
Legrand: a global specialist in electrical and digital infrastructure

A call to live up to high moral and ESG standards and exit the Russian market



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Who is Legrand and why it is important?

Legrand is the key player in the global electrical and digital building infrastructure value chain and 2/3 of its sales are generated by #1 or #2 market positions for a product range on a given market

Overview

- Legrand is a global leader in low-voltage electrical components, with operations in 90 countries and products distributed in close to 180 countries. Established in 1865 and headquartered in Limoges, France
- Offers solutions for offices, hotels, data centres, and shopping centres, as well as residential, education, healthcare, and industrial sectors
- 120 manufacturing sites in 30 countries
- Key markets: (i) Europe (39% of 2020 group sales): France (37% of 2021 Europe sales), Italy (20%), Spain (5%), UK (6%), (ii) North and Central America (41%): US and Canada (96%), and (iii) rest of the world (20%)
- Holds at least one leadership position in over 45 countries of its presence

Key metrics (as of 2021, € billion)

Market capitalisation (31 Dec):	27.5
Net sales:	7.0
Net income:	0.9
Employees (#):	38,200
o/w employees in R&D (#):	2,600

Key products and services

>300,000 product references, 3,900 patents and 80 trademarks



Control electrical installations



Make power available



Provide a secure, stable and optimized power supply



Protect electrical installations



Install structured cabling



Distribute audio and video signals



Regulate temperature and sunlight



Manage and optimize lighting



Ensure the flow of electricity



Remotely manage and control all infrastructures



Recharge electric vehicles



Measure and control energy consumption



Organize datacenters' white-space infrastructures



Supply power to workstations



Ensure that people can move around buildings and exit them safely



Welcome and screen visitors

Legrand's commitment to CSR and ESG

Legrand claims that it places high importance on Corporate Social Responsibility (“CSR”). On 29th March 2022, it held a an [ESG Capital Markets Day](#), where it stated that “CSR has been a core part of the Group’s integrated performance” and committed to Diversity and Inclusion and Responsible Business as two key pillars of its new 2022-2024 CSR Roadmap. On the 17th of May 2022, Legrand [signed](#) UN standards of conduct to tackle discrimination against LGBT+ people. In its annual report, Legrand says that it is dedicated to high standards of ethics and human rights as key components of its CSR strategy...



Business ecosystem

Results

2019 2020 2021

PRIORITIES AND OBJECTIVES

Act ethically

Continue to train employees on business ethics

Business ethics training to be delivered to 3,000 employees every year

4,151 13,511 **21,707**



Monitor implementation of the Compliance program

100% of sales to be covered by the business ethics program

97% 95% **97%**



People

Results

2019 2020 2021

PRIORITIES AND OBJECTIVES

Human rights and communities

Comply with the Group’s commitment to human rights

100% of Legrand’s locations to uphold human rights

100% 100% **100%**



Contribute to communities

75% of countries to implement a skills-sharing strategy in 2021

61% 80% **89%**



...however, Legrand’s continuing operations in Russia, in our view, contradict the company’s high ESG and CSR standards

Legrand's business in Russia

According to the data in the public domain, the company generates c.\$142m of sales in Russia and operates two production plants in Russia and has recently completed construction of a brand new plant, which it is preparing to launch in 2022

Overview of Russia operations

- Legrand operates in Russia through “Legrand LLC” (ООО «ЛЕГРАН», previously ООО «Фирэлек») and JSC “Kontaktor” (АО «Контактор»). In Russia, Legrand operates BTicino, Cablofil, Estap, Vantage, Minkels, Raritan, and Kontaktor brands, having 21 offices across the country, according to Legrand's Russian [website](#).
- Legrand has been operating in Russia since 1993 and is manufacturing in the country since 2007, when it acquired a c.80% stake in Ulyanovsk-based producer of electrical equipment JSC “[Kontaktor](#)” (as per [Vedomosti](#)) for an estimated \$10-25m. In the [press-release](#) Legrand said the transaction reinforced its position as a leader in wiring devices, cable management and modular circuit breakers
- [According the Legrand Russia CEO](#), c. 50% of the company's products available in Russia are produced by the two production plants in Russia and with the third plant opening the share of locally manufactured products will increase
- According to [SBIS](#), in 2021 Kontaktor generated RUB1.6bn of sales (~\$22m¹) and RUB7.5m of net income (~\$0.1m¹), employing over 500 people. According to [SBIS](#), JSC Kontaktor's key customer is “Vostsibugol” LLC, coal company, a part of EN+ Group owned by Oleg Deripaska, sanctioned by the [UK](#) and the [EU](#) in March 2022 and April 2022, respectively
- In 2014, after the Russian invasion of Crimea, Legrand has opened a second facility in Russia (Legrand "Ulyanovsky" branch) for production of low-voltage switching equipment. According to [Vedomosti](#), the project cost was estimated at RUB600m (c.\$20M as of 2014 average USD:RUB rate). Later in 2017 Legrand and a Russian company Insystems [announced](#) the launch of DV-Engineering, a joint venture, which will produce uninterruptible power supplies (UPS) in Vladivostok, Russia. Financial terms of the partnership were not disclosed. In 2019, Legrand Russia commented that for two years of joint production, the value of manufactured orders for customers exceeded RUB250m (c.\$3m¹).
- In 2021, according to [SBIS](#), Legrand LLC generated RUB10.5bn of sales (c.\$142m) and RUB1.9bn of net income (c.\$26m¹)

Source: Company information, news articles

Notes:

1. Assuming average 2021 USD:RUB rate at 73.7 (US Dollar to Russian Ruble spot exchange rates for 2021)

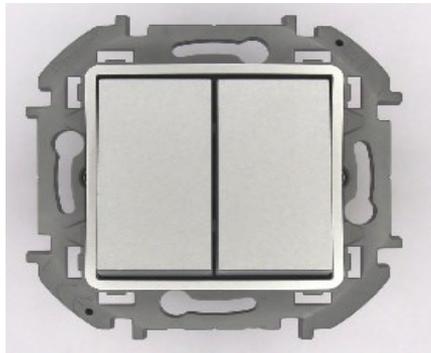
Legrand's business in Russia (cont'd)

In its Russian plants, Legrand produces critically important commercial and retail electrical equipment. It also cooperates with Ulyanovsk State Technical University

Examples of Legrand's JSC Kontaktor products: various automatic power circuit breakers for industrial & energy sectors, electrical equipment for special purposes, transformer substations



Examples of Legrand Ulyanovsky branch's products: electrical installation equipment and various circuit breakers for household use)



Legrand's business in Russia (cont'd)

Over the last years, Legrand has [invested RUB1.5bn](#) / ~\$20m¹ to build its third production plant in Russia – [Legrand-Volga](#), planning to expand production of wiring accessories of modern series, automatic switchers and disconnectors. The company completed construction and plans a launch in 2022, according to [interview](#) of CEO of Legrand Russia & CIS. [YouTube](#) has published a video on 31 March 2021, more than a month after the Russian invasion to Ukraine, showing the new plant opening ceremony



Search



Legrand открыл новый завод в Ульяновске. "Легран Волга"

86 views Premiered Mar 31, 2022 Legrand France построил новый завод, который зам . . . more

Source: Company information, news articles, YouTube

Notes:

1. Assuming average 2021 USD:RUB rate at 73.7 (US Dollar to Russian Ruble Spot Exchange Rates for 2021)

Legrand's response to the Russian invasion of Ukraine

To date, after four months of the Russian invasion in Ukraine, **Legrand has failed to make any statement condemning the aggression.** According to the [Yale's Russia list](#), **Legrand continues doing "business as usual" in Russia**, contrary to its key international competitors operating in Russia, such as Schneider Electric and ABB. France's Schneider Electric announced that it will sell Russian assets to local management in April 2022 ([Reuters](#)), even though its Russian operations are several times larger vs. Legrand: Schneider Electric has 7 production plants in Russia and in 2021 reported RUB43.6bn of sales (c.\$592M¹), according to [SBIS](#) vs. \$142M for Legrand. ABB's CEO Bjorn Rosengren said in April that the company would likely decide in the summer to fully exit its Russian business ([MarketWatch](#))

Legrand's peers are actively leaving / considering leaving the Russian market



ABB May Take Decision on Full Exit From Russia in the Summer

Published: April 21, 2022 at 4:39 a.m. ET



By Ed Frankl

ABB Ltd's Chief Executive Bjorn Rosengren said Thursday that the company would likely make a decision in the summer on a full exit of its Russia business.

In response to the country's invasion of Ukraine, the Swiss industrial company had suspended the intake of new orders in Russia, which it said previously represented 1%-2% of ABB's revenue.

But in a media conference on Thursday after first-quarter results, Mr. Rosengren said that, based on developments in the war, at some point in the summer the company would have to take a decision on steps forward in Russia.

Source: Company information, news articles

Notes:

1. Assuming average 2021 USD:RUB rate at 73.7 (US Dollar to Russian Ruble spot exchange rates for 2021)

Our call on Legrand to exit Russia

We believe Legrand's Russian business is too small to justify the big reputational and legal risks of staying in Russia. Continuing business in Russia runs against Legrand's declared values, ESG and CSR commitments. **We call on Legrand to immediately formulate and announce a plan to divest its Russian operations for the following reasons:**

- **Unlike peers, Legrand is “digging in”** – it remains the only international producer of low-voltage equipment in Russia which, following the Russian invasion of Ukraine, did not make a statement or disclosed actions with regards to its operations in Russia, thereby continuing to finance the Russian war machine through locally paid taxes
- **Legrand has been investing in Russia after 2014**, when Russia illegally annexed Crimea and militarily intervened in Donbas in Eastern Ukraine, **and after the Russian invasion of Ukraine on 24 February 2022**, as it opened its new plant. The expansion continued despite the increased human rights abuses in Russia (including against LGBT+ people, which Legrand claims to support) and openly hostile position against the West, including economic sanctions, currency controls and engendering European energy security
- Despite the small contribution from Russia to the group sales, **Legrand is an important player in the Russian market** holding leading positions in wiring devices, cable management and modular circuit breakers and, potentially, other important verticals. **Given Legrand's products are of mass use, they could potentially be used by the Russian military** ([there are at least 7 military bases in Ulyanovsk](#), where Legrand has factories) and Russian state-owned companies
- A former Ukrainian minister has published [list](#) of Western companies, which supplied the Russian arms manufacturer Almaz-Antey, a producer of Buk missiles, that were used to shoot down Malaysia Airlines flight MH17. **Legrand has appeared on this list**
- Finally, Legrand served large companies in Russia, whose owners are subject to US and EU sanctions, which puts the company at a significant legal and reputational risk