16.5.1. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON BOARD MEMBERSHIP AND GENDER BALANCE, PREPARATION AND ORGANISATION OF SUPERVISORY BOARD MEETINGS, AND INTERNAL CONTROL AND RISK MANAGEMENT

The report of the Chairman of the Supervisory Board on corporate governance and internal control was approved by the Board at its meeting on 12 February 2013.

1. CORPORATE GOVERNANCE

1.1. MEMBERSHIP OF THE SUPERVISORY BOARD

The Supervisory Board has fourteen members elected by shareholders for a term of office that has been shortened to four years for appointments made on or after 25 April 2012 (terms of office in progress on that date will run for six years), to comply with the AFEP-MEDEF Code.

The Board includes two Vice-Chairmen, who may exercise the powers of the Chairman of the Board should the latter be unable or fail to do so.

Its meetings are also attended by two non-voting advisors *(censeurs)*. This is a long-standing Group practice enabling the Board to benefit from their expertise and experience in the automotive industry. They are seasoned professionals and offer a long-term perspective on the Group's strategic objectives. The non-voting advisors are appointed by the Supervisory Board for four-year terms.

Louis Gallois was co-opted as lead member by the Board at its meeting of 12 February 2013. As lead member, he is independent within the meaning of the AFEP-MEDEF Code. His responsibilities are as follows:

- call and chair meetings of the independent members of the Supervisory Board at least once a year;
- offer the Chairman of the Supervisory Board suggestions and recommendations concerning the Board's practices after consulting with the other Board members;
- inform the Chairman of the Board of any conflicts of interest he may have identified;
- take note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensure that they are addressed;
- oversee the assessment of the Board's performance, in coordination with the Chairman of the Appointments and Governance Committee;
- report on the performance of his duties to the Supervisory Board and, where applicable, to the Annual Shareholders' Meeting.

In accordance with the law, meetings of the Supervisory Board are also attended by two non-voting members of the Works Council.

1.1.1. Independence of Board Members

No member of the Board is a salaried employee of a Group company. To further involve employees in the Group's governance, the Supervisory Board decided, at its meeting of 23 October 2012, to initiate the process of having shareholders at the next Annual Shareholders' Meeting elect an employee representative to the Supervisory Board.

The Supervisory Board comprises five members of the Peugeot family and nine members qualified as independent based on the criteria applied by the Group.

As required by the AFEP-MEDEF Code, the Supervisory Board assesses the independence of its members every year. At its meeting of 12 February 2013, the Board examined the position of each of its members with regard to the independence criteria applied by the Group, based on the work done by the Appointments and Governance Committee.

The independence criteria applied by the Group are those set out in the AFEP-MEDEF Code. However, the Group does not follow certain AFEP-MEDEF criteria for the following members:

- not being a Director or Supervisory Board member of the corporation for more than twelve years for Jean-Paul Parayre, Ernest-Antoine Seillière and Joseph F. Toot Jr.: because auto manufacturing requires a medium and long-term approach, the Supervisory Board considers that the automotive experience acquired by its members through long service with the Board is extremely valuable. This is particularly the case in fulfilling one of the Board's key responsibilities, which is to discuss the Group's strategic growth vision. The Group believes that allowing these members to serve for more than twelve years does not interfere with their independence and enables the Group to benefit from, and build on, their varied experience in a cyclical industry, particularly in times of crisis;
- not holding a directorship or equivalent position in another Group company in the past five years for Jean-Louis Silvant: the Board considers that the fact of having recently been a Director of another Group company does not give rise to any risk of the type of conflict of interest that the AFEP-MEDEF independence rules are designed to avoid. In addition, no member of the Supervisory Board exercises any senior executive responsibilities or is a salaried employee of a Group company. Consequently Jean-Louis Silvant is considered to be independent, even though he sits on the Board of Directors of Peugeot Suisse, a company whose operations only represent a small proportion of the Group's automotive business. Furthermore, he receives no compensation for this directorship.

Based on these criteria, the Supervisory Board considers that the following members may be qualified as independent:

- Pamela Knapp;
- Jean-Paul Parayre;
- Thierry Pilenko;
- Henri Philippe Reichstul;
- Dominique Reiniche;
- Geoffroy Roux de Bézieux;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant;
- Joseph F. Toot Jr.

Nine out of the fourteen members of the Supervisory Board, i.e. 64% (compared with 58% in 2011), therefore qualify as independent based on these criteria, which is significantly more than the AFEP-MEDEF recommendation that in controlled companies at least one third of Board members should be independent.

In addition, when nominating Supervisory Board candidates for election or re-election, based on the recommendations of the Appointments and Governance Committee, the Board seeks to refresh its membership and enhance its independence, as well as to ensure a smooth rotation of its members by staggering their terms of office.

Please refer to section 14.2 above for information on conflicts of interest of members of the Supervisory Board.

1.1.2. Gender Balance

Three of the 14 members of the Supervisory Board are women and 11 are men.

After appointing Pamela Knapp in 2011, the Annual Shareholders' Meeting of 25 April 2012 appointed Dominique Reiniche as member of the Board, thereby increasing the percentage of women on the Board to 21%. The legal requirements and recommendations of the AFEP-MEDEF Code have thus been applied earlier than required by law.

The Board will continue to appoint women with a target of at least 40% female membership by the end of the Annual Shareholders' Meeting held in 2016, in accordance with the AFEP-MEDEF's recommendations concerning the representation of women on Boards of Directors.

1.2. PREPARATION AND ORGANISATION OF SUPERVISORY BOARD MEETINGS

1.2.1. The Supervisory Board's Roles, Responsibilities and Operating Procedures

Internal Rules

The current version of the Supervisory Board's internal rules, which is dated 13 March 2012, defines the Board's roles and responsibilities as follows:

- the Supervisory Board appoints members of the Managing Board and can remove them from office. It determines their compensation packages;
- the Supervisory Board sets the amount of compensation for its Chairman and Vice-Chairman or Chairmen and determines the procedures for allocating attendance fees among its members;
- in accordance with the law, the Supervisory Board acts as the oversight body of the Company, which is administered and managed by the Managing Board.

  As such, it is therefore responsible for:
  - overseeing the Managing Board's management of the Company by performing any checks and controls it deems appropriate,
  - carrying out periodic controls of the Company's management (i) on a quarterly basis by reviewing business reports presented by the Managing Board and (ii) within three months of each year-end, by examining and issuing its opinion and comments on the annual financial statements of the Company and Group, as presented by the Managing Board, and on the Management Report to the Annual Shareholders' Meeting;
- the Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with the Group's long-term vision as defined by the Supervisory Board.

  The Board reviews the strategic plan and the various multi-year business plans, as well as the capital expenditure plan and the budget.

The internal rules stipulate that the Supervisory Board is required to authorise in advance the following actions by the Managing Board as provided for in Article 9 of the Company's bylaws:

- shareholder-approved share issues (whether paid up in cash or by capitalizing retained earnings) and capital reductions;
- any and all issues of ordinary or convertible bonds;
- the drafting of any merger agreements or agreements for the sale of a business;
- the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A., and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of the Company or the Group.

The Managing Board may carry out the following actions only with the unanimous backing of all of its members or, failing that, with the prior authorisation of the Supervisory Board:

- the purchase, sale, exchange or transfer of any and all operating real estate and businesses in transactions representing an amount in excess of the ceiling set by the Supervisory Board (currently €50 million);
- the purchase, acquisition or sale of any equity interest in any and all existing or future enterprises directly or indirectly representing an immediate or future investment, expense, debt guarantee or seller's warranty involving an amount in excess of the ceiling set by the Supervisory Board (currently €50 million);
- the signature of loan agreements, other than for bond issues, for a period or an amount in excess of the limits set by the Supervisory Board (currently €100 million).

Lastly, guarantees given on behalf of subsidiaries are submitted for Supervisory Board approval when the amount exceeds a certain level. In 2012, such approval was required for individual guarantees exceeding €25 million, or when the cumulative amount of guarantees given during the year exceeded €125 million (excluding customs and tax bonds).

The Supervisory Board's internal rules also set out the following:

- Supervisory Board information procedures, practices and guidelines;

- the minimum number of Board meetings that must be held per year (currently five), as well as the procedures to be applied when holding the meetings and preparing the agenda;
- the roles and responsibilities of Supervisory Board Committees;
- the procedures for assessing the Board's performance;
- the obligations of Board members, particularly the requirement to comply with the Stock Market Code of Ethics introduced in 2010, which each Board member has signed.

Stock Market Code of Ethics

The Stock Market Code of Ethics sets out the rules on dealings by Supervisory Board members, non-voting advisers and Managing Board members in securities issued by Peugeot S.A. and/or FFP, as well as Faurecia. The Code provides for preventive measures under which Board members can trade in these securities while complying with market integrity rules.

It was updated by the Supervisory Board in 2012, mainly to take account of the changes introduced in Act 2010-1249 of 22 October 2010 on banking and financial regulation. It was also extended to cover members of the Executive Committee.

In particular, the people concerned by the Code are now prohibited from carrying out any hedging transactions on the Group's securities, including through the use of options.

Operating Procedures

Supervisory Board meetings are prepared as follows. Two weeks before the date of meeting, Board members receive the agenda of the forthcoming meeting and the draft minutes of the previous meeting.

In addition to these minutes, each member's information pack contains the presentations to be given for each agenda item, the minutes of the meetings of the Board Committees and, where the meeting involves examining a quarterly business review, the Report of the Managing Board. The pack also contains the updated agenda for the meetings of the Supervisory Board and the Board Committees, an update of the "blackout periods" during which Board members are prohibited from trading in the Company's securities (as specified in the Stock Market Code of Ethics), press articles that have been published about the Group since the last Board meeting, and any external financial analyses that have been released. The pack is sent to members at the end of the week preceding the planned meeting. A copy of the pack is usually also provided in the meeting itself.

Members of the Managing Board attend Supervisory Board meetings for matters which concern them and the Statutory Auditors attend the meetings where the annual and interim financial statements are examined.

The agenda for each year's meetings is prepared in April of the preceding year. Ordinary Supervisory Board meetings are generally preceded by meetings of the Finance and Audit Committee.

Each Ordinary Supervisory Board meeting lasts at least four hours, but may be longer when required by the agenda. Moreover, the Chairman of the Board may call special meetings where necessary.

Assessment of the Board's Performance

The Supervisory Board's internal rules require the Board *"to perform a regular self-assessment of its operating and control procedures"*.

In February 2012, the work of the Supervisory Board and the work performed by its Committees underwent its annual evaluation, which is based on an individual questionnaire completed by each Board member. The key issues addressed by the questionnaire were: (i) Board membership, (ii) quality of Board meetings, (iii) Board Committees, (iv) understanding of the Group.

The suggestions for improvement made by Board members in 2012 were consolidated into the following indicators for tracking and implementation purposes:

- identification of a number of core issues to be addressed on a regular basis (changes in automotive technologies and the competitive landscape, corporate social responsibility, ethics, etc.);
- measures intended to facilitate an understanding of the Group's business performance;
- changes in the organisation of the Board meetings;
- improvement in document transmission times, and more generally in the quality of the information provided;
- discussions on the membership of the Finance and Audit Committee.

Among the steps taken in 2012 in response to this assessment were (i) the increased frequency of presentations on marketing performance, on the basis of consistent, appropriate comparison criteria, and on vehicle and sub-assembly projects, (ii) a change in the format of Board meetings and (iii) the introduction of an orientation programme for new members.

1.2.2. Supervisory Board Meetings in 2012

The Supervisory Board met thirteen times in 2012, compared with six times in 2011. The average attendance rate was 96%.

The meetings considered the following items, among others:

5 February:

- movement towards a strategic alliance with another carmaker;
- change in the financial rating;
- 2012–2015 medium-term plan;

14 February:

- consolidated and individual statutory financial statements of Peugeot S.A. for 2011 (attended by the Statutory Auditors);
- 2012 action plan (cost-reduction plan and control of capital expenditures in the Automotive Division);
- alliance with General Motors (GM);
- real estate asset disposal plan;
- opening of the capital of GEFCO,
- authorisation to issue bonds under the Euro Medium Term Note programme;
- authorisation to give guarantees for loans subscribed by subsidiaries;
- independence of the Board members;
- assessment of the Board's performance;

27 February:

- alliance with GM, authorisation to sign a Master Agreement;
- approval of a capital increase of around €1 billion with preferential subscription rights;
- authorisation to sell treasury shares to GM;

- authorisation to countersign subscription commitments;
- Management Report of the Managing Board, Registration Document;
- approval of the report of the Chairman of the Supervisory Board;

13 March:

- preparations of the Annual Shareholders' Meeting of 25 April 2012;
- Report of the Managing Board on implementation of the alliance with GM;
- appointment of members of the Managing Board: Jean-Baptiste de Chatillon, Chief Financial Officer, and Jean-Christophe Quemard, Executive Vice-President of Programmes;
- adoption of a new version of the Board's internal rules;

24 April:

- publication of quarterly revenues;
- Report of the Managing Board on implementation of the alliance with GM;
- authorisation to sell real estate assets;
- authorisation to give guarantees for loans subscribed by subsidiaries;
- results of the assessment of the Board's performance;
- appointment of two independent members to the committees (Thierry Pilenko to the Finance and Audit Committee and Dominique Reiniche to the Strategy Committee);
- re-appointment of one of the advisors (François Michelin);

5 June:

- presentation of financial guidelines by the Managing Board;

11 June:

- Group position in anticipation of the publication of results for the first half of 2012;
- discussions with the Managing Board on the strategic action plain aiming to restore profitability in the Automotive Division;

24 July:

- results and financial statements for the first half of 2012 (attended by the Statutory Auditors);
- authorisation to give guarantees for loans subscribed by subsidiaries;

6 September:

- update on establishment of implementation agreements for the alliance with GM;
- review of bids received for the sale of a majority equity interest in the capital of GEFCO;

17 September:

- authorisation to enter into exclusive negotiations with JSC Russian Railways (RZD") for the sale of 75% of the capital of GEFCO;
- financing of Banque PSA Finance;
- update on alliance with GM;

23 October:

- publication of quarterly revenues;
- financing of Banque PSA Finance and State guarantee;
- Report of the Managing Board on implementation of the alliance with GM;

8 November:

- financing of Banque PSA Finance;

18 December:

- report of the Managing Board on implementation of the alliance with GM, authorisation to sign Master Agreement implementation contracts;
- 2013 budget, medium-term plan;
- renewal of the annual authorisation to give guarantees [1];
- review of the policy on gender equality and equal pay;
- authorisation to issue a guarantee in the framework of a trade receivables disposal programme;
- co-optation of a new member to the Board.

A long-term strategy meeting was also held on 6 June 2013 and was attended by all members of the Board.

1.2.3. Supervisory Board Committees

The Supervisory Board is supported by the preparatory work performed by four specialised committees:

- The Finance and Audit Committee;
- The Strategy Committee;
- The Appointments and Governance Committee;
- The Compensation Committee.

The role of these Committees is to prepare matters to be discussed at Supervisory Board meetings. They issue proposals, recommendations and opinions on the areas falling within their terms of reference and submit them to the Supervisory Board at its meetings.

1.2.3.1. The Finance and Audit Committee

Membership

The Finance and Audit Committee has six members: Jean-Paul Parayre (Chairman), Marc Friedel, Pamela Knapp, Robert Peugeot, Thierry Pilenko and Marie-Hélène Roncoroni.

Members attend meetings in their own name and may not be represented by another party.

Three of its members – Jean-Paul Parayre (Chairman), Pamela Knapp and Thierry Pilenko – are classified as independent in accordance with the criteria applied by the Group.

The Board considers that Pamela Knapp's experience as Chief Financial Officer first of the Siemens AG Group and then of the GfK SE Group have given her specific expertise in financial and accounting matters in accordance with legal requirements.

In addition, the Committee's Chairman, Jean-Paul Parayre, has the accounting and financial expertise required to hold this position, acquired during his service within various French ministers' offices and as a senior executive in major French groups.

Marie-Hélène Roncoroni, who represents the Company's main shareholder, has specific knowledge in financial and accounting matters, and worked for seven years in the Group's Finance Department.

Roles and Responsibilities

In accordance with Article L. 823-19 of the French Commercial Code and its internal rules, the Finance and Audit Committee oversees the following matters:

- preparation of financial information;

(1) In an aggregate amount of €125 million and a maximum amount per guarantee of €25 million (except for tax and customs bonds, for which there is no maximum limit). This authorisation is valid from 1 January 2013 to 31 December 2013.

- effectiveness of the internal control and risk management systems;
- statutory audit of the Company's annual financial statements and the Group's consolidated financial statements;
- independence of the Statutory Auditors.

The Committee conducts its work on the basis of the Report of the Working Group on Audit Committees published by the AMF on 22 July 2010.

It is, in particular, responsible for overseeing the selection procedure for renewing the Statutory Auditors.

It is also responsible for informing the Board of its opinion on off-balance sheet commitments and any project requiring prior approval by the Board, notably corporate actions.

As part of the formalisation of its opinion on the quality of the internal control systems, the Committee examines the Internal Audit plan for the coming year and is informed of the findings of the audits performed by the Audit and Risk Management Department in implementing the plan.

The Committee, which enjoys free access to all the information it needs, can meet with the Executive Vice-President of Audit and Risk Management and with the Statutory Auditors, with or without the presence of Managing Board members.

Finance and Audit Committee Meetings in 2012

The Finance and Audit Committee met 12 times in 2012, with a 97% attendance rate.

At its meeting of 3 February, it considered the Group's 2012 budget, strategic outlook and financing strategy.

At its meeting of 10 February, the Committee reviewed the consolidated and individual statutory financial statements for 2011, which the Committee members had discussed with the Statutory Auditors.

At its meeting of 26 February, the Committee examined in detail all the components of the proposed alliance with GM, the proposed capital increase, the asset disposal plan and the draft Registration Document. In particular, it took note of the Managing Board's recommendation that the Company not distribute a dividend for 2011.

The meeting of 12 March gave the Committee an opportunity to review the summary of the work performed under the 2011 Audit Plan, the map of the "Top Group Risks" (as defined in section 2.4.1. below) and the 2012 Audit Plan. It noted, in particular, that the Group has strengthened its fraud prevention and confidentiality of information system. During the meeting, the Committee asked about the conditions under which the capital increase and proposed bond issue would be carried out.

The Committee met on 2 and 23 April to review, in particular, first-quarter results and the related communications, the impacts of the recommendations of the Strategy Committee, and the conditions for the implementation of the asset disposal plan.

On 16 June and 9 July, the Committee's work focused on the financial position of the Group and of Banque PSA Finance and on the outlook for improving the Group's profitability by 2015.

At its 23 July meeting, also attended by the Statutory Auditors, it reviewed the interim financial statements.

The 15 September meeting was dedicated to examining the procedure for selling a majority equity interest in the capital of GEFCO, and the 22 October meeting to third-quarter results, the corresponding communication and the financing of Banque PSA Finance.

At its 17 December meeting, the Committee reviewed the draft implementation contracts for the Master Agreement with GM, the financing of Banque PSA Finance, cash management in 2012, and the 2013 budget. It also reviewed the summary of the work performed under the 2012 Audit Plan, the map of the "Top Group Risks" (as defined in section 2.4.1. below) and the 2013 Audit Plan.

1.2.3.2. The Strategy Committee

Membership

The Strategy Committee has eight members: Robert Peugeot (Chairman), Jean-Paul Parayre, Jean-Philippe Peugeot, Thierry Peugeot, Henri Philippe Reichstul, Dominique Reiniche, Ernest-Antoine Seillière and Jean-Louis Silvant.

Members attend meetings in their own name and may not be represented by another party.

Five of its members - Jean-Paul Parayre, Henri Philippe Reichstul, Dominique Reiniche, Ernest-Antoine Seillière and Jean-Louis Silvant - are classified as independent in accordance with the criteria applied by the Group.

Roles and Responsibilities

The role of the Strategy Committee is to examine the Group's long-term future, reflect on potential avenues of growth and give its opinion on the Group's broad strategic vision.

In this respect, it makes recommendations on the long-term strategic plans and the medium-term plan presented by the Managing Board.

The Strategy Committee examines all major projects from their outset and is kept informed of the projects' terms and conditions (particularly their financial structure), as well as of any changes and developments.

In particular, the Committee meets to discuss any project that falls within the scope of Article 9 of the Company's bylaws, whereby the Supervisory Board must approve in advance "*the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A. and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of the Company or the Group*".

Finance and Audit Committee Meetings in 2012

The Strategy Committee met five times in 2012, with a 97% attendance rate.

During the year, the Committee was primarily focused on preparing and developing the strategic alliance with GM. In addition to the alliance, the Committee's work also concerned the Medium-Term Plan and its budget (meetings of 23 January, 19 April, 25 September and 6 November), assumptions for trends in the automotive market (25 September), and a review of the product plan under the 2013 cash flow plan (14 December).

In June, the long-term strategy meeting focused specifically on brand strategy, improved competitiveness, and a review of the strategy implemented in Asia, Latin America and Russia.

1.2.3.3. The Appointments and Governance Committee

Membership

The Appointments and Governance Committee has six members: Jean-Philippe Peugeot (Chairman), Thierry Peugeot, Robert Peugeot, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière and Jean-Louis Silvant.

Members attend meetings in their own name and may not be represented by another party.

Three of its members - Geoffroy Roux de Bézieux, Ernest-Antoine Seillière and Jean-Louis Silvant - are classified as independent in accordance with the criteria applied by the Group.

Roles and Responsibilities

The Appointments and Governance Committee prepares Supervisory Board discussions concerning the appointment of new members of the Supervisory Board and Managing Board, by proposing selection criteria, organising the selection process, recommending candidates for appointment or re-appointment, and monitoring succession plans for members of the Managing Board.

It is kept informed of the succession plans for certain key executives.

It tracks changes in French and European legislation concerning the governance of companies whose shares are traded on a regulated market, as well as all of the recommendations issued by market regulators and representatives of listed companies. It also submits opinions or recommendations to the Supervisory Board concerning governance issues.

The Appointments and Governance Committee is committed to increasing the percentage of women members, in accordance with new legal requirements on gender balance (Act 2011-103 of 27 January 2011) and based on the guidelines set out in the AFEP/MEDEF Corporate Governance Code. It also applies a selection policy aimed at increasing international representation on and diversifying the capabilities of the entire Board.

Finance and Audit Committee Meetings in 2012

The Appointments and Governance Committee met 13 times in 2012, with a 99% attendance rate.

At its 9 February meeting, the Committee made recommendations on the draft resolutions for the Annual Shareholders' Meeting concerning the appointment of two new members and amendments to the Bylaws regarding Board membership and the length of members' terms of office. At this meeting, the Committee also assessed the independence of the Board members according to the criteria applied by the Group. It also began preliminary work in anticipation of the expiration in June 2013 of the terms of the Managing Board members and reviewed the Board assessment process.

On 8 March, after analysing the Group's strategic and operational challenges, the Committee proposed the appointment of Jean-Baptiste de Chatillon and Jean-Christophe Quemard to the Managing Board. It then issued a favourable opinion on the new version of the Board's internal rules.

The meeting of 19 April was devoted to the results of the Board assessment and to the follow-up to be performed. At this meeting, the Committee recommended the appointment of Dominique Reiniche and Thierry Pilenko to the Board Committees, subject to their appointment by the Annual Shareholders' Meeting. It also discussed the organisation of the Managing Board and target management under the alliance with GM.

At the 18 June, 19 July, 17 September and 4 October meetings, the Committee examined the way information flows between the operational teams and the Supervisory Board, the organisation of the Group's management, the executive succession plans and the blueprint for a survey on employee relations within the Company.

At its 18 and 22 October meetings, the Committee considered the governance commitments that could be made to the French government in exchange for its guarantee, and worked on the assessment of the Board's performance.

The Committee also reviewed the impact of the appointment of a lead member to the Board at its meetings of 7, 15 and 26 November.

On 13 December, the Committee reviewed notably the report comparing the general working and training conditions for men and women within the Company, the process for co-opting Louis Gallois to the Board and the procedures for the Annual Shareholders' Meeting to appoint an employee representative to the Board.

1.2.3.4. The Compensation Committee

Membership

The Compensation Committee has six members: Thierry Peugeot (Chairman), Jean-Philippe Peugeot, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière, Jean-Louis Silvant and Joseph Toot Jr.

Four of its members - Geoffroy Roux de Bézieux, Ernest-Antoine Seillière, Jean-Louis Silvant and Joseph Toot Jr. - are classified as independent in accordance with the criteria applied by the Group.

Roles and Responsibilities

This Committee prepares Supervisory Board discussions regarding all aspects of compensation and benefits for the:

- members of the Supervisory Board (Board and Committees);
- Chairman and Vice-Chairmen of the Supervisory Board;
- Chairman and other members of the Managing Board.

To fulfil these responsibilities, the Committee stays informed of French and European regulations on executive compensation in listed companies, all market recommendations and practices, levels and forms of compensation of senior executives who are not on the Managing Board, as well as the Managing Board policies for reviewing and updating these compensation packages.

Finance and Audit Committee Meetings in 2012

The Compensation Committee met five times in 2012, with a 97% attendance rate.

At its meetings of 31 January and 9 February, the Committee discussed bonuses for the members of the Managing Board for 2011 and the extent to which they met their objectives. It noted that the members of the Managing Board waived all their bonuses for 2011 and that the Chairman of the Board decided to forego the increase in his compensation that had been decided on in February 2011. The Committee also drafted proposals for the Board relating to the 2012 objectives, as well as the level and structure of the variable portion of compensation for the members of the Managing Board.

The meeting of 8 March addressed the possibility of introducing a long-term incentive plan and the amendment of the Board's internal rules. It endorsed the draft resolution for the Annual Shareholders' Meeting concerning performance shares, and rejected the draft resolution concerning stock options.

On 19 April, the Committee discussed all aspects of the compensation of Jean-Baptiste de Chatillon and Jean-Christophe Quemard and their individual objectives.

At its 13 December meeting, it considered the allocation of attendance fees within the Board.

1.3. ADOPTION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

As stated in section 16.4 above, the Company has adopted the AFEP-MEDEF Corporate Governance Code, as applicable to French joint-stock companies with a Managing Board and Supervisory Board.

The table below summarises the recommendations of the AFEP-MEDEF Code which the Company does not apply due to the specific features of its legal structure and operating methods or those of the automotive industry.

Relevant recommendation	Explanation
Independence of the Supervisory Board members	The Supervisory Board applies all of the independence criteria recommended in the AFEP/MEDEF Code, with the following two exceptions: • Not being a Director or Supervisory Board member of the corporation for more than twelve years: specific features of the automotive industry. Please refer to section 1.1.1 above for more details; • Not holding a directorship or equivalent position in another Group company in the past five years: the Board considers that the fact of having recently been a Director of another Group company does not give rise to any risk of the type of conflict of interest that the AFEP-MEDEF independence rules are designed to avoid. Please refer to section 1.1.1 above for more details.
Proportion of independent members on the Finance and Audit Committee	50% of members are independent compared with the Code's recommendation of at least two thirds. The reason for the shortfall is the presence on the Board of representatives of the Group's reference shareholder, the Peugeot family.
Term of office of Supervisory Board members	Members of the Supervisory Board have been elected for a term of four years since the Annual Shareholders' Meeting of 25 April 2012. However, members already serving on the Board on the date of the 2012 Shareholders' Meeting are elected for a term of six years.
Having a variable component of attendance fees based on actual attendance	Introducing a variable component of attendance fees based on actual attendance does not seem warranted, given that: • the attendance rate at Supervisory Board meetings was 96% in 2012; • attendance rates at the various Committee meetings were close to 100% in 2012, as in 2011; • the Chairman of the Supervisory Board frequently consults Board members on issues outside of scheduled meetings, and likewise, Board members regularly take the initiative of informing the Chairman of their opinions and recommendations.

1.4. SUPERVISORY BOARD AND MANAGING BOARD COMPENSATION POLICIES

This report sets out the principles and rules established by the Supervisory Board to determine the compensation and benefits granted to corporate officers. Please refer to section 15 above for detailed information on compensation and benefits.

Supervisory Board

Supervisory Board members and advisors are paid annual attendance fees up to an aggregate amount determined in advance by the Annual Shareholders' Meeting. This amount is allocated by the Supervisory Board among its members on an annual basis.

Managing Board

Employment contract/corporate office

No member of the Managing Board is a salaried employee of the Group. It should be noted that the employment contracts of Jean-Baptiste de Chatillon and Jean-Christophe Quemard were suspended when they were appointed. This suspension was justified by the considerable seniority they had acquired as employees.

Managing Board Compensation

All Supervisory Board discussions on compensation are prepared by the Compensation Committee.

- In 2012, the Supervisory Board decided that the base salary paid to Managing Board members will be revised mid-term.
- At the beginning of the year, the Supervisory Board determines the amount of the incentive bonus based on how well each member met his or her assigned objectives over the year.
- For 2012, the incentive bonus payable to the Chairman of the Managing Board may represent up to 150% of his base salary, including 90% based on the achievement of targets set for the Managing Board, 40% for the achievement of personal targets and 20% at the discretion of the Supervisory Board based on his overall performance in managing the Group. The incentive bonus payable to other members of the Managing Board may represent up to 110% of their base salary, including 75% based on targets for the Managing Board as a whole, 25% based on personal targets and 10% at the discretion of the Supervisory Board.
- At the same meeting, the Supervisory Board sets objectives for each Managing Board member for the current year. These objectives – quantified and qualified on the basis of pre-defined criteria – comprise targets set for all members of the Managing Board and specific performance-related targets based on each member's individual executive duties.
- The Supervisory Board may also decide to grant stock options or performance shares to Managing Board members further to an authorisation granted by shareholders. The Supervisory Board determines the lock-up rules that will apply to the shares in accordance with the law.

1.5. ATTENDANCE AT PEUGEOT S.A. SHAREHOLDERS MEETINGS

Any Peugeot S.A. shareholder may take part in the Company's Shareholders Meetings irrespective of the number of shares held.

Pursuant to Article 11 of the bylaws, fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at Shareholders Meetings. Article 11 of the bylaws specifies that corporate shareholders shall be represented at Shareholders' Meetings by their legal representative or any other designated person. It does not set out any other specific formalities for attendance.

Shareholders are advised to obtain an entrance card before the meeting to facilitate their admission. On the day of the meeting shareholders will be asked to provide evidence that they are shareholders of record during the registration process.

A single mail or proxy voting form will be sent to all holders of registered shares before the meeting. Holders of bearer shares wishing to vote by mail or by proxy may obtain the necessary forms from their bank or broker.

In accordance with Article R. 225-79 of the French Commercial Code, shareholders may appoint or revoke a proxy (name, first name and address) online at psa-ag-mandataire@mpsa.com, no less than three days before the date of the meeting.

The formalities for attending the Shareholders Meeting to be held on 24 April 2013 will be set out in the Notice of meeting published at least thirty-five days before the date of the meeting in the *Bulletin d'Annonces Légales Obligatoires* and on the Group's website.

1.6. DISCLOSURE OF INFORMATION THAT MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER FOR THE COMPANY'S SHARES

This information is provided in this Registration Document as part of the disclosures required under Article L. 225-100-3 of the French Commercial Code (see sections 18 and 21.1).

2. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

2.1. OBJECTIVES OF THE PSA PEUGEOT CITROËN INTERNAL CONTROL SYSTEM

As part of its commitment to preventing and limiting the effect of internal and external risks, risk management and internal control systems are in place to provide reasonable assurance concerning the achievement of the following objectives:

- compliance with laws and regulations;
- application of the Managing Board's instructions and strategic guidelines;
- efficient internal processes, particularly those that help to safeguard the assets of Group companies;
- reliable financial reporting.

More generally, these procedures and processes also contribute to the proficient management of the Group's businesses, the effectiveness of its operations and the efficient use of its resources.

2.2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK USED BY PSA PEUGEOT CITROËN

The risk management and internal control system complies with and functions according to the rules of the eighth Directive on Statutory Audits, the AMF's Reference Framework for Risk Management and Internal Control Systems issued in January 2007, and the Report of the Working Group on Audit Committees published by the AMF on 22 July 2010. Banque PSA Finance has a specific system that complies with CRBF regulation 97-02 concerning the internal control systems of credit institutions.

Faurecia, whose shares are traded on a regulated market and that acts under the responsibility of its own Board of Directors, has a separate internal control system which it applies independently.

2.3. INTERNAL CONTROL PRINCIPLES

PSA Peugeot Citroën's internal control system was designed with four key goals in mind:

- to reflect the Group's strategic objectives, which are to be a global, profitable, independent company that ranks among the world's leading broadline automobile manufacturers:
  - the entire process is designed to proactively identify the risks capable of affecting the Group over the medium to long term,
  - all of the Group's companies are involved in the process, managing risks and ensuring internal control compliance in all of their operations,
  - the process focuses on action plans and outcomes, with a constant view to supporting operating efficiency,
  - the process is underpinned by compliance with applicable laws and regulations, exemplary behaviour and ethical practices, which the Group believes to be essential to responsible growth;
- to have each division manage all the risks inherent in its business through internal control processes geared to its specific challenges;
- to identify the specific "Top Risks" to which the Group is exposed, in order to develop appropriate action plans that address these risks and a system for reporting them to the Executive Committee;
- to make the system auditable based on quality indicators.

2.4. PARTICIPANTS AND PROCESSES

2.4.1. At Group Level and in the Automotive Division

There is an overall set of security processes that contribute to the Group's risk management system.

- The Group's organisation and operating procedures, as defined by Senior Management, are set out in a number of reference handbooks that form a working framework applicable to everyone.

They include the Organisation Handbook and the Operating Procedures Handbook (hereinafter the "Operating Procedures"), which are expanded and updated regularly. These handbooks describe the procedures to follow, the division of responsibilities and the rules to be applied by all employees, in all of his or her day-to-day business activities.

In addition, each department has its own operating manual describing its operating procedures and processes as well as interfaces with the other departments.

All these general and department-specific guidelines are available on an intranet site dedicated to the Group's Excellence System. Based on lean management principles and a culture of continuous improvement, this system structures the Group's organisation, management and working methods, thereby enabling the development of formal standards.

- The risk management system is deployed Group-wide.

Each department oversees the management and control of its own risk in accordance with the corresponding Operating Procedure, by incorporating it into its current operating practices. They each identify and assess their risks, taking existing management processes in account and developing the necessary action plans to address them.

- The Audit and Risk Management Department oversees the risk management system and controls the proper application of the risk management procedures.

Each department describes its main risks, i.e. those that have the greatest impact and highest level of importance (impact x probability) and that are deemed to be inadequately managed under existing procedures, in a specific half-yearly "Top Division Risks" report submitted to the Corporate Secretary via its Audit and Risk Management Department.

To supplement this departmental view, the Audit and Risk Management Department identifies the Group's "Top Cross-Functional Risks" once a year, when it meets with a representative sample of the Group's key executives and managers. Appropriate action plans are then approved and implemented to manage these risks.

The Executive Committee reviews the "Top Group Risks" (comprising the "Top Division Risks" and "Top Cross-Functional Risks") twice a year.

- Specific risk management and control procedures cover particular risks.

The Group's Code of Ethics was updated and expanded in 2010. It is directly available to all employees through the Intranet portal. All senior executives are required to formally accept the terms of the Code. An Ethics Committee chaired by the Corporate Secretary meets on a quarterly basis. An international network of Chief Ethics Officers deploys the process in every host country and systematically reports to the Ethics Committee any local ethical issues or breaches of compliance.

The Ethics Committee is responsible for overseeing a fraud prevention system and has tasked the Group's Security Department with managing the system, carrying out investigations, monitoring and reporting incidents.

The Security Department, which reports to the Corporate Secretary, is responsible for defining and coordinating on a global basis all actions intended to protect the employees and tangible and intangible assets of the Group (except for Faurecia) against the risks arising from malicious acts of all kinds.

The Legal Affairs Department, which reports to the Corporate Secretary, is responsible for preparing or verifying the Group's contractual commitments and ensuring their legal and regulatory compliance. It is also in charge of organising the Group's defence in the event of disputes with third parties. In this way, it helps to limit and manage the Group's exposure to legal risks as an employer, a designer and distributor of vehicles, a purchaser of components and a provider of services.

The Management Control Department, which reports to the Chief Financial Officer, is responsible for overseeing the Group's business and financial performance and proposes annual and medium-term targets for growth, operating margin and return on capital employed to Senior Management. It oversees the process of preparing the medium-term plan and the budget guidelines. It prepares annual budgets, updated forecasts and monthly estimates in conjunction with the various business divisions in order to measure and track actual performance against targets. It controls the results of the operating departments and the Group's projects, and produces summary reports. In addition, it carries out other financial tasks, particularly for the automotive business, such as product costings, selling price control, project profitability control, financial monitoring of industrial cooperation with other automakers, negotiations for mergers, acquisitions and disposals, and drawing up formal management rules and standards.

- The Audit and Risk Management Department's control over the proper application of these risk management procedures.

The Audit and Risk Management Department, through audit missions, performs audits to ensure that all Operating Procedures are observed and that general and specific risk management procedures are applied throughout all the Group's departments. The annual audit plan, which is defined independently, is based on the "Top Group Risks" and is subsequently submitted to Senior Management for approval and presented to the Finance and Audit Committee. The Audit and Risk Management Department is also responsible for assessing the degree of maturity of the risk management system and making recommendations for improving its effectiveness. A total of 107 audits were carried out in 2012 across the entire Group.

- The Supervisory Board's control and oversight role.

The Finance and Audit Committee of the Supervisory Board ensures that the risk management and internal control system operates effectively. The Corporate Secretary reports to the Supervisory Board on the systems in place and their degree of maturity, as well as the risk map, with particular emphasis on risks capable of having an impact on the Company's financial and accounting information.

The Board also reviews the Internal Audit Department's organisational and operating principles, expresses an opinion on the Internal Audit plan and is informed of the findings of (i) the Internal Audits performed as part of the plan and (ii) the follow-up audits to check that departments have implemented the recommendations. As mentioned in section 1.2.3.1 above, a Finance and Audit Committee meeting dedicated exclusively to the effectiveness of the internal control and risk management systems was held in March 2012.

The Finance and Audit Committee may also be asked by the Managing Board, the head of Audit and Risk Management or the Statutory Auditors to review any event exposing the Group to significant risk.

2.4.2. Banque PSA Finance

In line with CRBF regulation 97-02, dealing with internal control systems of credit institutions, the bank's internal control system is organised around two lines of responsibility for recurring controls and periodic controls and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organisation and implementation of internal control are set out in a Banque PSA Finance internal control Charter that describes the system's organisation, resources, scope, missions and processes.

Recurring Controls

First-tier Controls, the Lynchpin of the Internal Control System.

First-tier controls are carried out in the operating units. They are either embedded in procedures and performed by all employees in the normal course of their work, or they are performed by dedicated employees within the operating units. They are supervised by the structures responsible for recurring controls.

Second-tier Controls

Second-tier controls are performed by three departments and include controls concerning (i) compliance, (ii) operational risks of the finance companies, including insurance entities, and headquarters, (iii) accounting processes and procedures and (iv) the finance, treasury and IT services provided by the PSA Peugeot Citroën Group on the Bank's behalf.

The Compliance unit is responsible for preventing, controlling and overseeing compliance risks. In particular, it verifies that the Bank meets its obligations concerning data protection, the prevention of money laundering and compliance of new or substantially modified products. It ensures that the required systems are put in place and organises compliance training. This unit is also responsible for regulatory oversight and ensuring that the Bank effectively incorporates regulatory changes into its business, particularly into its IT systems.

Controls over operational risks for the finance companies and headquarters include (i) recurring assessments of the effectiveness of the operational risk management systems put in place within the Bank, including for outsourced services, and (ii) specific second-tier controls. This unit is responsible for ensuring that operations staff regularly perform key first-tier controls on risks classified as major.

The department in charge of controlling operational risks associated with accounting, IT, refinancing and treasury processes performs recurring controls in all of these areas. In particular, it has developed a control certification system for the accounting department, whereby the finance managers of the Bank's subsidiaries and branches are required to sign a document after each accounts-closing process confirming that key controls over major accounting risks have been performed and providing the results of these controls.

These departments base their work on a risk map that sets out the main risks to which the Bank is exposed. The risk map helps to ensure the underlying strength of Banque PSA Finance's internal control system, by highlighting identified risks, potential losses that may arise from these risks, first-tier controls and the results of these controls, as well as the results of second-tier controls and any residual risk.

Risk Management Function

This regulatory unit, which reports to the Corporate Secretary, was set up in 2010 following a new *Autorité de Contrôle Prudentiel* requirement. It is responsible for measuring and overseeing all the bank's risks other than compliance risks on a consolidated basis and reports to the Banque PSA Finance's Executive Committee and Audit Committee.

The second pillar of Basel II is currently being incorporated into the Bank's risk management system.

Periodic Controls

Periodic - or third-tier - controls consist of periodically checking transaction compliance, risk levels, compliance with procedures and the effectiveness of recurring controls.

They are performed by the Internal Auditors, based on an Internal Audit plan that provides for all of the Bank's units and processes (including those that are outsourced) to be audited at least once every three years.

Oversight by Executive Management and the Board

The internal control system is overseen by executive management and the Board, supported by various committees.

The Board of Directors verifies that the Bank's main risks are properly managed and obtains assurance about the system's reliability, through the Audit Committee. The Audit Committee reviews the lessons to be learned from risk monitoring activities and from recurring and periodic controls. It meets at least four times a year.

Executive management is responsible for defining and implementing the system of internal control. It oversees the system's efficiency and effectiveness, and ensures that adequate resources are assigned to internal control. In carrying out these duties it draws on the minutes of meetings of the Internal Control Committee, which has front-line responsibility for the operational management of the internal control system.

Organisation of Internal Control

The internal control system is built around regular first-tier controls, primarily through delegations of authority applicable to all operating units and Corporate Departments. These delegations of authority determine the levels at which decisions must be made in the areas of banking and financial transactions, loan approvals, lending terms, new products and services and expenditure commitments.

At Group level, committees have been set up to determine and implement Bank policies in the areas of internal control and decision-making processes during regular meetings. These committees are as follows:

- the Credit Risks Committee, which monitors changes in troubled loans and credit losses, analyses the performance of the risk selection systems, and reviews changes in Basel II rules;
- the Lending Margins Committee;
- the Products and Processes Committee;
- the Group Credit Committee, which reviews wholesale and fleet financing applications;
- the Refinancing Committee, which reviews the results of the Bank's refinancing and interest rate risk management policies;
- the IT Security Committee;
- the Compliance Committee.

2.4.3. Faurecia

In performing its duties, Faurecia's Board of Directors is supported by an Audit Committee that plays a key role in the internal control process, particularly by reviewing (a) the process used for preparing and controlling financial information, (b) the effectiveness of internal control and risk management systems, and (c) the statutory audit work on the parent company and consolidated financial statements. The Committee also conducts in-depth analyses of material financial transactions and reviews the Group's financial performance indicators.

Faurecia's internal control system is based on a set of resources, behaviours, procedures (available for consultation by all employees via the Faurecia Intranet) and actions geared to the specific features of each company and the Group as a whole. It is intended to:

- contribute to the proficient management of Faurecia's businesses, the effectiveness of its operations and the efficient use of its resources; and
- enable Faurecia to deal effectively with significant operational, financial or compliance risks.

The internal control system aims to provide reasonable assurance about the achievement of the following objectives:

- compliance with laws and regulations;
- application of the instructions and strategic guidelines issued by Senior Management and the Board of Directors;
- efficient internal processes, particularly those that help to safeguard the Company's assets;
- reliable financial reporting.

The procedures also concern programme controls designed to track the performance of contracts to supply complex equipment to automakers – in the acquisition, design and production phases – as well as financial and accounting controls intended to ensure that financial and accounting information is properly processed, thereby ensuring the Group's responsiveness.

The Internal Audit Department is responsible for overseeing the internal accounting and financial control systems and their effectiveness. It makes sure that the overall system is complete, consistent and adequate, and that procedures are followed at all times through its many audit assignments based on random sampling and investigations. In the event of a breach, it ensures that appropriate corrective plans are implemented with follow-ups at three months, six months and 12 months, and reports on the effectiveness of the internal control system. With a view to continuous progress, to spreading identified best practices worldwide and to monitoring the Group in its growth regions, the Internal Audit Department strengthened its own teams in its non-European units in 2012, in China and the United States.

2.5. PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The Finance Department is responsible for defining and implementing a specific internal control system for accounting and financial matters, in addition to the risk management system described above, which also applies to it in the same way as any other department of the PSA Group.

2.5.1. Accounting and Financial Organisation

The Finance Department uses a technical and organisational framework called "Nordic", which covers accounting and consolidation standards, best accounting practices, integrated accounting standards, financial management standards, financing and cash management standards and tax-related standards. The framework is accessible to all Group employees to ensure that standards are applied uniformly. Different managers are responsible for updating specific categories of standards in line with their areas of specialisation.

The Group's accounting standards describe the accounting policies applicable to all subsidiaries, based on International Financial Reporting Standards (IFRSs) as approved by the European Union, and taking into account the accounting options selected by the Group and any standards that have been early adopted. They set out the accounting treatment and accounting entry structures for complex and/or new transactions. Specific standards are applied for Banque PSA Finance and Faurecia to reflect the specific nature of their businesses.

The guidelines on best accounting practices prepared by the Automotive Division Accounting Department are accessible by all Automotive Division employees. They help to ensure consistent application across the Group of best practices identified in terms of accounting quality and internal control.

All the Group's accounting, finance and management control units receive an annual Group reporting timetable drawn up by the Corporate Management Control Department, setting out for each monthly period the various accounting close and reporting dates, as well as the dates of performance review meetings. The Consolidation Department also prepares and sends out a standard setting out the timetable for the submission and processing of subsidiaries' consolidation packages.

The accounting and financial information systems developed and/or implemented in the Group by the Information Systems Department meet the needs expressed by users (accounting, consolidation, management control, finance, treasury). Each application is classified in terms of availability, integrity, confidentiality and traceability of information sent or produced. The classification determines the requirements in terms of access clearance (confidentiality and traceability) and business continuity and recovery plans (availability and integrity). Data archiving and backup procedures have been implemented to comply with legal requirements for keeping data and to create audit trails guaranteeing data traceability.

To uphold and improve the quality of accounting and internal control within the Group's Automotive Division, an Accounting Quality Plan has been implemented at the level of each accounting team in the relevant Departments, under the responsibility of the Chief Financial Officer. This plan comprises all internal actions taken to implement the recommendations of the internal and external auditors, as well as those of the teams themselves. A meeting is held every six months under the Chairmanship of the Group's Chief Financial Officer to monitor the Accounting Quality Plan.

2.5.2. Procedures Relating to the Preparation and Processing of Accounting and Financial Information

Published financial information comprises the consolidated financial statements of the PSA Group and the statutory financial statements of Peugeot SA, approved by the Managing Board and presented to the Supervisory Board, as well as analyses of the data included in these financial statements and press releases issued by the Group.

Monthly, half-yearly and annual results are validated jointly by the Accounting units, the Consolidation Department, the Corporate Management Control Department and the Management Control units of each division. Senior Management reviews the full set of consolidated financial statements on a monthly basis.

The consolidated financial statements are prepared by the Consolidation Department, which is also responsible for Group accounting policies. The statements are prepared in accordance with IFRSs as adopted by the European Union, and the individual statutory accounts of the Group's subsidiaries are restated to align them with IFRS, apart from Faurecia and the companies that Faurecia consolidates. The subsidiaries' accounts are prepared under the responsibility of the Accounting and Finance Departments within the various divisions (Automotive, Automotive Equipment, Transportation and Logistics, and Finance). These departments, in liaison with the operating units and the Management Control Department, ensure the accuracy of the individual statutory accounts and the consolidation packages and systematically co-validate them. The Consolidation Department produces a full set of consolidated financial statements each month, both for internal management and external reporting purposes for the half-year and full-year closings. It also prepares the individual statutory accounts and restated IFRS accounts for Peugeot S.A. It takes the work of the Statutory Auditors into account.

The accounts are consolidated by separate dedicated teams for (i) the Group as a whole, (ii) Banque PSA Finance and its subsidiaries and (iii) Faurecia. Each month, all consolidated companies send their dedicated team their detailed financial statements, including their income statement, balance sheet, cash flow statement and analyses, prepared in compliance with Group standards, for integration into the consolidated accounts. Each subsidiary is responsible for preparing regular reconciliations between their statutory equity and equity reported in the consolidation package. These reconciliations are checked by the consolidation team in order to check, in particular, that deferred taxes are properly stated. All consolidation adjustments are controlled and traced. An overall analysis of changes in the main consolidated income statement, balance sheet and cash flow statement items is communicated each month to Senior Management.

The reliability of data reported by the subsidiaries is verified by their own management control teams, the Division-level Accounting and Finance Departments and the Group Consolidation Department.

The subsidiaries' financial statements are reported via the Magnitude system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability.

Off-balance sheet commitments are identified within each Group company and reported to the consolidation team.

Asset control procedures are based on annual inventories of goods held by PSA Peugeot Citroën as well as inventories of property, plant and equipment held at Group sites, based on cycle counts which ensure that each asset is counted at least once every three years. The inventories are governed by strict procedures concerning segregation of tasks and count controls to ensure that the results are reliable.

Investment and financing strategies and strategies for evaluating counterparty risks arising from financial market transactions are approved by the Finance Department.

The Financial Communications Department, which reports to the Finance Department, is responsible for relations with investors and the financial markets authorities. It coordinates the work done by the various Group entities on preparing the annual Registration Document and ensures that the timetable for its preparation and publication is met, in conjunction with the Statutory Auditors. The Management Control Department is responsible for drawing up and presenting summary data used to analyse results and provide forecasts.

2.6. PROCEDURES FOR THE PREPARATION OF THIS REPORT

This report was based on the following main procedures:

- identifying all existing practices within the Group operating units and departments concerning procedures, risk analyses and regular updates to those procedures and analyses;
- verifying that Group internal control procedures and processes comply with the general principles of the AMF's Reference Framework for Risk Management and Internal Control Systems;
- obtaining assurance at the level of the Finance Department – with input from the accounting, consolidation, financial communications and management control teams – that processes for the preparation and approval of the consolidated financial statements fulfil the quality criteria defined for each operational category in the application guide included in the above-mentioned Reference Framework.