than 1,800 exhibitors who present their latest innovations. Somfy presented its connected range and unveiled its new connected thermostat there.

FOR THE HOME & BUILDING ACTIVITY

—

In May, the first connected motorisation range for pergolas with adjustable slats was launched. Featuring io-homecontrol technology, this innovation is the result of the collaboration between Somfy and WAY. Aimed at both individual and professional customers (for example restaurant owners), this range means Somfy can offer a comprehensive ecosystem for terraces and, in particular, for the luxury solar protection market which is currently booming.
Maestria 50 WT, a motorisation for vertical exterior screens arrives on the market with a major innovation: detection of obstacles when being lowered. An innovation long awaited by customers, which helps avoid product degradation following handling errors and ensures optimum user comfort.
A second competitive advantage is its universal motorisation. Maestria 50 WT adapts to standard screens with track or cord runners, as well as to zip screens (using the principle of a zipper).
Maestria 50 WT is the seventh product to be awarded the Somfy environmental label. As such, it is helping to achieve the ambition of having 60% of volumes sold in 2018 being labelled Act for Green®. It has a PEP ecopassport® environmental declaration.

FOR THE ACCESS ACTIVITY

—

The DEXXO PRO io Connexoon was launched in March. This motorisation will now enable our customers to sell connected, rather than just motorised, garage doors. The main benefit of connectivity is the “geolocation” function allowing users to manage all home access when they arrive in the vicinity of their home without doing anything.
The Activity also launched a new motor for the DIY sector, the GDK 700 assembled in Gray.
Gray's factory also launched a new industrial and commercial closure range for the Simu brand: the veoHz centris. Unique in the market, this new Simu central motor with integrated radio receiver is adjusted remotely, from a Simu veoHz radio transmitter.
At BFT, a new actuator motor for swing gates “Giuno Ultra” was launched. It has been designed to fulfil two major expectations expressed by customers: having products that are more reliable and easier to install.

In 2017, the Group successfully renewed its accreditation of the standard ISO 9001: 2015 for the quality management system. Somfy Activités SA, Somfy GmbH, Domis, SITEM, SOPEM and Simu SAS have worked together and will collectively implement the improvement observations and recommendations formally set out by AFNOR.

The Department of Intellectual Property organised Invent’heure, an event that brought together 150 Somfy employees and inventors in Cluses in mid-September to celebrate invention within the Group, thank the inventors and reiterate the importance that invention and patents represent for the Group.
Somfy is one of the leading French companies in terms of filing patents with the National Institute of Intellectual Property (INPI) and was ranked 39th in 2016. In 2017, the Group filed 43 new patent applications. The portfolio is made up of 2,066 patents.

SOCIAL AND ENVIRONMENTAL REPORTING
(ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE)

A SUSTAINABLE DEVELOPMENT POLICY IN LINE WITH THE GROUP'S STRATEGIC VISION

—

The world in which we live is rapidly changing. At a time of digitalisation and home automation, some major challenges lie ahead for the Group. **Somfy Spirit, the Group's culture**, is the solid foundation allowing the company to meet these challenges while remaining confident about its collective future. To this end, the Group relies on its **growth model**, which for almost 50 years now has allowed it to grow and to take confident action together with all its stakeholders. It is based on Independence, Continuity, Anticipation, and a Global-Local Alliance.

Somfy puts men and women, who act responsibly, at the heart of the business. The Group depends on a flexible organisation that constantly adapts to strategic challenges and changes within its markets.

At Somfy, we are bringing to life **our vision** of "inspiring a better way of living accessible to all", and doing everything in our power to make it a reality thanks to our initiatives aimed at saving energy, and improving comfort, wellbeing and safety. That is why today WE ARE TAKING ACTION.

To achieve its ambition by 2020, in 2017 the Group identified four major priorities for its strategic roadmap **Believe & Act !** called DRIVERS.

WE ARE TAKING ACTION to connect with consumers since we believe that this close relationship will help us to respond to the digitalisation of our markets – the **CLOSER TO OUR END-USERS** driver.

WE ARE TAKING ACTION with a head start to develop the interior solutions market since we firmly believe in its high growth potential and its practical value for users – the **BOLDER ON THE INTERIOR MARKETS** driver.

WE ARE TAKING ACTION to further improve our operational excellence because we know that our customers need ever more agility, efficiency and quality in our products – the **STRONGER ON OPERATIONAL EXCELLENCE** driver.

WE ARE TAKING ACTION to promote cooperation and empowerment in connection with Somfy Spirit because we think that the development of our employees is vital – the **BETTER TOGETHER** driver.

WE BELIEVE in connected homes and buildings and WE ARE TAKING ACTION for the coming years.

Each driver is broken down into several boosters that all Group employees can adopt. The resolutely human driver **Better Together** puts CSR (Corporate Social Responsibility) drivers at the heart of value creation with, amongst other things, the #CSR booster (Corporate Social Responsibility). Better Together contributes to employee commitment and serves the long-term interests of the Group and its stakeholders. This helps the implementation of Sustainable Development drivers in the Group's strategy and operations.

In relation to the Better Together driver, the main levers of the Group's entities are to ensure the professional and personal development of all employees, improve their working environment and minimise the environmental impact of all activities, sites and products, and to accept its civic responsibility by becoming involved in social issues that are consistent with their lines of business.

These levers are progressively strengthened through an approach based on continuous improvement measured by indicators, the introduction of a dialogue with all stakeholders, and regular and transparent communication.

The **Group's Sustainable Development policy** is the declaration of its corporate identity. It seeks to meet, even surpass the expectations of its customers and stakeholders, to unite them in a greater ambition; the achievement of the Group's vision: contributing to better living environments for all, not only in terms of comfort but also energy savings and security.

GOVERNANCE

—

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

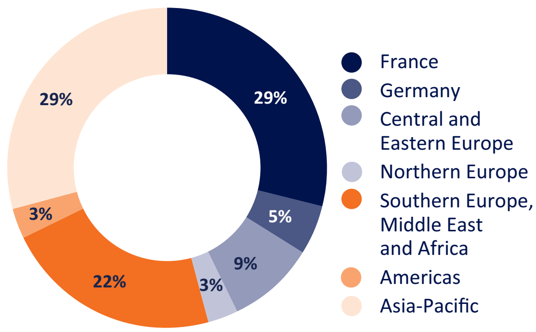
Somfy has a Sustainable Development Department which, since 2017, has been attached to the Strategic Marketing Department. Its missions are to guide the implementation of the Group's environmental commitments. The organisation as a whole and the teams within the Group also contribute to the continuous improvement of the Sustainable Development policy.

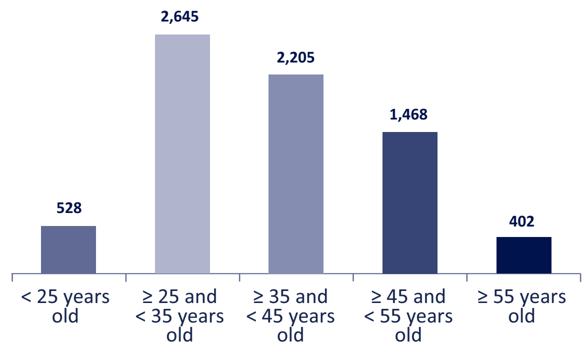
The task of the Group Human Resources Department and the Group Communications Department is to guide the implementation of Somfy's commitments relating to social and societal matters. In this regard, the Group Communications Director is a member of the Somfy Foundation Board of Directors, the main driving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

SOCIAL INFORMATION

CONTEXTUAL DATA

Information was collected for 2016 and 2017, which enabled data and their variations to be compared on a constant group structure basis throughout the analysis. As such, it is possible that 2016 comparison data has been restated (in comparison with the 2016 published data) to incorporate corrections and in some cases slight amendments to the protocol (data collection framework).
At 31 December 2017, total Group workforce was 7,248 people (excluding temporary workers), compared with 6,436 in 2016, an increase of 12.6%, and was analysed as follows:





CLARIFICATION REGARDING SCOPE

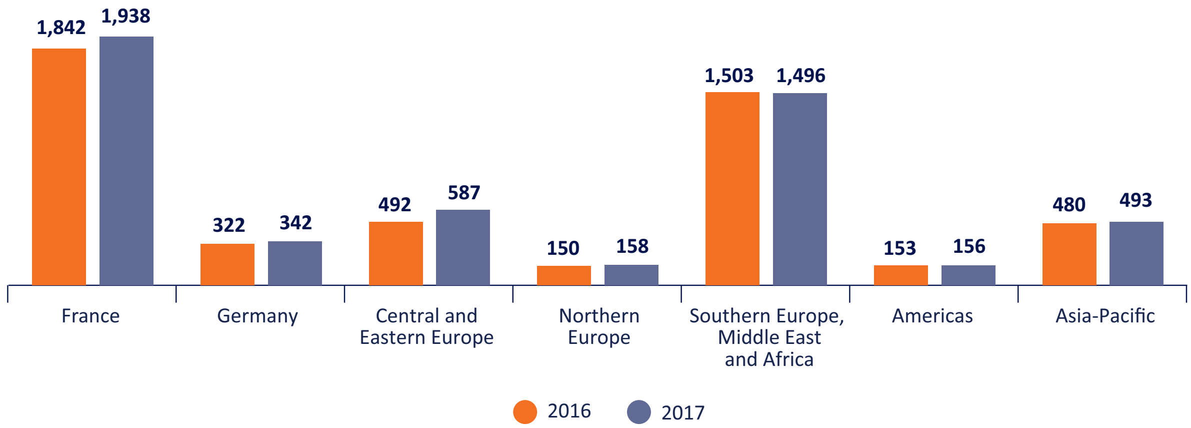
The scope of analysis of the social data for the preparation of the 2017 CSR report was stable. It related to 41 Group companies and a workforce at 31 December 2017 of 5,170 people, representing 71.3% of the Group's total workforce (76.8% of the Group in 2016).
These companies are spread across five continents, and 30 countries (South Africa, Germany, UK, Australia, Austria, Belgium, Brazil, China, South Korea, Egypt, Spain, United States, France, Greece, India, Israel, Italy, Japan, Morocco, Norway, Netherlands, Poland, Republic of Cyprus, Czech Republic, Russia, Singapore, Sweden, Switzerland, Tunisia and Turkey).

WORKFORCE

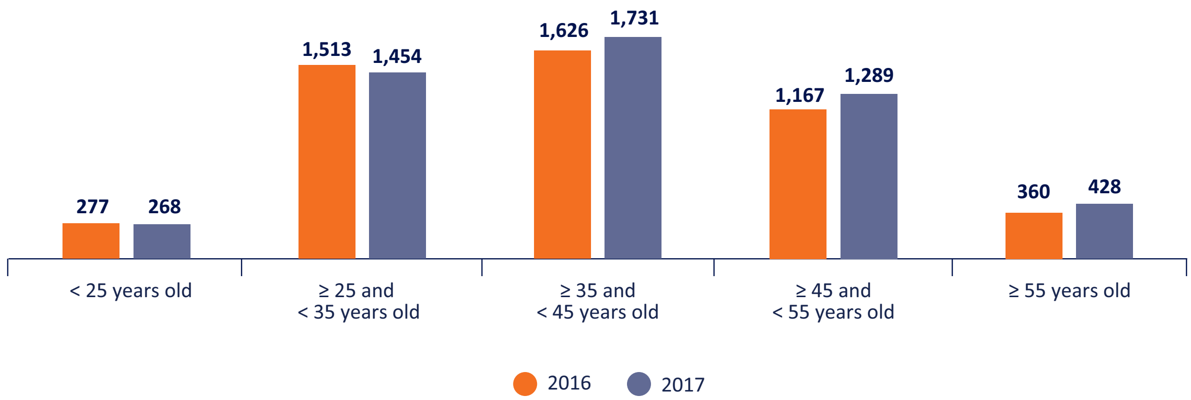
Over the 2017 financial year, the workforce grew 4.6%, going from 4,943 to 5,170 employees. 71% of this workforce is accounted for by the seven industrial sites within the CSR scope.
84% of changes in staff took place in France and Central and Eastern Europe, primarily at SOPEM in Poland and Somfy Activités SA in France.

Workforce analysis by geographic region	31/12/16 published	31/12/16 restated*	31/12/17	2017 breakdown	Change
France	1,842	1,842	1,938	37%	96
Germany	322	322	342	7%	20
Central and Eastern Europe	492	493	587	11%	94
Northern Europe	150	150	158	3%	8
Southern Europe, Middle East and Africa	1,503	1,503	1,496	29%	–7
Americas	153	153	156	3%	3
Asia-Pacific	480	480	493	10%	13
TOTAL	**4,942**	**4,943**	**5,170**	**100%**	**227**

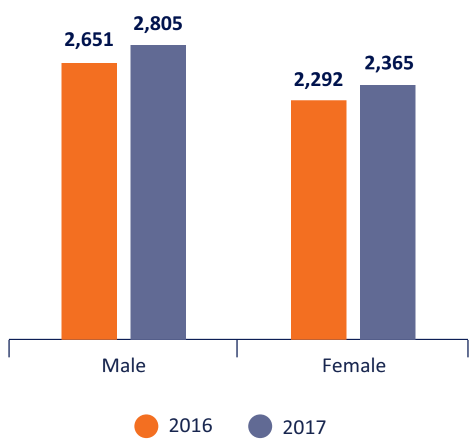
** Changes are due to adjustments, changes in protocol and the addition of new companies to the CSR scope.*



Once again this year, 35-44 year olds are the most represented age group in the scope.



The Group pays particular attention to avoiding any form of discrimination and to optimising the equal treatment of employees and applicants as far as possible. It is important to highlight the diversity in both our activities and in the people who are developing and supporting them. **In terms of gender equality**, in 2017 the ratio of men to women in the workforce was stable with a breakdown of 54% men and 46% women.



It should be noted that across the Group, this workforce ratio remained similar to 2016, namely 59% men and 41% women.
This variation between the Group and the CSR scope can be explained by the presence in the CSR scope of three major production sites with overwhelmingly female staff (SOPEM, SITEM and LianDa) with an overall proportion of 75% women.

In employment terms in 2017, there were 864 recruitments, higher than the number of departures (636), which included 26 redundancies and dismissals. It should be noted that our activity experiences seasonal peaks in production and therefore makes use of short-term recruitment at its industrial sites. Moreover, the rate of voluntary turnover[1], exclusively involving resignations and retirement, was 6.3% (vs 4.4% in 2016).

Concerning the **employment and integration of people with a 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 recognition, restructuring or reclassification can be seen.

PAYROLL

Across the Group, employee expenses amounted to €364.7 million at 31 December 2017, compared with €333.8 million at 31 December 2016.

Within the CSR scope, these totalled €294.8 million at 31 December 2017, representing 81% of the Group. It may be noted that employee expenses within the CSR scope for 2016, published last year, accounted for almost 83% of the Group's (€276.6 million).

A RESPONSIBLE SOCIAL POLICY

The financial results are by no means the only factors ensuring the future of the Group. The **commitment**, **motivation** and **wellbeing** of employees are the key factors determining the Group's long-term competitiveness and performance. It is therefore essential that the Group understands its teams to better support and value them.

In line with the new strategic roadmap **Believe & Act ! and its decidedly human driver Better Together**, it has proved necessary for the Group to maintain and turn into reality the HR initiatives already launched in previous years by highlighting the three new boosters that will guide the actions of each employee:

- #SomfySpirit to support empowerment and personal development;
- #CSR to grow sustainably and responsibly with our community;
- #EmployeeJourney to support our teams at every stage in their careers.

The Somfy Spirit booster

Within an environment where businesses must give meaning and must manage complexity, the Group aims to make **#SomfySpirit** a daily reality and ensure that its culture is reflected in everything it does.

This relates to our way of life, our identity and our development model, as well as to the way in which we embody our values (Boldness, Respect, Openness and Proximity). It means creating working conditions in which we are personally fulfilled. This concerns the way in which we apply our management principles. Today, at Somfy, by embodying the Somfy Spirit we are ensuring a long-term future for our Group and enabling every person to flourish personally in their career with Somfy and to develop all their talent and potential within their career path.

A strong corporate culture is a major factor in employee commitment; it is the image that is conveyed outside the company, which attracts new talents and new skills, it is what helps us to make the best decision, it is what makes the working environment a source of energy and satisfaction. A shared culture promotes collaboration and helps people to work better together.

For several years now, a commitment survey, Somfyscope, has been conducted every two years with the Group employees[2]; it measures commitment rates across all teams. Following the completion of the Somfyscope last edition, LianDa, for example, initiated action plans that were introduced in 2017, such as the refurbishment of working spaces and shared living spaces (dormitory, staff canteen), the provision of a gym, the holding of teambuilding events, and the development and skills training of in-house trainers. All these initiatives will play a role in improving employee commitment.

Somfyscope was last conducted in 2016. In the interim, and since 2017, Group management has committed to conducting a quarterly survey, the **Somfy Spirit Survey**, to measure improvements in the perceived effectiveness of scope-based action on specific points: personal development, initiative-taking, quality of delegation, quality of cooperation and customer focus. This short periodic survey, available in 16 languages, helps to measure how employees perceive the implementation of the Somfy Spirit values and principles in their everyday lives. Just over 4,100 people are invited to take part in complete confidentiality, whether they are connected or not. The latest edition of December 2017 was answered by 65% of the participants and received an overall rating of 6.5 out of 10, which has remained stable compared with the previous edition. Over both waves, the two strengths identified were that taking the initiative was encouraged and decisions were guided by customer satisfaction. This exercise also helped to identify the area where improvement is expected: cooperation between teams. The next survey will be conducted in March 2018.

The Corporate Social Responsibility booster

The second booster in the people section: **#CSR** falls within the context of the growing demand for CSR transparency and performance from employees and more generally, from all the company's stakeholders.

The **#CSR** booster offers a pragmatic, step by step approach involving a long-term commitment. It covers action plans that help make Somfy more sustainable as a company and more active on societal responsibility issues.

This booster specifically concerns therefore the sustainable development policy, the environmental impact of our products and their contribution to saving energy[3]. The Group has now launched firm and genuine initiatives on CSR in areas in which it feels qualified. These measures have been extended around the world thanks to local initiatives[4], based on the belief that CSR not only makes a major contribution to its vision and how to live better together, but also improves the sustainability of the company.

A genuine **#CSR** policy contributes greatly to the sense of pride our employees feel within the Group. It naturally integrates the company in its societal environment (supporting local concerns). CSR also forms part of what potential recruits are seeking in companies for which they may work. This contributes to the

(1) Voluntary turnover calculation method: the ratio between the number of departures due to resignation and retirement over a given period AND the number of employees at the end of the previous period (year).
(2) Survey accessible in electronic and paper format in 14 languages.
(3) See Environmental Information below.
(4) See Societal Information hereafter and more specifically the section Acts of support, partnership or sponsorship.

employer's brand image and perfectly illustrates the Group's values "Respect" and "Openness".

The Employee Journey booster

Lastly, the third and final booster **#EmployeeJourney** relies on the undeniable fact that personal development at work is the key factor in innovation and growth. It is the driving force behind positive commitment.

This booster relates to the way in which we attract candidates and the quality of the HR processes at every stage of life of Somfy employees: the way in which the company supports each employee, by looking after working conditions, the working environment, recognition and motivation. It is about improving skills and realising the full potential and development of individuals.

Today, the Group's primary concern is the long-term and responsible promotion of personal development *via* empowerment and growth.

By promoting good working conditions and personal development, **#EmployeeJourney** helps to significantly improve motivation and satisfaction at work, as well as cooperation and agility.

The company continued its effort to ensure that the skills of Group employees are matched with the organisation's needs, to ensure the employability of staff and prepare tomorrow's generation of managers. To this end, investment in training focused on initiatives likely to help the Group achieve its transformation objectives, in order to act in a more agile, prompt and simple way both collectively and individually, and to support cooperation and performance.

The number of training hours(1) for the entire CSR scope was approximately 72,020 hours(2) in 2017 compared with 70,755 hours in 2016(3), representing an increase of 1.8%. At Somfy Activités SA, for example, 3.6% of the payroll was spent on training in 2017.

The main training areas used in 2017 primarily concerned the development or improvement of:

- professional expertise (including Somfy products and technologies, quality, digital marketing, HR skills);
- in terms of Health and Safety – Somfy Activités SA has, for example, been particularly focused on this topic;
- managerial skills;
- intercultural skills – practically one third of the number of training hours for Somfy Activités SA;
- office tools skills;
- project management.

Work organisation is an important factor in this employee journey. In all the companies within the scope, the average working week complies with the applicable local legislation and varies between 35 and 45 hours of work per week. The most common working week within the Group is 40 hours, covering more than 54% of the staff within the scope of the study. Organisation by shift schedule in 2017 related to the following production sites: Somfy Activités SA, WAY SRL, SOPEM and primarily SITEM, in France, Italy, Poland and Tunisia respectively. Overall, this organisation applied to almost 28% of employees included in the scope. It should be noted that almost 5% of all employees are part-time, mainly in Europe, and to a far lesser extent in the United States, Australia, Russia, Singapore, Israel and Japan.

Collective working hours can vary depending on production plans and business opportunities. This flexibility is essential in adapting to market needs. One of the adjustment parameters at industrial level is night time working, which takes place on an *ad hoc* basis in the event of a production peak.

Social relations are another factor inherent to employee life. Social dialogue refers to all the relationships and interactions that exist within the company between Management, executive staff, staff representatives and employees. It is an important component in regulating the collective organisation of work, and it enables the Group's social frame of reference to progress and employees to be informed about the Group's position and its areas of development and transformation. The company wishes to enhance its quality and role.

All the companies in the CSR review scope comply with the local laws and agreements connected with their activities. Although not all have union representatives, social dialogue is guaranteed or implemented through regular meetings and/or communication with staff representative bodies or with employees directly. When there is no union representative, the managerial principles set out in Somfy Spirit thus become the basis for initiating a dialogue with employees in order to unite them around a shared project.

Generally, the companies in France, Italy, Germany, Tunisia and Poland have union representation, as well as LianDa, in China, and more recently Spain. The others, which are smaller in terms of workforce and subject to fewer requirements in this field, encourage social dialogue *via* direct meetings with employees.

Certain companies signed new agreements in 2017 or amendments to agreements in place, primarily in the fields of social dialogue (France), salaries and employee benefits (China, France, Italy and Tunisia), structuring of the working week (Germany), equal treatment (France), quality of working life (Italy), training (Italy), and health and safety (Australia, Italy, China, Greece).

Several countries including Poland, France, Norway and Sweden have continued to take action to improve the "Quality of Working Life". In France, these initiatives notably take the form of time and financial assistance devoted to sports activities, concierge services and early childhood care through the *Maison d'Assistantes Maternelles*.

(1) Published training hours refer to sessions lasting at least two hours.

(2) Training hours taken into account for Somfy GmbH relate to non-marketing and non-health and safety training.

(3) In 2016, a portion of the hours reported by Somfy Activités SA had related to planned rather than completed hours. A correction was made in relation to the data published in 2016 to the number of training hours for the entity Somfy Spol sro.

The careful attention given to the health and safety of employees also forms an integral part of the Employee Journey. Somfy's corporate responsibility begins with a guarantee to ensure everyone's physical safety and discover a quality of life within their working environment that encourages commitment.
Most of the companies have an Occupational Health Department and internal safety functions, supported by company doctors and specialists in ergonomics, notably in France, Tunisia and Poland. Efforts have been made in many countries to reduce the exposure to risks and to improve working conditions.

Work accidents frequency and severity rate indicator

In 2017, many companies within the CSR scope strengthened their communication and awareness raising initiatives in the field of occupational risks. Specific examples involve tangible initiatives on our industrial sites (pedestrian walkways, evacuation signage, safety induction booklets, skylight renovation, etc.) and more broadly awareness concerning mobile employees in relation to the issue of travel risks.
The frequency[1] and severity[2] rates are reviewed according to the industrial or commercial activity of the companies. For the record, the industrial activity involves 3,667 people and the commercial activity involves 1,503.

	Industrial sites		Distribution subsidiaries		Consolidation	
	2016	2017	2016	2017	2016	2017
Rate of frequency	5.74	5.60	2.68	5.82	**4.77**	**5.67**
Rate of severity	0.15	0.18	0.03	0.07	**0.11**	**0.14**

Somfy Activités SA and SITEM accounted for 73% of the accidents within the industrial CSR scope. As a result, these entities are continuing their efforts, which include Short Interval Management (SIM) that generates daily reviews with production employees during which problems detected are reported. They are resolved immediately insofar as possible and, if need be, employees have five further senior levels whom they can contact. In addition, SITEM managed to reduce both its frequency rate, which fell from 7.55 to 6.10 (down 19%), and its severity rate, which went from 0.07 to 0.05 (down 33%).
Work related accidents and occupational diseases are always investigated, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example). During 2017, the number of occupational diseases reported[3] was 4, and in 2016 it was 7[4]. Most of the occupational diseases reported related to Repetitive Strain Injuries (RSIs). Preventive measures have also been continued: gestures and postures training, workstation ergonomics and production station rotation.
In 2017, absences due to common illnesses, occupational diseases, and work and commuting related accidents led to an absenteeism of 4.8%[5] (4.2%[6] in 2016) – days' absence being taken into consideration according to the calendar days protocol, *i.e.* including Saturday and Sunday.

In conclusion, the launch of the new strategic plan Believe & Act ! is modelled on one of the Group's values – Boldness. It heralds a 2018 that is focused on the roll-out of these drivers, their adoption and their implementation by all teams in their everyday lives and working environment.

ENVIRONMENTAL INFORMATION

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The 2017 CSR scope covers, among others, seven of the eight factories located around the world, representing 71% of the Group's industrial workforce.

NATURE OF ACTIVITIES, ASSOCIATED RISKS AND MEASURES TAKEN

The activities of the sites are of tertiary, industrial and logistical natures.
Industrial sites mainly perform product assembly operations from plastic and metallic components and circuit boards sourced from outside the sites. Assembly operations do not product gas emissions, liquid releases or substance 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 buildings and mainly consist of the assembly of small parts.
Given the type of activity, there are no risks related to food waste.
The different sites are subject to classification levels compliant with local regulations in relation to pollution or nuisance risks that these facilities are likely to create.
The French sites are subject 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.
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'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.

*(1) Method for calculating the frequency rate = (Number of work-related accidents/Hours worked paid) * 1,000,000.*
*(2) Method for calculating the severity rate = (Days absence due to work-related accidents/Hours work paid) * 1,000.*
(3) Given the diversity of regulatory approaches and even the lack of legal reporting requirements in certain countries, information on occupational diseases mainly concerns the French entities (1,938 people in total).
(4) 2016 data corrected for one of the entities concerned.
(5) Method for calculating absenteeism = (Number of days' absence in calendar days)/(hours worked and paid/(legal number of working hours per week/5)).
(6) Correction made to days' absence of one of the entities.

GENERAL ENVIRONMENTAL POLICY

In 2017, the ambition for the Planet initiative was set out within the framework of the strategic corporate project Believe and Act !. This ambition is expressed as follows:

Somfy solutions offer benefits in terms of the energy performance of the buildings that are fitted with them. In addition, Somfy products are eco-designed and include the Act for Green® label. These products are developed, manufactured and distributed by teams that implement environmentally friendly practices.

This Act for Green® label is attributed to products that meet eco-design requirements. The origins of Act for Green® can be traced back to the results of a carbon assessment carried out in 2012[1]. This carbon assessment had established work on electricity consumption and the use of raw materials as priorities.

This eco-design approach, launched in 2015, was continued in 2017 with the certification of the following products:

- SMOOVE Origin and Sensitiv range of control units;
- Sunis Wirefree II io sensor;
- range of motors for J4 exterior venetian blinds.

Act for Green® is based on a framework taken into account by Research & Development teams. It incorporates requirements that are broken down according to several subject areas:

- controlling greenhouse gas emissions through moderate electricity use and the choice of appropriate raw materials;
- seeking to use recycled and recyclable raw materials in the composition of products;
- materials selected for their low impact on health and the environment;
- product durability;
- a statement of the environmental impacts in line with the PEP ecopassport® programme in which Somfy participates. This programme, developed by the electricity industry, defines a standardised method for making environmental declarations in accordance with international regulations (ISO 14025 & ISO 14040s). The information contained in this PEP ecopassport® has been independently verified by Bureau Veritas CODDE.

A roadmap for the integration of projects in the Act for Green® programme had been drafted in collaboration with development teams for the next three years.

Requests, from both customer and regulatory, in relation to understanding the substances used in our products have continued. Somfy is monitoring the progress and implementation of these regulations by taking part in the FIEEC's[2] "GT Substances" working group.

Somfy has a Sustainable Development Department. This Department integrates the resources and skills necessary for the completion of projects that come under the heading "Planet". The Sustainable Development Department rolls out its policy by working with the teams concerned in the Group's various sites and businesses.

In 2017, the Group continued to implement measures to reduce the environmental impact of its activities. Communication initiatives were undertaken primarily through seminars involving Group employees. They covered the Act for Green® programme as well as the environmental policy's vision within the context of Believe & Act !.

For example, **BFT Italia SpA** has an ISO 14001 certified structure. In 2017, BFT prioritised its actions to reduce the energy use of its products on standby and to reduce the use of non-recyclable packaging. Emphasis was also placed on managing hazardous waste such as oil and electronic components. This was undertaken through in-house meetings and general communications with staff.

The **SOPEM** factory in Poland has an environmental policy based on the following areas:

- conserving natural resources;
- contributing to sustainable development;
- cooperating with partners for environmental protection;
- improving energy efficiency.

At the start of 2017, **Somfy Activités SA**, in France, focused on measures to help reduce air pollution by seeking to influence the means of transport used for commuting to and from work. The Arve Valley, a region covered by an Atmospheric Protection Plan, and in which most of Somfy's French sites are located, was indeed hit by an exceptional air pollution incident.

Specific examples include the creation of the organisation G.R.E.EN (French Group for the Environmental Responsibility of Companies), of which Somfy is a founding member – G.R.E.EN Haute-Savoie Mont Blanc. It brings together companies and local government authorities from the region to promote initiatives that encourage the sustainable development of companies in the Arve Valley and the Haute-Savoie department.

Within this context, the first project implemented was the car-sharing application WAYZ Up[3] specifically aimed at home to work travel.

Other examples on the theme of mobility include:

- introduction of a mileage allowance for cycling: 126 people have recorded a total of 54,142 km;
- bicycle maintenance service offered to employees;
- introduction of charging stations for electric company vehicles and cars;
- gradual introduction of hybrid vehicles and fuel as a replacement for diesel in the company vehicle fleet;
- a "Mobility Challenge" day aimed at changing commuting practices was held again in 2017 with 27% of employees present taking part, and more than 7,351 km travelled that was not driven solo;
- an internal site has been created, bringing together all the relevant information on air pollution, related in-house initiatives, the various sustainable forms of transport and testimonials.

Other notable efforts have also been made at Somfy Activités SA to reduce the environmental impact of its activities:

- the measures introduced under the partnership with FRAB AuRA (formerly Corabio) made it possible to achieve the target of serving 19% local and organic products in Somfy's company restaurant in Cluses (up 3% compared with 2016);
- reuse of IT hardware: 508 products handled in 2017 including 348 computers. The update and removal of computer data is performed by a company promoting the employment of disabled people. These computers and various accessories are then reused, thereby breathing new life into them. In 2017, 97% of the equipment was reusable, with the remaining 3% sent for recycling;
- work has also been carried out on the buildings to help reduce energy consumption. It mainly involved improving insulation, upgrading lighting systems to automated LED systems and replacing cooling equipment.

(1) Carbon assessment carried out in 2012 based on 2011 data.
(2) FIEEC: French Federation of Electric, Electronic and Communication Industries.
(3) Since renamed Klaxit https://mailchi.mp/wayzup/en-2018-wayzup-devient-klaxit-mt3n2li97k?e=2b3e0c15cb.

POLLUTION AND WASTE MANAGEMENT

Waste (Tonnes)	31/12/16 Published	31/12/17
Non-hazardous waste	2,954	3,738
Hazardous waste	22	29
TOTAL WASTE	**2,976**	**3,767**
Recovered waste	2,679	3,457
% of waste recovered	90%	92%

No exit from or addition to the 2017 scope – Strictly constant scope

Electronic products covered by the ROHS European directive were subject to hazardous substances removal. Somfy also applies this requirement to products sold outside Europe.
SOPEM carries out audits to ensure the correct application of waste sorting procedures. The results are forwarded to management and shared within team meetings.

SUSTAINABLE USE OF RESOURCES

Water

Water consumption at the sites is limited to the toilet facilities. At Somfy's various industrial sites, there are no manufacturing processes likely to exhaust local water resources or that depend on a limited water supply.

Water consumption	31/12/16 Published	31/12/17
Water consumption (m^3)	57,615	60,576

No exit from or addition to the 2017 scope – Strictly constant scope

98% of waste water is discharged into public treatment networks. The remaining 2% correspond to storage in fire safety tanks.

Energy

The companies use gas, network electricity(1) and heating oil. Energy consumption is primarily linked to the heating and air conditioning of the premises(2).

Energy consumption (KWh)	31/12/16 Published	31/12/17
Gas	12,443,779	12,636,059
Electricity	13,901,375	14,770,531
Mineral fuel	89,924	59,265
TOTAL ENERGY CONSUMPTION	**26,435,078**	**27,465,855**

No exit from or addition to the 2017 scope – Scope strictly constant

Following on from the energy audit carried out in 2015, Somfy Activités SA consolidated the approaches that had already been undertaken in previous years relating to the modernisation of thermal comfort and insulation systems, and the replacement of fluorescents lighting with LEDs to reduce lighting-related electricity consumption. This work is being carried in successive stages as workshops and offices are refurbished.
Similarly, SOPEM is rolling out the installation of LED bulbs in its new site extensions and in existing warehouses.

Raw materials

Somfy has incorporated requirements aimed at minimising the depletion of raw materials in its Act for Green® framework:

- use of packaging materials with a minimum of 50% recycled fibres;
- use of recycled paper in product instructions;
- ensuring products can be repaired as much as possible;
- ensuring durability of remote controls with products resistant to cumulative shocks.

Some projects were initiated in 2017, as they were with SITEM, to reduce production waste and therefore the quantity of raw materials.
In France, Somfy Activités SA signed in 2013 a contract with RECYLUM, an organisation authorised to process professional WEEE. This is the result of an industry approach in which Somfy was a stakeholder.

LAND USE

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

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.
Solar protection systems motorised and automated by the solutions offered by the Group help to reduce the energy consumption of buildings. This is achieved both by reducing the winter heat loss of buildings and by protecting them from the heat in summer, thereby improving comfort in the summer and helping to reduce the installed air conditioning capacity.
Somfy is a member of the Active House Alliance, which promotes healthier, more comfortable buildings that do not have a negative impact on the climate(3).
Although Somfy solutions help lower the overall carbon impact of buildings, Somfy is also committed to reducing the impact of its activities. As such, the Group relies on the results of a carbon assessment(4) to identify the significant sources of greenhouse gases emitted as a result of company operations, in particular due to the use of the goods and services it manufactures.
This carbon assessment carried out across scopes 1, 2 and 3 and within the scope of Somfy Activités SA helped to rank the different causes of greenhouse gas emissions by order of importance. This assessment was carried out with the support of the Eco2 Initiative.

(1) The 2017 values for gas and electricity at BFT Italia SpA have been restated to take into account dates of meter readings and to adjust usage over a one-year period.
(2) Somfy does not report usage that does not fall within the operational activity of the sites (for example: testing fire safety systems).
(3) https://www.activehouse.info/about/about-active-house/.
(4) Carbon assessment carried out in 2012 based on 2011 data.

Between them, the electricity consuming of products (use consumption/usage) and raw materials (inputs) items accounted for 85% of greenhouse gas emissions by Somfy Activités SA.
These two items relate to products manufactured and thus to the activity of the industrial sites.
Given that the nature of the activity of the industrial sites and the types of products manufactured are identical and have not changed since 2011, this Somfy Activités SA carbon assessment is representative of all the Group's industrial sites. The emissions of the different items are proportional to the activity of each industrial site. The ranking by order of importance of greenhouse gas emissions is therefore deemed to be the same between 2011 and 2017 and across all sites.
Quantities manufactured by Somfy Activités SA accounted for 25% of all quantities manufactured by the Group in 2011.
This led to the establishment of the Act for Green® programme, described in the "General Environmental Policy" chapter. As this programme is being applied progressively to all products and markets, it is leading to a reduction in greenhouse gas emissions across all production sites.
However, other items, such as transport or energy consumption, have not been neglected, with mobility programmes at Somfy Activités SA and initiatives to reduce energy consumption at the sites (see in particular the energy section in this report).

Greenhouse gas emissions resulting from the use of raw materials that form part of the composition of the products are also taken into account:

- analyses of the lifecycles of products conducted on the control points highlight that it is the microprocessor that generates the largest portion of emissions, accounting for over 25%. By way of example, the Act for Green® criteria recommend the use of QFN type microprocessors which, in comparison with the QFP versions prohibited by Act for Green® generate a five-fold reduction in greenhouse gas emissions;
- research has also been conducted into the use of recycled plastics. However, the plastic materials used in electrical and electronic equipment (EEE) must meet very high specifications and standards in relation to fire testing and dielectric properties (notably CEI 335-1, UL 746 C). These materials are not currently available on the recycled plastics market. Somfy is supporting the work of the FIEEC(1) to make progress in this field.

In general terms, Somfy contributes to the implementation of the circular economy through its involvement in professional organisations such as the FIEEC, IGNES(2) and the Technical Committee 111(3).
Somfy has decided to monitor a significant indicator concerning its greenhouse gas emissions and regarding which it is able to take action: the energy consumption of its products when on standby. The amount of CO_2 emissions for motors sold in 2017 stood at 40.30 kg of CO_2 per motor.
The data used in the calculation was provided by the Group and has a low level of uncertainty. However, the emission factor used is based on average European data, ultimately resulting in a level of uncertainty classed as medium.

PROTECTION OF BIODIVERSITY

The SOPEM factory in Poland is located on the edge of protected sites belonging to the Natura 2000 network:

- Puszcza Niepolomicka PLB 120002;
- Torfowisko Wielkie PLH120080.

Somfy Activités SA owns several sites in the heart of the French Alps, near Mont Blanc. Somfy 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

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT

Consideration of the local impact of the company's activity in relation to employment and regional development

Leader in its business sectors, Somfy grew, which in 2017 had a positive impact on employment across all the regions in which it operates, as suggested by the 12.6% increase in the Group's workforce.
As with the previous two years, the significant expansion of the Eastern Europe region resulted in the recruitment of staff at the SOPEM factory; it was the only region to see its workforce grow by almost 20% (within the CSR social scope). This development of local employment was accompanied by a transfer of Group knowledge and skills.
The Group prioritises the local recruitment of all employees, as this offers advantages in terms of the understanding of local issues and cultures which is essential in particular in the residential sector. The recruitment of local executives in the factories also leads to better and more culturally sensitive management both in terms of social dialogue and performance improvement.
Moreover, the Group wants production sites to be autonomous in their methods and their supply. The sites have autonomy in their choice of suppliers from a panel jointly constructed and managed by Group Purchasing. The aim is to maintain consistency in the purchasing strategy whilst going as far as possible to ensure local implementation in relation to sub-contracting and supply. This openness is beneficial to the Group which in return benefits from successful local initiatives which can then be rolled out elsewhere.

Consideration of the impact on neighbouring and local populations

In order to promote regional development, the Group helps to support higher education in the Auvergne Rhône-Alpes region, in part thanks to its role as a founding member of the *Université Savoie Mont Blanc* (USMB) Foundation alongside the *Assemblée des Pays de Savoie* (regional government) and the *Université Savoie Mont Blanc Club des Entreprises* (Business Club). This selection forms part of the longstanding relationship between the University and Somfy, which has continued since the creation in 1991 of the Club des Entreprises. Somfy is working alongside the University to bring the academic world closer to the business world. As such, as part of this Business Club, the University has links to help identify opportunities for its students who are seeking professional training contracts.

(1) FIEEC: French Federation of Electric, Electronic and Communication Industries.
(2) IGNES: French Association of Digital Power and Security Engineering Industries.
(3) INTERNATIONAL ELECTROTECHNICAL COMMISSION: Technical Committee 111: Environmental standardisation for electrical and electronic products and systems.

Moreover, since 2012 the Group has chaired the Board of the *École Polytech Annecy Chambéry*, the University's engineering school, where Somfy contributed to lectures on innovation. In addition, the school has received accreditation for a new IT course on Usage Data, which Somfy has supported by showing its interest and participating in the audit of the *Commission des Titres* (French Association for Quality Assurance in Higher Education).

Somfy is heavily involved in competitiveness centres and technology clusters active in the Arve valley (Haute-Savoie), where the Group's historical sites are located. Somfy participates in Thésame, the technological network for mechatronics businesses and in the Public Interest Group MIND, an innovative Franco-Swiss platform specialised in the field of mechatronics. Mechatronics is the synergetic and systematic combination of mechanics, electronics and real time computing, and is at the heart of Somfy's expertise. These collaborations enable the company to be committed to local industrial development whilst continuing to benefit from the input of skills and innovations into our design and industrialisation processes.

RELATIONS WITH STAKEHOLDERS

Conditions for dialogue with stakeholders

The Group annually reviews its communication plan in relation to its stakeholders, to ensure they are kept regularly informed and to facilitate as much as possible constructive discussions in relation to the Group's strategy and management with the stakeholders identified as priorities: employees, shareholders, investors, customers, users, suppliers and regional governments.

The social section of this report summarises all the developments and improvements made as part of the dialogue with employees and social partners.

In 2017, the first edition of Investor Day took place in Paris in front of an audience of economic journalists and financial analysts, during which the Group's strategy was presented by the Group CEO and other members of the Executive Committee.

We distinguish between customers, a term that refers to the professionals or distributors who buy and sell, integrate, or install our products, and users, a term that refers to the end users of our products, whether they are the customers of our customers, users of our solutions in offices or communal facilities, or consumers buying our products on our websites. Being responsive to professional customers is a strategic priority for Somfy and it is structured within a programme called "Customer First". For each customer profile, the Group has developed dialogue-based activities – studies, surveys, training, services – tailored to the expectations of these stakeholders. Our quality survey helped to achieve a Net Promoter Score of 69 out of 100, which is an excellent result. The survey also enabled us to identify areas requiring improvement.

Users are regularly consulted as part of the development of our new offers. A forum moderated by Somfy gives them a voice in France. Other users can thus answer questions, and so can company employees. More than 11,000 new questions were therefore asked *via* this means in 2017 and the annual number of visitors reached a million. This total number of 45,000 participants since the launch of the forum in 2013 enables our hotline to be more efficient and to answer calls more quickly and has led to productivity gains in this telephone support service.

Involved in the development of the areas in which the Group is located, Somfy has led dialogue in France with the various levels of public decision-making to contribute to action in the areas of education, employment, research and development, or to support cultural and sporting projects for local people, by trying where possible to replicate these events within the company for the benefit of employees. These cultural and sporting programmes include meetings at the *Pays du Mont-Blanc* (Pays du Mont-Blanc), *Plein Feux Festival* (Bonneville), MB Race (Pays du Mont-Blanc), and various sports clubs (Cluses). This collaboration can take the form of patronage or sponsorship, since the visibility of Somfy's initiatives by Group employees or local residents is one of the aims of this commitment.

Acts of support, partnership or sponsorship

Action to support top athletes

Somfy has been a partner of the French Ski Federation and the French Biathlon Team since 2005, and all Nordic Skiing since 2014 (Biathlon, Cross Country, Ski Jumping, Nordic Combined). A committed supporter of sporting initiatives for more than 20 years, the Group also sponsors three talented biathletes individually: Martin Fourcade, Marie Dorin-Habert and Simon Fourcade.

In 2014, Somfy created Somfy Ski Talents, a sponsorship programme for promising top skiers: Clément Parisse, Thomas Clarion, Enora Latuillière and Jonas Devouassoux. In addition to supporting athletes financially, Somfy offers to help them in preparation for their transition into, or in finding out about, the business world. Lastly, the Group helps athletes to build their reputations by passing on their news *via* its social networks.

A citizen's policy involving employees

Somfy is committed to improving the living conditions of all, and the company's foundation was established in 2004 to support this worthwhile cause. Since then, it has pursued its civic action to combat poor housing and to help people live better together.

The Foundation is now a philanthropic organisation in its own right, both in terms of financial and human contributions. Both initiatives are implemented through the international programme A House is A Home and the crowdfunding programme *Les Petites Pierres*[(1)].

In 2017, Somfy gave the Foundation's initiatives €376,000, and provided an operational team of five people.

The same goals lie at the heart of both the A House is A Home and *Les Petites Pierres* programmes: steadily forging the bonds of humanity that form the basis of a balanced society, developing lasting relationships, and working hand-in-hand with community partners identified as stakeholders and project leaders. This helps promote the values of solidarity within the company.

Les Petites Pierres

The endowment fund *Les Petites Pierres* is a digital crowdfunding platform initiated by the Somfy Foundation. It enables anyone to donate to community projects in the area of access to decent housing, with every donation by an individual being matched (*i.e.* doubled) by the Somfy Foundation and other partner companies. In 2017, the platform enabled 49 projects to be funded (135 projects since it was founded in 2013), for a total, topped up by the Foundation, of €220,000. Since November 2013, the platform has been able to give €1,547,832 to organisations.

In addition to project funding, non-profit organisations receive assistance with digital skills learning, thereby helping them to leverage their various communities and other partners independently.

(1) http://www.lespetitespierres.org/.

A House is A Home

Because it is both important and socially responsible to make a commitment in the countries where the company operates, the Somfy Foundation is now working with eleven projects of non-profit organisations fighting against inadequate housing in nine different countries (Brazil, Germany, Spain, Belgium, Lebanon, Poland, United States, Australia and France). Poor housing is a problem that is present throughout the world. As an international company, Somfy wishes to make its own contribution by ensuring decent housing is available to as many people as possible.

Through its socially-responsible commitment, the Somfy Foundation gives real substance to the values of responsibility, openness and respect of the company. The A House is A Home[1] programme, started in January 2015 and was consolidated in 2017 with the introduction of personal philanthropy in certain subsidiaries in addition to the financial support provided.

Employee involvement

Personal philanthropy serves both the A House is A Home and *Les Petites Pierres* programmes.

Introduced in France for Somfy Activités SA, in 2017 this personal philanthropy saw the skills and energy of 283 employees donated to non-profit organisations over the course of 49 days of solidarity. They were 165 in 2016, an increase of 71%, demonstrating the interest shown by employees in this programme.

In addition, making the Foundation's actions international has been made possible thanks to the very active involvement of Somfy's subsidiaries. The latter have made both financial and human commitments: organising their HR and legal framework enabling their employees to be involved in solidarity initiatives during working hours.

SUB-CONTRACTING AND SUPPLIERS

Suppliers and sub-contracting are important for the 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, 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.

The Group is working on the introduction of measures to guarantee that its suppliers and sub-contractors are socially and environmentally responsible. Thus, Somfy 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;
- organisation 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, the Group may ask the supplier to take corrective action.

For every component developed by a supplier, the Group requests a written undertaking relating to the European Directives REACH and ROHS.

In accordance with the regulations adopted by the US Securities and Exchange Commission in 2012, the Group implemented its duty of diligence in respect of its supply chain, in order to ensure that the supplies used in its products do not contain any "Conflict Minerals".

In 2017, a special event bringing together 210 suppliers from Europe, Africa, the United States and Asia was held in SOPEM's factory in Poland. The aim was to reinforce the Group's appeal to existing and potential suppliers through a detailed presentation of our strategy and testimonials regarding recent projects. The success of this event resulted from the collaboration between the Activities, Supply Chain, Industrial, Purchasing and Corporate Communications Departments.

FAIR PRACTICES

Ethics

Since 2015, Somfy has specifically rolled out an Ethics Charter and all employees have been made aware of its contents and trained in ethical concepts by their managers. "*With its continued growth, the Group enjoys [...] great visibility in many countries and in increasingly diverse markets. Our position as leader in several of our industries and our ambition for tomorrow involves increased responsibilities that we wish to assume. In fact, the success of our business will only endure if we clearly assert our requirements as an ethical and responsible business.*"[2] The Group therefore wants to maintain the requirement for exemplary behaviour on a day-to-day basis. As such, the Ethics Charter is intended to serve as a point of reference in terms of individual and collective behaviour and will guide our day-to-day activities enabling us to embody our values.

It is a common and unifying document; a tool for the promotion of dialogue between employees so that ethics is an open matter understood by all. Somfy and its employees particularly seek to respect the regulations of the countries in which it operates in relation to organisation of work, whilst subscribing to the principles and objectives of the fundamental conventions of the International Labour Organisation (ILO) and by aiming to adopt the practices of a responsible and respectful of everyone management. A role of the network of HR Managers 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.

This is reflected in a commitment to:

- respect differences, improve diversity and reject discrimination;
- reject any kind of harassment, notably moral and sexual;
- ensure the health, safety and decent working conditions for the company's employees and partners;
- seek to develop the skills and employability of staff and their professional development;
- reject any kind of illegal child labour and the use of forced labour;
- reject any kind of corruption, whether active or passive;
- guarantee constructive social dialogue.

(1) http://www.fondation-somfy.com/fr-fr/les-programmes/a-house-is-a-home.
(2) Source: Introduction of the Ethics Charter by the Management Board.

In addition to this Ethics Charter and following the enactment of the law on transparency, the fight against corruption and the modernisation of the economy[1], Somfy has chosen to adopt the Middlenext Anti-Corruption Code of Conduct. This Code of Conduct is designed to guide business behaviour. The Group has decided to supplement it with several appendices in order to provide practical advice, examples and links to other relevant information.

MEASURES PROMOTING CONSUMER HEALTH AND SAFETY

Ensuring the safety of the users of its products is a top priority for Somfy. Alongside other leading companies in the electrical industry and the building shutters sector, the 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 the compliance of Somfy products with safety standards, these are accredited by independent bodies in its different territories (VDE, NF, SASO, UL).
Through its Quality Management System, the Group ensures its products compliance with the standards and requirements in place within its markets. For an effective and safe installation of its products, the 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. Every product is accompanied by usage and safety instructions.
Somfy publishes online manuals on its websites. They are available on about forty of our sites intended for users of our solutions (also on our sites for professionals) and are translated into several languages depending on the product listing. In addition, numerous YouTube channels around the world broadcast presentations on products and their operating instructions, usage tips, and even demonstrations on installation and programming.
The Quality Management System is the backbone of performance for the Group: it must enable each employee to become a regular advocate of customer satisfaction. In order to respond to Somfy's development, customer expectations and those of all stakeholders, the Group's Quality Management System has been revised. Based on the Group's core values and principles, it aims to implement an ongoing drive of continuous improvement at the service of performance and customer satisfaction. It is intended to be simple, used and useful, and able to meet high standards as and when necessary. Independent of any organisations, it clarifies cross-company operations and promotes cooperation. This system is a common base. It is incumbent upon teams to elaborate on it and make it work in their own context.

METHODOLOGY NOTE

REPORTING PROTOCOL

The 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 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

The 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 societal 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 2 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 monitoring 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 2017.
Depending on the indicators, it can relate to:
- an annual consolidation of the data from 1 January 2017 to 31 December 2017;
- the data measured at 31 December 2017.

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

REPORTING SCOPE

Pursuant to Article L. 225-102-1 of the Commercial Code, 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.

(1) Known as the "Sapin II" law.

For reasons of organisation and access to information, not all Group companies have yet been included. The Group wants to use perimeters that are more relevant depending on the topics covered. As such, certain companies are excluded from the social scope due to the existence of very low workforces in certain organisations (distribution subsidiaries spread out over vast geographic areas such as South America), or the lack of Human Resources information systems designed for collecting data easily.
The distribution subsidiaries are excluded from the environmental scope due to their low environmental impact in comparison with the industrial sites.
Over the short-term, the Group plans to integrate all significant companies that it fully owns. Only one company, Dooya, 70% owned and comprising an industrial site, is not integrated. At 31 December 2017, Dooya's workforce was 1,523 people (excluding temporary workers), training costs were €0.2 million and energy costs were €0.7 million.
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 2017 reporting

The social reporting scope taken into account for the 2017 financial year is identical to that used in 2016 and includes the following entities:
- Automatismes BFT France SAS (France);
- Automatismos Pujol SL (Spain);
- BFT Italia SpA (Italy);
- LianDa (China);
- NV Somfy SA (Belgium);
- O&O SRL (Italy);
- Overkiz SAS (France);
- Simu GmbH (Germany);
- Simu SAS (France);
- Sisa Home Automation Ltd (Israel);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- Somfy AG (Switzerland);
- Somfy Brazil LTDA (Brazil);
- Somfy China Co Ltd (China);
- Somfy Egypt (Egypt);
- Somfy España SA (Spain);
- Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti (Turkey);
- Somfy GmbH (Germany);
- Somfy GmbH (Austria);
- Somfy Hellas SA (Greece);
- Somfy India Pvt Ltd (India);
- Somfy Italia SRL (Italy);
- Somfy Joo (Korea);
- Somfy K.K. (Japan);
- Somfy LLC (Russia);
- Somfy Ltd (UK);
- Somfy Maroc SARL (Morocco);
- Somfy Middle East Co Ltd (Republic of Cyprus);
- Somfy Nederland BV (Netherlands);
- Somfy Norway AS (Norway);
- Somfy PTE Ltd (Singapore);
- Somfy PTY Ltd (Australia);
- Somfy South Africa (PTY) Limited (South Africa);
- Somfy Sp zoo (Poland);
- Somfy Spol sro (Czech Republic);
- Somfy Sweden AB (Sweden);
- Somfy Systems Inc. (USA);
- Somfy Tunisie (Tunisia);
- SOPEM (Poland);
- WAY SRL (Italy).

Likewise, the environmental reporting scope taken into account for the 2017 financial year is also identical to that used in 2016 and includes the following entities:
- BFT Italia SpA (Italy);
- LianDa (China);
- Simu SAS (France);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- SOPEM (Poland);
- WAY SRL (Italy).

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.

CSR CROSS-REFERENCE TABLE BASED ON DECREE N° 2012-557 OF 24 APRIL 2012

Social information	Pages
Employment	
Total workforce and employee distribution by gender, age and geographic region	24 and 25
Recruitment and redundancies	26
Remuneration and its evolution	26
Work organisation	
Organisation of working hours	27
Absenteeism	28
Social relations	
Organisation of social dialogue – including procedures regarding information, consultation and negotiation with employees	27
Collective bargaining agreements	27
Health and safety	
Health and safety at work	28
Review of agreements signed with trade unions or employee representatives in terms of health and safety at work	27
Work accidents, their frequency and severity, and occupational diseases	28
Training	
Training policies	27
Total number of training hours	27
Equal treatment	
Measures taken to promote gender equality	25
Measures taken to promote the employment and integration of people with a disability	26
Anti-discrimination policy	33
Promotion of and compliance with ILO fundamental conventions	
Respect for freedom of association and collective bargaining	33
Elimination of employment and occupational discrimination	33
Suppression of forced or compulsory labour	33
Effective abolition of child labour	33

Environmental information	Pages
General environmental policy	
Company organisation to take into account environmental issues and, where applicable, environmental assessment and certification processes	29
Training and employee information actions conducted in relation to environmental protection	29
Resources allocated to avoiding environmental risks and pollution	28
Amount of provisions and guarantees for environmental risks, providing this information is not liable to seriously prejudice the company in an ongoing litigation	28
Pollution	
Measures to prevent, reduce or remediate air, water and soil pollution emissions that seriously damage the environment	28
Taking into account noise pollution and any other type of pollution specific to a particular activity	28
Circular economy	
Measures to reduce, recycle and otherwise recover and dispose of waste	29 and 30
Measures to combat food waste	28
Use and supply of water in line with local constraints	30
Consumption of raw materials and measures taken to make more efficient use of them	30 and 31
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy sources	30
Land use	30
Climate change	
Significant sources of greenhouse gases emitted as a result of company operations, in particular due to the use of the goods and services it manufactures	30 and 31
Adaptation to the consequences of climate change	30 and 31
Protection of biodiversity	
Measures taken to safeguard or increase biodiversity	31

Societal information	Pages
Territorial, economic and social impact of the company's activities	
On employment and regional development	31
On neighbouring and local populations	31 and 32
Relations with individuals and organisations interested in the company's activity, particularly social integration and educational institutions, environmental protection organisations, consumer associations and local communities	
Conditions of dialogue with these individuals or organisations	32
Acts of partnership or sponsorship	32 and 33
Sub-contracting and suppliers	
Taking into account social and environmental issues in purchasing policies	33
Significance of sub-contracting and inclusion of social and environmental responsibilities in relationships with suppliers and sub-contractors	33
Fair practices	
Measures taken to avoid corruption	33 and 34
Measures taken to safeguard the health and safety of consumers	34
Other measures taken to safeguard human rights	
Other measures taken to safeguard human rights	33

INFORMATION ON RISKS
(ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

FINANCIAL RISKS

—

The main financial risks to which the Group is exposed are foreign exchange, interest rate, liquidity, investment and raw materials 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 the 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

The 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).
At comparable terms and conditions, the Group gives priority to natural hedges (foreign currency purchases related to sales in the same currency). The derivative financial instruments put into place are forward foreign exchange contracts for the main currencies.
The management of foreign exchange risk is covered in note 7.3 to the consolidated financial statements.

INTEREST RATE RISK

The Group is exposed to interest rate risks. Management of the interest rate relative to Group debt is based on consolidated position and market conditions. The primary objective of the rate risk management policy is to control Group financing costs.
The management of the interest rate risk is covered in note 7.3 to the consolidated financial statements.

LIQUIDITY RISK

The 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 requirements and observance of its financial ratios.
The granting of credit facilities is subject to Somfy SA's commitments to its banking partners 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/EBITDA).

The management of liquidity risk is covered in note 7.3 to the consolidated financial statements.
Credit facilities and compliance with covenants are detailed in note 7.2.2.6 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 7.3 to the consolidated financial statements.

RAW MATERIAL RISKS

The Group is exposed to fluctuations in the price of the raw materials used in the manufacture of its products.
Somfy SA protects against this risk by placing firm orders with its suppliers (physical hedges for copper and zinc) and *via* hedging agreements for materials on the financial markets (copper and zinc paper hedges) on components that cannot be physically hedged.
The management of raw material risks is covered in note 7.3 to the consolidated financial statements.

SHARE RISKS

—

The Group is exposed to equity risk on treasury shares. Given the share price, it was not necessary to record a provision for writedown at 31 December 2017.

LEGAL RISKS

—

The 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 in the Register of Companies and stock exchange regulations.
The 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

—

The 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";
- "Corporate officers' civil liability";
- "Transported goods".

In addition, credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 80% of sales are covered by such contracts.

COUNTRY RISK

—

The majority of operations occur in safe areas such as Europe and the United States.

The regions most exposed to current economic, geopolitical and monetary uncertainties are Asia (China), Latin America (Brazil, Argentina) and the Middle East (Levant). In total, they represent approximately 10% of Group sales.

Sales growth in the UK stood at 10.9% on a like-for-like basis over the financial year just ended, in spite of the uncertain environment related to the prospect of Brexit.

FINANCIAL RISKS ASSOCIATED WITH CLIMATE CHANGE AND THE LOW-CARBON STRATEGY

—

Due to the nature of the products marketed (notably motors for blinds), the 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.

Due to its industrial activity, the Group is exposed to a certain number of risks that are related to climate conditions (storms, earthquakes, flooding, etc.) and as such, more widely, to climate change. The Groupe set up an assessment of these risks and has all the necessary insurances to cover any financial consequences.

Combating climate change is taken into account from the design of the products through the Act for Green® programme. The Group focuses as well on optimising the use of raw materials as on ensuring energy efficiency and recyclability in order to reduce its products' carbon footprint.

With regard to the assessment of climate-change related risks and the steps taken by the Group to reduce them as part of its environmental strategy, please refer to section "Social and environmental reporting", paragraph "Environmental information" of this report.

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.

The management of credit risk is covered in note 4.5 to the consolidated financial statements.

DESCRIPTION OF INTERNAL CONTROL AND MANAGEMENT OF RISKS PROCEDURES RELATIVE TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION (ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

STRATEGIC, BUDGETARY AND REPORTING PROCESSES

—

The preparation of the budget is part of an annual strategic process involving all the Activities, Business Areas and Business Units, as well as all the Divisions, which define their own key objectives, in line with the strategic guidelines set by General Management.

The overall budget is prepared as part of an iterative process involving all Group players. It is the result of the consolidation of local budgets.

After approval by the General Management of the Group, every manager becomes responsible for meeting his/her own budget.

The measurement of the achievement of objectives set out in the budgets is carried out through a system of matrix reporting on a monthly and quarterly basis, which enables results to be produced on several axes (Business Area, Business Unit and Activity). It comprises the standard financial data: operating accounts and balance sheet indicators, and non-financial performance indicators.

Reporting is complemented by strategic reports and quarterly updates of forecast sales and profit for the current year. These measurements enable a follow-up of the achievement of objectives and provide corrective actions on a matrix basis and at all levels of responsibility (consolidation, Business Areas, Business Units, Activities, Legal Companies, Departments and Services).

In addition, three three-year plans, in line with Group strategy and revised annually, are overseen by Management. They include:

- a PSMP (Products and Solutions Master Plan) which relates to the development of the range of products and solutions;
- an industrial and logistics master plan for production facilities;
- a master plan for information systems.

PREPARATION OF FINANCIAL STATEMENTS

—

The Group has defined a unique and common framework for the recording of accounting and financial information.

It resulted in the definition and implementation within all subsidiaries of a Group chart of accounts, as well as the definition and implementation of the main management procedures (inventories, non-current assets, trade receivables, etc.), which are formalised in the Group Procedure Manual relayed through and updated on the Group's intranet.

The proper application of the chart of accounts, procedures and reporting reliability is monitored by visits to subsidiaries, planned within the context of year-end and half-year closing. It is also verified during the budget preparation and monthly reporting processes.

The Group team responsible for the preparation and control of financial statements comprises:

- the consolidation team;
- the central financial control team.

This team relies on financial controllers, based in each Business Area, reporting to the Group in its ten geographical areas.

In addition, each of the Activities benefits from at least one dedicated financial controller.

The Group endeavours to lead this network *via* international meetings and on-going training of accountants and financial controllers.

Particular care is taken with risk analysis, through a review of asset provisions and provisions for liabilities and charges, as well as off-balance sheet commitments.

At each year-end, inventories are verified either through a complete physical stock-take or by a rolling physical stocktaking procedure.

Trade receivables are the subject of credit risk analyses with respect to the measurement of provisions. In addition, the company hedges the majority of its risk by entering into customer credit insurance contracts, both in France and abroad.

Intragroup purchases, sales and balance sheet items are confirmed monthly.

Inventory amounts originating from the Group are determined in all entities in order to eliminate internal profit margins on inventories.

A pre-closing meeting is organised each half-year with the Legal Department to identify all liabilities and possible or stated litigation and to calculate, with reference to the progress of cases, corresponding provisions for liabilities and charges.

The review of various contracts, deposits, sureties and guarantees also serves to identify off-balance sheet commitments.

The consolidation packages, including: balance sheet, income statement, cash flow tables and related data, are then sent to the Consolidation Department according to a predefined planning schedule.

FINANCIAL STATEMENTS CONTROL

—

The Consolidation Department, after verifying the completeness of financial information, the proper application of closing procedures and restatements, performing the intragroup account reconciliations and verifying the net equity justification, performs financial statement consolidation using dedicated software.

The consolidated financial statements are prepared in accordance with IFRS. In addition, accounting options selected are presented to and approved by the Audit Committee.

FINANCIAL COMMUNICATION

—

Following their approval by the Supervisory Board, the half-year and full-year financial statements are presented to the financial community under the auspices of the SFAF (French financial analyst society) and published in a report posted on the financial issuer's website (www.somfyfinance.com) as well as *via* a primary information provider (www.lesechos-comfi.fr).

The other regulated information referred to in Article 221-1 of the AMF's general regulations is also available on both these sites. Relevant information relating to the company's business activities is presented to the Audit Committee.

IT SYSTEMS

—

The BaaN integrated management package is installed in most distribution subsidiaries, excluding Asia, where ERP Accpac has been rolled out in the majority of cases.

For the companies that have an ERP (BaaN or Accpac) installed, standard parameters are included (comprising a chart of accounts, analytical follow-up and procedures).

Completion of the budget, monthly reporting, margin analysis by product family and legal consolidation are all carried out on the same platform (Hyperion), which improves uniformity and facilitates the analysis of information.

TREASURY COMMITTEE/GROUP CASH MANAGEMENT

—

The Group Treasury Department reports to the Group Chief Financial Officer.

The Group Treasury Department is responsible for carrying out transactions in cash management, financing and managing risks of a financial or banking nature, and providing technical support to subsidiaries' cross-company functions, in connection with the Group's operations.

It has a duty to warn the Group Chief Financial Officer, the Treasury Committee or the Management Board of developments in the relevant markets and the fair assessment of risks.

A Treasury Committee meeting is held each month, chaired by the Group's Treasurer, to review:

- deposits;
- funding;
- the Group's net debt;
- off-balance sheet banking commitments;
- foreign exchange positions;
- a macroeconomic review of the market;
- the Group's cash and debt positions (current and forecast);
- miscellaneous items: ongoing acquisitions, follow up of late payments, guaranties/securities, Group loans;
- miscellaneous projects (cash pooling, optimisation of cash management systems…);
- the Group's net financial income/(expense) (twice annually).

This Committee comprises the following members:

- the Group CFO;
- the Group Treasurer;
- members of the Group Treasury Department.

Members of the Management Board are *ex-officio* members and have a standing invitation to Committee meetings.

The role of the Treasury Committee is twofold:

- strategic: to define the overall policy in terms of Group Cash Management, financing, and interest rate, exchange rate and investment risk management. They also include the follow-up of Group subsidiaries' equity balance sheet items;
- operational: to guarantee the regular monitoring of Group Cash Management's actions. These are detailed in a monthly trend chart.

The rules and procedures relating to the Group's Cash Management have been formalised in the Cash Management Charter, which covers the following:

- ethics;
- liquidity/exchange rate/interest rate risk;
- deposit of excess cash;
- counterparty risk;
- governance.

This Charter was subject to a quality review in the second half of 2017.

Furthermore, a Group Treasury Charter has been in place since 1 November 2013 to define best practices and list in a single document the guidelines that ensure the secure, economical and efficient management of financing and deposit operations, and more generally of cash management and bank relations within the Group.

This Group Treasury Charter is applicable to all subsidiaries controlled directly or indirectly by Somfy SA and specifies their roles and responsibilities regarding the management of their financing, deposits, banking flows and more broadly speaking their cash management transactions.

The two international multi-currency cash pooling projects were finalised with HSBC in 2016 for APAC and BNP Paribas for North America and Europe. The Eurozone cash pooling project was finalised at the end of 2017.

INTERNAL CONTROL MONITORING

—

The Internal Control Department created in 2016 reports to the Group CFO, a member of the Management Board. The Department is made up of the Head of Internal Control, a long-term trainee and representatives responsible for leading internal control at local level.

The internal control function coordinates management actions, ensuring the following:

- compliance with laws and regulations;
- the application of the instructions and guidelines set by the Management Board;
- the smooth running of the Group's processes and operations, notably those that help safeguard its assets and prevent fraud;
- the reliability of reporting (both financial and non-financial).

Members of the Internal Control Committee meet once every month to discuss the latest audit reports issued and other matters, such as year-end visits or training programmes to be provided to financial controllers, or ongoing projects.
In order to fulfil its coordinating and monitoring role, in 2017 the Department implemented a dedicated CRM tool, specifically:
- to initiate a self-assessment campaign for subsidiaries each year, including a framework of key controls;
- to monitor all the tasks of Internal Audit, as well as the related recommendations and the corresponding action plans;
- to assess the Group's risks, at several levels (BU, BA/BG, BMA/Activities), to consolidate the results at Group level and to link them with action plans.

The use of all these resources is closely monitored by the Audit Committee, which is regularly informed of the progress achieved and the results obtained.
A biannual reporting process has also been established for the benefit of the Group Executive Committee and the managers of all subsidiaries in relation to the progress of action plans and the resolution of weaknesses that have been identified.
Certain improvements are directly addressed by entities at a local level, while others are looked into centrally by the Internal Control Department and/or in collaboration with other cross-Group functions.
Lastly, the Internal Control Department is also responsible for the centralised monitoring of risks and the update of risk mapping, in collaboration with the Internal Audit Department specifically in relation to the methodology.

APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (RESOLUTIONS 1 AND 2)

We would ask you to approve the parent company financial statements for the year ended 31 December 2017, which show a net profit of €107,110,843.67, and the consolidated financial statements for the year ended 31 December 2017, which show a net profit (Group share) of €159,912,000, as submitted.

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 2017 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 €107,110,843.67 for the year ended 31 December 2017, increased by retained earnings of €3,230,907.70, to a total of €110,341,751.37, as follows:

– Allocation to shareholders of a gross dividend of €1.30 per share, being €1.30 x 37,000,000 shares	€48,100,000.00
– Transfer to optional reserve	€62,241,751.37
	€110,341,751.37

A gross dividend of €1.30 will be distributed for each share with a par value of €0.20.
When it is paid to individuals who are tax residents in France, the dividend is either subject to a single fixed-levy deduction at source on the gross dividend at the flat rate of 12.8% (Article 200 A of the French General Tax Code), or, at the express, irrevocable and comprehensive wishes of the taxpayer, to income tax calculated according to a sliding scale after notably an allowance of 40% (Articles 200 A, 13, and 158 of the French General Tax Code). The dividend is also subject to social security contributions at the rate of 17.2%.
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 2018 and the ex-dividend date will be 1 June 2018.

In accordance with legal provisions, it should be noted that the following dividends were paid during the last three financial years based on a share capital comprising 7,400,000 shares:

Financial year	Revenues eligible for tax rebate		Revenue not eligible for tax rebate
	Dividends	Other distributed earnings	
2014	€35,693,533.20* being €5.20 per share	€391,840,000.00, each share conferring the right to either one Edify SA share or a cash sum of €50.00**	–
2015	€39,125,797.50* being €5.70 per share	–	–
2016	€41,909,092.30* being €6.10 per share	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*
** *The General Meeting of Shareholders of 27 November 2014 decided on the exceptional distribution of €391,840,000.00, which was taken from the "General Reserve" item, it being specified that each Somfy share conferred entitlement to either one Edify SA share or a cash payment of €50.00, according to the shareholder's preference.*

COMBINED GENERAL MEETING OF 16 MAY 2018

ORDINARY SESSION

—

1. Approval of the parent company financial statements for the year ended 31 December 2017.
2. Approval of the consolidated financial statements for the year ended 31 December 2017.
3. Allocation of net profit for the financial year and setting of dividend.
4. Special report of the Statutory Auditors on regulated agreements and commitments – Noting the absence of new agreements.
5. Renewal of the term of office of Michel ROLLIER as member of the Supervisory Board.
6. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board.
7. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board.
8. Approval of the items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board.
9. Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board.
10. Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board.
11. Authorisation to be granted to the Management Board for the buyback by the company of its own shares pursuant to Article L. 225-209 of the Commercial Code, duration of the authorisation, objectives, terms and conditions, cap.

EXTRAORDINARY SESSION

—

12. Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code, duration of the authorisation, cap.
13. Authorisation to be granted to the Management Board to grant stock options to salaried employees and/or certain corporate officers of the company or related companies, duration of the authorisation, cap, exercise price, maximum option term.
14. Delegation of authority to be granted to the Management Board to increase the share capital through the issue of ordinary shares and/or marketable securities granting access to share capital with waiver of the preferential subscription right for members of a company savings plan pursuant to Articles L. 3332-18 and subsequent of the Labour Code, duration of the delegation, nominal maximum amount of the share capital increase, issue price, option to allocate free shares pursuant to Article L. 3332-21 of the Labour Code.
15. Alignment of Article 20 of the bylaws.

RENEWAL OF THE TERM OF OFFICE OF MICHEL ROLLIER AS MEMBER OF THE SUPERVISORY BOARD (resolution 5)

—

We hereby remind you that Michel ROLLIER's term of office as a member of the Supervisory Board expires at the end of the next Annual General Meeting.
It will be proposed to renew the term of office of Michel ROLLIER as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2022 to approve the financial statements for the year then ended.

INDEPENDENCE AND GENDER EQUALITY

It is specified that the Supervisory Board considers that Michel ROLLIER qualifies as an independent member in the eyes of the Middlenext Code, used by the company as a framework of reference in relation to corporate governance. In this regard, it is specifically noted that the individual in question has no business relationship with the Group.
Moreover, subject to the approval of this renewal, the Board would maintain its composition, namely four women and three men, in accordance with parity rules, and four independent members, in accordance with Middlenext recommendations.

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO JEAN GUILLAUME DESPATURE, CHAIRMAN OF THE MANAGEMENT BOARD (resolution 6)

—

It will be proposed to approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO PIERRE RIBEIRO, CHIEF FINANCIAL OFFICER AND MEMBER OF THE MANAGEMENT BOARD (resolution 7)

—

It will be proposed to approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD (resolution 8)

—

It will be proposed to approve the items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD AND THE MEMBER(S) OF THE MANAGEMENT BOARD (resolution 9)

—

It will be proposed to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Remuneration policy").

APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE MEMBERS OF THE SUPERVISORY BOARD, (resolution 10)

—

It will be proposed to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Remuneration policy").

AUTHORISATION TO BE GRANTED TO THE MANAGEMENT BOARD FOR THE BUYBACK BY THE COMPANY OF ITS OWN SHARES PURSUANT TO ARTICLE L. 225-209 OF THE COMMERCIAL CODE, DURATION OF THE AUTHORISATION, OBJECTIVES, TERMS AND CONDITIONS, CAP (resolution 11)

—

A share buyback plan for a period of 18 months will be submitted for your approval. This plan would replace the current programme, which would 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 share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

Such share purchases may be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.

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

We propose to set the maximum purchase price at €130 per share.

The maximum value of the transaction, taking account of the 2,658,967 treasury shares held at 31 December 2017, is therefore set at €135,334,290.00.

AUTHORISATION TO BE GRANTED TO THE MANAGEMENT BOARD TO CANCEL SHARES BOUGHT BACK BY THE COMPANY WITHIN THE FRAMEWORK SET OUT BY ARTICLE L. 225-209 OF THE COMMERCIAL CODE, DURATION OF THE AUTHORISATION, CAP (resolution 12)

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Under the cancellation objective, we would ask you to grant authority to the Management Board, for a period of 24 months, 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, to cancel the shares which the company holds or could hold following share buybacks exercised within the framework of its share buyback programme as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force.

AUTHORISATION FOR THE PURPOSE OF GRANTING STOCK OPTIONS TO SALARIED EMPLOYEES AND/OR CERTAIN CORPORATE OFFICERS (resolution 13)

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We propose that you authorise, for a period of 38 months, the Management Board to grant stock options to employees, to some of them or to certain categories of employees, and/or corporate officers as defined by law, of the company or related companies or affiliated economic interest groups under the conditions of Article L. 225-180 of the Commercial Code.

The total number of options that may be granted by the Management Board under this authorisation may not entitle beneficiaries to purchase more than 1.5% of the share capital outstanding on the date of this Meeting, it being specified that this limit will count towards the total number of shares that may be granted free of charge by the Management Board under the authorisation granted to the Management Board by the General Meeting of 24 May 2016 in its twelfth resolution, sitting in extraordinary session and any other subsequent authorisation of the same nature granted by the General Meeting.

The purchase price of the shares by the beneficiaries would be set on the date options are granted by the Management Board, pursuant to regulations, and may not be lower than the average closing price of the last 20 trading days of the share on Euronext Paris preceding the date options are allocated.

The term of the options set by the Management Board may not exceed a period of six years from their date of allocation.

As such, the Management Board would have, within the limits set above, all necessary powers to determine the other conditions and arrangements for the allocation of the options and their exercise and notably to set the conditions under which the options will be granted and to approve the list or categories of beneficiaries as provided for above, to set the period(s) during which the options thereby granted may be exercised, provide for the capacity to temporarily suspend the exercise of options for a maximum of three months in the event of financial transactions involving the exercise of a right attached to the shares, and generally do anything that may be required in this regard.

DELEGATION OF AUTHORITY TO BE GRANTED TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL THROUGH THE ISSUE OF ORDINARY SHARES AND/OR MARKETABLE SECURITIES GRANTING ACCESS TO SHARE CAPITAL WITH WAIVER OF THE PREFERENTIAL SUBSCRIPTION RIGHT FOR MEMBERS OF A COMPANY SAVINGS PLAN PURSUANT TO ARTICLES L. 3332-18 AND SUBSEQUENT OF THE LABOUR CODE, DURATION OF THE DELEGATION, NOMINAL MAXIMUM AMOUNT OF THE SHARE CAPITAL INCREASE, ISSUE PRICE, OPTION TO ALLOCATE FREE SHARES PURSUANT TO ARTICLE L. 3332-21 OF THE LABOUR CODE (resolution 14)

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Also submitted to you will be an authorisation to increase the share capital for the benefit of members of a company savings plan, in order to comply with the provisions of the second paragraph of Article L. 225-129-6 of the Commercial Code, under whose terms the Extraordinary General Meeting must vote, at least every three years, on a resolution to increase the share capital under the conditions provided for by Articles L. 3332-18 and subsequent of the Labour Code.

Within this context, the Management Board will ask shareholders to approve the delegation of authority to grant to the Management Board, if it deems it appropriate and at its sole discretion, to increase the share capital on one or more occasions through the issue of ordinary shares and/or marketable securities granting access to equity securities to be issued by the company for members of one or several company or group savings plans of the company and/or of the French or international entities related to it in accordance with Article L. 225-180 of the Commercial Code and Article L. 3344-1 of the Labour Code.

We propose to set the term of this authority to 26 months, starting from the date of this General Meeting.

We propose to limit the maximum nominal amount of the increase or increases that can be carried out through the use of this authorisation to €500,000.00, this amount being independent of any other cap set by other delegations to increase capital. The nominal amount of the capital increase necessary to preserve the rights of holders of rights or marketable securities giving access to the company’s share capital – in accordance with the law and, where applicable, the contractual stipulations providing for other cases of adjustment – would be added to this amount where applicable.

It is specified that, in accordance with the provisions of Article L. 3332-19 of the Labour Code, the price of the shares to be issued may not be more than 20% (or 30% when the lock-up period provided for by the plan under Articles L. 3332-25 and L. 3332-26 of the Labour Code is greater than or equal to ten years) less than the average of the share’s opening prices quoted during the 20 stock exchange sessions preceding the Management Board’s decision relating to the share capital increase and the issue of the corresponding shares, nor higher than this average.

In application of the provisions of Article L. 3332-21 of the Labour Code, the Management Board may provide for the allocation, to the beneficiaries, of free shares to be issued or already issued, or other shares granting access to the share capital of the company to be issued or already issued, in respect of (i) the employer’s contribution that may be paid pursuant to the regulations relating to company or group savings plans, and/or (ii), where applicable, the discount.

The Management Board would have, within the limits set above, the necessary powers notably to set the conditions of the issue(s), record the completion of the resulting capital increases, amend the bylaws accordingly, charge, at its sole discretion, the costs of the capital increases against the related premiums and deduct from such amount the sums necessary to take the statutory reserve to one tenth of the new share capital after each increase, and more generally, do whatever is necessary in such matters.

This delegation would, where applicable, cause any unused portion of any prior delegation to lapse.

The Management Board may or may not implement this delegation and take all the necessary steps and fulfil all the necessary formalities.

Nevertheless, inasmuch as this authorisation appears neither relevant nor timely to it, the Management Board suggests that you reject it.

ALIGNMENT OF ARTICLE 20 OF THE BYLAWS (resolution 15)

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You will be asked to bring Article 20 of the bylaws into line with the provisions of Article R. 225-60 as amended by Decree n°2017-340 of 16 March 2017 which stipulates that the Supervisory Board shall freely distribute among its members, under the conditions provided for by Article L. 225-82-2, the overall amount allocated to such persons in the form of attendance fees.

Your Management Board asks you to approve the above resolutions submitted to your vote, with the exception of resolution 14 which the Management Board suggest you vote against.

The Management Board