

2.6. Chairman's report on internal control

In accordance with Article 117 of the French Financial Securities Act of 1 August 2003, and the provisions of Article L. 225-37 of the French Commercial Code, as amended by law no. 2008-649 of 3 July 2008, the purpose of this report is to describe the internal control procedures adopted by Groupe SEB for the year ended 31 December 2016.

This report, drawn up under the supervision of the Chairman, is essentially based on the coordinated work of the Group Audit and Internal Control department in liaison with the Finance department and the main corporate support functions and operational management. It also takes account of consultations with the Audit Committee and the statutory auditors.

This report was approved by the Board of Directors on 17 February 2017.

In order to implement and improve upon its internal control processes, Groupe SEB aims to comply with the AMF guidelines on risk management and internal control.

The risk management system relating to the effects of climate change as well as the steps the company has taken to reduce them appear in this Registration Document in sections 1.4 and 3.9.

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GROUP INTERNAL CONTROL ENVIRONMENT

In the scope of its operations and in pursuit of its business strategy, Groupe SEB is exposed to a number of risks and unknown factors, both internal and external. To address this situation, it has adopted an organisational structure and procedures aimed at identifying, quantifying, anticipating and managing these risks as far as possible, in order to reduce their negative impact and thus help to achieve the company's operational and strategic goals.

The internal control system is a process defined and implemented by the Group under its own responsibility to ensure:

- compliance with the laws and regulations;
- the application of instructions and guidelines, and compliance with the Group's internal practices;
- the identification of risks to which the Group's assets and financial results are exposed;
- the proper functioning of the Group's internal processes, particularly those that contribute to protecting its assets;
- the quality, reliability and relevance of its internal and external information, particularly financial disclosures;
- organisational adaptation to changes in standards and regulations;
- consistency between identified risks, objectives and expected benefits;
- reduced exposure to risks of fraudulent behaviour;
- the prevention, and, if necessary, punishment of unethical conduct.

The scope of application of internal control and risk management procedures also extends to all Group companies. Corporate support functions and operational management are responsible for implementing internal control and risk management procedures which

apply to all of the Group's employees, from corporate governance bodies to individual employees. As with any control system, it cannot provide an absolute guarantee that all risks are fully controlled or eliminated.

Groupe SEB is an international entity, organized primarily into geographical zones by continent, each with their own ranges of products to sell. In addition, operations are organized by activity, covering specific product lines and trademarks. This mode of operating depends on decentralisation of operational responsibilities and extensive delegation. At the same time, though, to guarantee efficient overall management, Groupe SEB applies clearly defined rules of operation and delegation. It also benefits from a well-established corporate culture which is rooted in shared fundamental values that foster an ethical working environment: high-quality work, mutual respect, team spirit, loyalty and diligence.

The internal audit system is based on a structured Quality Management System defining 11 key operational processes which incorporate the demands and requirements of sustainable development.

A signatory of the Global Compact since 2003, Groupe SEB supports the values set out in this document and promotes them throughout the company. The Group Human Resources department states in its guiding principles: "The Group is a community of men and women who share the same objectives and values."

The code of ethics, published in September 2012, serves as the frame of reference for Groupe SEB's values and standards. It defines individual and collective rules of conduct to guide the actions and inspire the decisions of each employee. It is supplemented by a whistle-blowing system that allows any employee to report a serious violation of the code of ethics.

RISK ASSESSMENT

The risk analysis process is based on two key procedures:

- an annual top-down review and analysis of the main risks. This process, coordinated by the Internal Audit department, aims to allow the Group's senior management, and particularly, members of the Executive Committee, to map the Group's risks as well as preventive measures and corrective actions;
- a bottom-up process involving self-assessment questionnaires adapted by process. These are sent out to each operational entity and are designed to identify possible weak points and encourage the practice of internal control at all levels of the business, with a view to making Group operations more efficient.

CONTROL ACTIVITIES

The integrity of the internal control process is based on an Internal Control Manual, circulated widely within the Group, detailing the main internal control guidelines for each Group entity, i.e.:

- use of a delegation manual and definition of limits of authority;
- internal control rules governing commercial operations, the management of customer credit and settlement methods, relations with banking institutions, payroll management, purchasing control, asset management and the protection of corporate property and assets;
- compliance with rules governing the segregation of duties;
- policies applying to insurance coverage and hedging;
- audit approach related to financial reporting.

REPORTING AND COMMUNICATION PROCEDURES

In 2016, the members of the Continental (Asia, Americas and Europe) Management Committees were trained in internal control, with special emphasis on their particular role in the internal control process.

The mechanism for identifying attempted fraud is permanently operational within the Group. In 2016, no significant cases of fraud

were discovered. As in previous years, the Audit and Internal Control department put out alerts to the subsidiary network based on the situations that arose, warning of potential cases of fraud and raising awareness of these situations.

MONITORING OF THE INTERNAL CONTROL PROCESS

The quality of the internal control process is assessed through internal audits in all Group entities and functions, and by the statutory auditors during their annual and half-yearly audits.

In 2016, the Audit and Internal Control department carried out audits at 11 market companies responsible for 38% of the Group's sales, and at 4 plants, accounting for 17% of the Group's internal production, as well as at 3 Shared Service Centres covering 30% of the Group's sales. It also carried out 2 cross-business consulting assignments to improve different organisations and processes. The action plans

produced for 8 entities following previous audits were reviewed. In total, the Audit and Internal Control department dealt with 33 entities (out of 77 in Groupe SEB that could be audited) either through an audit or a review of a previous audit.

The Audit and Internal Control department also works with entities newly acquired by the Group to verify the consistency of their internal control processes: the subsidiary OBH, in the Nordic countries, was audited in 2016, and the new acquisitions EMSA and WMF in Germany will be included in the 2017 audit plan.

KEY PLAYERS IN INTERNAL CONTROL

THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE AND THE NOMINATIONS AND REMUNERATION COMMITTEE

The role of these bodies is described in the section on the "Composition, organization and operation of the Board of Directors" on pages 31 to 57.

THE GROUP EXECUTIVE COMMITTEE AND GROUP MANAGEMENT BOARD

Their role is described in the section on "Group Management Bodies" on page 58.

THE AUDIT AND INTERNAL CONTROL DEPARTMENT

Internal auditing, as defined by professional standards, consists of "an independent and objective process which ensures that the Group has adequate control of its operations and which offers advice on improving the latter while contributing to added value. The internal audit function helps the Group to achieve its objectives by systematically and methodically evaluating its risk management, control and corporate governance procedures, and through recommendations for their improvement."

The role of internal audit at Groupe SEB is fully consistent with this approach.

Internal audit must evaluate, at all locations where the Group is established and for all processes, compliance with the Group's internal rules and procedures, detecting potential non-compliance with legislation, and ensuring that Group assets are protected. It is also required to evaluate the efficient conduct of operations and to ensure that all business risks are anticipated and mitigated.

In the area of risk management, the Audit and Internal Control department coordinates the Group risk mapping.

Based on this mapping, on the self-assessment questionnaires and on the principle of an audit occurring in each entity every three or four years, the Audit department puts forward an internal audit plan for the following year.

This plan is submitted to the Audit Committee.

Each internal audit, which generally lasts about a month and is carried out by a team of three to five Auditors, culminates in an audit report that is sent to the audited entities, their management structure, the members of the Group Executive Committee and the Group Chairman. The report contains the Auditors' opinions on the entity's level of internal control and provides the principal recommendations to be implemented to strengthen the entity's internal control system.

Steps are then taken by operational management to remedy identified shortcomings in internal control, and to make any other necessary improvements. The implementation of the resulting action plans is

subject to a systematic internal audit review within six months of the audit.

The results of these audits are compared with the results of the self-assessments, thus completing the full circle of the internal control process.

In order to ensure continuous improvement of the company's internal control and efficiency, the main recommendations identified during audits for each business line are shared annually with the Management Committees of the Group's main divisions: Purchasing, IT, Quality, Finance, Human Resources, Supply Chain, Industry, Sales and After-Sales Service.

The Audit and Internal Control department draws up an annual report of the work done, which is presented to the Group Executive Committee and the Audit Committee.

The Audit Committee reviews the resources needed by the Internal Audit department to carry out its work properly, and makes observations or recommendations that it deems necessary.

As of 31 December 2016, the Audit and Internal Control department had 10 staff members.

THE LEGAL DEPARTMENT

The role of the Group Legal department is to ensure that the Group complies with legal and regulatory requirements wherever it operates, to protect the Group's assets (and particularly its intellectual assets) and businesses, and to protect the interests of the Group and of its management and employees in the performance of their duties. The department has a central team in France, and teams in five subsidiaries, particularly including Supor.

Within this framework, it is active in the following areas:

- participation in the various legal aspects of the Group acquisition strategy, such as preparatory agreements, concentration monitoring, legal audits and the negotiation of purchase agreements;
- participation in the implementation of Groupe SEB's integration processes for legal entities newly acquired by the Group;
- drafting and updating standard and model contracts and their related procedures for the most frequently recurring transactions (purchases of goods and services, conditions of sale, advertising campaigns, etc.);
- defining the strategy for protecting intellectual creations, industrial property rights (trademarks and models, and patents in conjunction with the Innovation department) and personal data;
- managing disputes of every kind, except labour disputes, which are managed by the HRD;
- making recommendations to the Group Executive Committee on rules for delegating authority, and on the circulation and protection of confidential information, and applying and monitoring these rules;
- selecting external legal advisors, monitoring their services and performance and overseeing invoice tracking;
- involvement in activating crisis units.

The role of the Legal department in the area of insurance is to ensure that there is adequate insurance coverage for the risks to which the Group is exposed. Groupe SEB centralises the management of its insurance programs. Worldwide coverage is arranged in partnership with leading insurance company pools; additional specific policies can be subscribed to locally.

FINANCE AND TREASURY DEPARTMENT

It is tasked with ensuring the security, transparency and efficiency of treasury and finance operations, and hedging against all of the Group's financial risks.

It is therefore responsible for:

- managing financial resources, to ensure the Group's liquidity;
- managing cash flows;
- quantifying and hedging against financial risks (and particularly foreign exchange, interest rate and raw material risks);
- on-going relations with banks;
- working with the subsidiaries and the General Management on the financing of new projects.

The Group's centralised credit management activities are handled by the Finance and Treasury department. Given the still volatile economic situation in 2016, the Group continued its careful management of customer risk at a worldwide level.

ACCOUNTING AND TAX DEPARTMENT

This department is responsible for ensuring that the Group's accounting principles and standards are compliant with commonly accepted international accounting standards. It closes the Group's accounts, in collaboration with the entities, in a timely manner. It makes sure that accounting by the subsidiaries is reliable and in compliance with the Group's accounting principles. This department provides the Group's management and outside partners with pertinent financial information.

The Group Accounting and Tax department oversees and coordinates the Shared Corporate Services Centres for Accounting and Management Services. These entities, in France, Poland, Germany, the United States, and China, help improve the Group's internal control system by sharing their procedures and tools.

It ensures compliance with the regulations and tax obligations in all the countries where the Group is based. The department has a three-fold responsibility in the area of internal control:

- monitoring tax inspections carried out by tax authorities in all of the Group's entities;
- ensuring consistency in the tax procedures used by the Group's entities and liaising with tax consultants to verify that the Group's main activities are compliant with current legislation;
- selecting tax consultants and monitoring the services provided along with their cost.

THE GROUP MANAGEMENT CONTROL DEPARTMENT

The Group Executive Committee attaches great importance to the Group's planning procedures. These prepare the ground for the annual budget, which makes it possible to define the Group's strategic priorities and draw up operational plans.

With this in mind, the Management Control department coordinates budget planning and control, using a handbook of management procedures and rules applicable to all entities, including Group budgeting, re-projections and management reporting methods.

The monthly management reporting system uses a consolidation management tool. Twice a year (June and September), Group performance projections are comprehensively revised, resulting in action plans. Partial re-projections are made throughout the year.

Quantitative and financial indicators make it possible to monitor and analyse balance sheet items such as components of the working capital requirement and cash position.

These various aggregates are budgeted at the end of the year and monitored monthly.

The Management Control department draws up a monthly Group dashboard chart and distributes this, with an analysis of significant variances and trends based on the information that the Group's entities provide, then report in structured management control systems with the related comments and analyses.

In particular, the department uses a single accounting and management tool that allows efficient operational and strategic monitoring.

The Management Control department works with the Financial Communications and Investor Relations department to analyze the Group's performance.

THE INFORMATION SYSTEMS DEPARTMENT

Groupe SEB's IT system is designed to guarantee the security, integrity, availability and traceability of information.

To ensure the proper use of applications and the utility of the data, an operating manual reflecting users' needs has been drawn up.

The Group has also introduced procedures to ensure the reliability of its information systems and the integrity of its electronic data.

An Information Systems Steering Committee is responsible for drawing up an IT master plan which corresponds to the Group's organisational needs and general development policy. This Committee, chaired by the Chief Operating Officer, comprises the Information Systems department and representatives from user entities (including the Continental Management structures, the Products and Innovation division, the Group Finance department and the Group Human Resources department). Within this framework, it determines the nature of IT system projects and decides on priorities for resource allocation and IT security policies.

The IT Data Security Committee, which includes the Audit department, meets regularly to ensure that the level of IT risk within the Group and its subsidiaries is adequately managed and that appropriate information and awareness measures are taken to prevent the risk of hacking of our systems.

Internal audit assignments include scrutiny of IT security risk areas, and analysis of user profile management and the risks of incompatibility in system access rights within one of the company's functions.

The risk of intrusion into the network or into a centralised application is periodically evaluated and tested.

A periodic check is performed that the main service providers are meeting their contractual commitments.

THE QUALITY DEPARTMENT

The desire to improve the quality of its products and processes has always been a central concern for Groupe SEB.

Groupe SEB uses a Quality Management System (QMS) with Group-wide standards that are posted on the company's intranet.

Documentation for this system includes reference to all the procedures, tools and methods relating to the Group's key processes:

- management procedures with the definition of Group policy, strategic planning, continuous quality improvement, and safeguarding of the environment;
- operational processes including strategic marketing, R&D, sales and marketing, customer order processing and production;
- operational support functions, covering human resources, information systems, purchasing, finance, after-sales service and customer assistance.

The Quality department uses monthly feedback reporting to fine-tune its action plans.

The Safety policy, which is also overseen by the Quality department and was set out in 2013, establishes the safety of people at work as a major area of focus for the Group, broken down into five points:

- achieving a good level of safety;
- focusing on an ambitious goal;
- highlighting each accident or serious incident;
- sharing the same level of skills and requirements, based on common standards;
- acting promptly upon any recorded non-compliance to address it.

The action plans stemming from this policy are established and monitored by a "Strategic Health/Safety Committee" comprising three GEC members, and adapted by an "Operational Health/Safety Committee" covering the Group's main geographic areas and businesses.

The health and safety organization within the Quality department ensures these action plans are rolled out to the various Group sites.

THE SUSTAINABLE DEVELOPMENT DEPARTMENT

This department drives and coordinates the sustainable development policy submitted to the Board of Directors. It documents and rolls out short- and medium-term action plans, in line with the Group's priority criteria, in each division and on every continent, in this way promoting appropriate conduct within the Group. It relies on a dedicated Steering Committee, which has twenty or so members representing multiple activities and business lines and meets three times a year.

THE FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS DEPARTMENT

This department, which reports to the Group Finance department, works closely with the other departments within the Finance Function (Management Control, Consolidation and Accounting, Treasury and Finance, Legal and Audit and Internal Control), with the operational, functional and continental management structures, and with the Sustainable Development and Corporate Communications departments, in order to carry out two main tasks:

- based on a precise timetable disclosed to the financial community in October for the following year, it prepares and publishes financial communications about events affecting the Group, in accordance with the regulatory framework set by the AMF and European bodies. The periodic information published (annual and half-yearly results, quarterly financial information and Annual General Meeting) and/or on-going publications (acquisitions, issues of securities, declarations of transactions by executive officers, and so on) constitute regulated information that must precisely, accurately, fairly and transparently reflect the Group's activity and position. It must therefore obey the principle of equal information to all shareholders. The documents and materials produced, published and circulated (Registration Document, Meeting Notice, press releases, Analyst and Investor presentations, etc.) undergo a structured production process and are prepared in close collaboration within the Group's various functions. They are reviewed by the heads of the relevant functions and are ultimately approved by the Executive Committee;
- throughout the year, the Financial Communications and Investor Relations department is the key point of contact for financial analysts and institutional investors when it comes to giving the market information to help it to understand the Group's strategy, business model, activity, performance, financial position, challenges and outlook, or any other issues. It therefore regularly meets with them at roadshows, conferences, investor days and individual meetings. In 2016, nearly 25 events were organized, particularly in Europe and the US, at which the department met with around 450 contacts, representing nearly half of the free float. At major roadshows, including after the publication of the annual and half-yearly accounts, the Investor Relations team is accompanied by the Chairman and CEO and the Senior Executive Vice-president of Finance.

All the Group's financial information is constantly updated and is available on the company's website, www.groupeseb.com.

ACCOUNTING AND FINANCIAL INFORMATION PROCEDURES

Internal control procedures for accounting and financial information aim to ensure the quality of the financial information provided by the consolidated subsidiaries, and the fairness and accuracy of the financial information issued by the Group, while safeguarding against risks of error, inaccuracy or omission in the Group's financial statements.

Production of the Group's accounting and financial information is based on interfaced reporting and consolidation systems that cover all the subsidiaries and guarantee the uniformity of individual company and consolidated accounting data.

CENTRALISED TREASURY AND FINANCE OPERATIONS

Local regulations permitting, the Group Finance and Treasury department ensures the financing of its subsidiaries via cash pooling, inter-company financing contracts and the use of currency flows for payments and receipts.

This centralisation of operations allows the department to:

- manage external debt and monitor its development;
- manage the interest rate risks inherent in contracted debt;
- finance its subsidiaries in their local currency where regulations permit;
- anticipate and manage the currency risk inherent in commercial and financial flows.

Another important element of internal control is the Group's globally centralised choice of working-partner banks and effective long-term management of these relations.

This organisational approach enables the Finance and Treasury department to ensure overall control of the Group's treasury operations.

CONSOLIDATED ACCOUNTS MANAGEMENT AND CONTROL

The role of Group Management Control in overseeing monthly consolidated financial management information has already been described.

Budgetary control identifies deviations from performance targets on the basis of monthly consolidated data, according to analysis criteria appropriate to the steering of Group operations. This makes it possible to identify any changes or discrepancies in relation to financial budget data and previous years.

This statutory consolidation process relies on the consolidation of the companies with the Group's scope at the level of the Group's holding company, SEB S.A., which directly or indirectly holds all of the Group's companies.

Each consolidated subsidiary prepares a set of accounts, restated to comply with the Group's accounting procedures and based on accounting data from local information systems. The Finance Managers of the subsidiaries prepare the restated accounts on the basis of the Group's accounting procedures handbook, which sets out the rules for accounting entries and evaluations.

This handbook describes the principles used to draw up financial statements. The principles cover areas such as the preparation of accounts on the basis of a going-concern assumption, compliance with accounting periods, and ensuring the integrity of the information in the financial statements. It is regularly updated to integrate changes in the legislation and regulations governing the preparation of consolidated accounts in France.

The accounting procedures handbook also gives a precise description of the principles used by the Group for accounting entries, and the evaluation and presentation of the main items in the financial statements:

- description of constituent items of the income statement and their definitions, as well as consistency tests for the purpose of taxation;
- rules governing balance sheet and off-balance sheet items and their presentation;
- rules concerning the valuation of certain estimated items, such as:
 - impairment of receivables,
 - impairment of raw material and finished product inventories,
 - impairment of non-current assets,
 - provisions relating to sales (e.g. warranties and unsold returns),
 - other provisions for risk and charges, and in particular, provisions for restructuring;
- accounting principles applied to the reporting of intra-Group transactions.

Prior to each consolidation period, the Group Consolidation department issues a reminder of the reporting deadline and indicates any newly applicable changes in standards, rules and principles.

On receiving the sets of accounts for consolidation, the Group Consolidation department conducts the usual verifications before carrying out the actual consolidation. This review of the accounts submitted is an opportunity to verify the evaluation and accounting methods used for large, unusual or exceptional transactions.

To ensure the reliability of the financial data received from the subsidiaries, the Group Consolidation department refers to the covering letter sent in by the management of each subsidiary (whether or not consolidated), at the time of closure of the half-yearly and annual accounts. In this covering letter, the official representative and the Finance Director of the entity concerned jointly certify the compliance of the financial statements with the Group's accounting rules and principles, the effectiveness of the internal control procedures used to process and draw up the financial statements and the absence of

any irregularities involving personnel or management. In addition, they comment on any significant events occurring during the accounting period under review and describe all elements which, in themselves or in their overall effect, influence the comprehension and evaluation of the financial statements of the entity concerned.

THE FINANCIAL REPORTS PREPARATION PROCESS

The Group's financial statements, accounts and notes to the accounts are drawn up on the basis of the final data processed by the consolidation software. These are then integrated into the annual or half-year reports.

The texts of all the Group's financial publications (annual and half-yearly reports, letters to shareholders, press releases, etc.) are drawn up with reference to information gathered throughout the year

and specific interviews conducted at least twice a year (or more frequently as dictated by current concerns or special issues) with the senior management of the Strategic Business Areas, Continental structures and Corporate Support Functions. They are subject to a thorough validation process which includes validating the traceability of the information processed, with final validation falling to the Group's Executive Committee. The presentations made from this information and used throughout the year at meetings, road shows or telephone conferences with financial analysts, portfolio managers or individual shareholders are created to be consistent with press releases and are approved by the General Management.

Statutory information is entirely and effectively circulated by electronic means (in accordance with the General regulation of the French Financial Markets Authority) in line with the principles of accuracy, precision, honesty and the equal treatment of shareholders and/or investors.