3.2. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE, INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

In accordance with Article L. 225-68 of the French Commercial Code, this report is about the composition of the Supervisory Board and the application of the balanced gender representation principle, the conditions for preparing and organising the work of the Board and the internal control and risk management procedures. It was approved by the Supervisory Board on 17 February 2015.

3.2.1. CORPORATE GOVERNANCE

The Company refers to the AFEP-MEDEF Corporate Governance Code, which was revised in June 2013, as applicable to French joint stock companies with a Managing Board and Supervisory Board. This Code can be consulted on the following website: http://www.medef.com/

A summary table in section 3.2.1.3 presents the few recommendations of the Code which were not implemented, along with the related explanations.

3.2.1.1. COMPOSITION OF THE SUPERVISORY BOARD

3.2.1.1.1. A BALANCED COMPOSITION

After the capital increases completed in April 2014, the Company implemented a balanced membership of the Supervisory Board, with 14 members, including:

- six members appointed upon the proposal from each of the three main shareholders:

these members are currently: for the companies of the Peugeot family group, Marie-Hélène Peugeot Roncoroni (permanent representative of Établissements Peugeot Frères) and Robert Peugeot (permanent representative of FFP), for the French State, Bruno Bézard (appointed as representative of the French State pursuant to Article 139 of the "NRE" law of 15 May 2001) and Florence Verzelen (permanent representative of SOGEPA), and for the Dongfeng Motor Group Company (*via* Dongfeng Motor (Hong Kong) International Co., Limited), Xu Ping and Liu Weidong;

- six independent members (mentioned below);
- an employee representative and an employee shareholder representative (mentioned below).

The Board is chaired by an independent member. The Board has conferred the title of Vice-Chairman upon three members of the Board, on the proposal of each of the three main shareholders.

INDEPENDENT REFERENCE SUPERVISORY BOARD MEMBER

An Independent Reference Member has been appointed from among the independent members and has, according to the internal rules of the Supervisory Board, the following powers and prerogatives:

- calling and chairing meetings of the independent members of the Supervisory Board on operational matters of the Board and to convey its conclusions to the Chairman of the Supervisory Board;
- notifying the Chairman of the Supervisory Board of any conflict of interest it has identified which could affect the deliberations of the Board;
- taking note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensuring that they are addressed;
- reporting on the performance of his or her duties to the Supervisory Board and, where applicable, to the Annual Shareholders' Meeting.

In 2014, two meetings of the independent members of the Supervisory Board were held.

EMPLOYEE REPRESENTATIVES

The employee representative was appointed by the Group's European Committee pursuant to Article L. 225-79-2 of the French Commercial Code and the new provision of the by-laws (Article 10.I B) voted by the Annual Shareholders' Meeting of 25 April 2014 following the enactment of the job security law (*Loi relative à la sécurisation de l'emploi*).

The employee shareholder representative was appointed by the FCPE supervisory boards in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the by-laws (Article 10.I C).

It was proposed to the employee representatives that they enroll in the *Institut Français des Administrateurs* training programme. Anne Valleron will take this training in 2015.

CURRENT MEMBERSHIP

At 17 February 2015, the Supervisory Board had the following members:

Members of the Supervisory Board	Title	Age	Date of first appointment	Term of office expiry date	Independent according to the criteria of the AFEP-MEDEF Code
Louis Gallois	Chairman	71	02/12/2013	2018 AGM	√
Bruno Bézard	Vice-Chairman	51	04/29/2014	2018 AGM	
Marie-Hélène Peugeot Roncoroni	Vice-Chairman Permanent representative of Établissements Peugeot Frères	54	06/02/1999	2018 AGM	
Xu Ping	Vice-Chairman	58	04/29/2014	2018 AGM	
Patricia Barbizet	Member	60	04/24/2013	2017 AGM	√
Pamela Knapp	Member	57	05/31/2011	2017 AGM	√
Jean-François Kondratiuk	Member (Employee representative)	65	04/24/2013	2018 AGM	
Liu Weidong	Member	48	04/29/2014	2018 AGM	
Robert Peugeot	Permanent representative of FFP	64	02/06/2007	2017 AGM	
Henri Philippe Reichstul	Member	65	05/23/2007	2017 AGM	√
Dominique Reiniche	Member	59	04/25/2012	2016 AGM	√
Geoffroy Roux de Bézieux	Independent Reference Supervisory Board Member	52	05/23/2007	2017 AGM	√
Anne Valleron	Member (representing employee shareholders)	61	04/24/2013	2017 AGM	
Florence Verzelen	Permanent representative of SOGEPA	37	04/29/2014	2018 AGM	

(AGM: Annual Shareholders' Meeting).

Members of the Supervisory Board are appointed for a four-year term (apart from Pamela Knapp, whose six-year term had already begun when the by-laws were modified in 2011).

ADVISOR TO THE SUPERVISORY BOARD

The Board's meetings are also attended by one non-voting advisor. According to the Internal Rules of the Supervisory Board, this advisor is appointed by the Supervisory Board for a term of four years. Pursuant to the shareholders' agreement to which the Company is party, each of the three main shareholders is entitled to request the appointment of an Advisor to the Supervisory Board. To date, Frédéric Banzet is an Advisor, appointed by the Supervisory Board at its meeting on 29 July 2014 at the request of the companies Établissements Peugeot Frères/FFP.

In accordance with the law, meetings of the Supervisory Board are also attended by one non-voting member of the Peugeot S.A. Works Council.

INCREASED REPRESENTATION OF WOMEN

Since July 2014, the Supervisory Board has had six female and eight male members; women account for 42.8% of the members (compared with 33.33% in 2013 and 21% in 2011). Thus, it satisfies both the legislation and the recommendations of the AFEP-MEDEF Code before their mandatory compliance dates.

INCREASED INTERNATIONALISATION

The Supervisory Board has four members of foreign nationality (Pamela Knapp, Xu Ping, Henri Philippe Reichstul and Liu Weidong), and all non-employee members have experience within an international organisation.

This balanced membership ensures the quality of the debates and decisions taken by the Supervisory Board.

3.2.1.1.2. INDEPENDENCE OF BOARD MEMBERS

As stated in the Internal Regulations of the Supervisory Board, *"members of the Supervisory Board represent all shareholders and must always act in the corporate interests of the Company. Each member of the Supervisory Board shall strive to ensure that their analysis, judgement, decision-making and action are independent, to benefit the Company's interest. They agree not to seek out or to accept any benefit likely to undermine this independence."*

Following preparatory work by the Appointments, Remuneration and Governance Committee, the Supervisory Board reviewed the position of each of its members with regard to the independence criteria selected by the Company (Article 9.4. of the AFEP-MEDEF Code) at its meeting on 17 February 2015:

- not be an employee or Executive Director of the Company, or an employee or director of its parent company or of a company which it consolidates or has consolidated in the last five years;
- not be an Executive Director of a company in which the Company holds directly or indirectly a director term of office or in which an employee designated as such or an Executive Director of the Company (either currently or in the last five years) holds a director term of office;
- not be a major client, supplier, investment banker or corporate banker of the Company or its Group, or for which the Company or its Group represents a significant part of its business;
- have no close family ties with a corporate officer;
- not have been a Statutory Auditor of the Company in the last five years;
- not have been a company director during the last 12 years.

Based on these criteria, the Supervisory Board considers six members to be independent: Patricia Barbizet, Pamela Knapp, Louis Gallois (Chairman of the Supervisory Board), Dominique Reiniche, Geoffroy Roux de Bézieux (Independent Reference Member) and Henri Philippe Reichstul. This puts the proportion of independent members at 50% (Members of the Board representing employees or employee shareholders are not included when calculating this percentage in accordance with the AFEP-MEDEF Code).

As part of its review, the Supervisory Board took into account the existence of business relations between the members of the Supervisory Board and the Group or its shareholders. It is considered that the director terms of office of Patricia Barbizet within the company Total, of Pamela Knapp within Saint Gobain and of Dominique Reiniche within AXA do not compromise their independence due to the non-significant nature (assessed on the revenue of the companies concerned) of the business relations between these companies and the Group.

Please refer to Section 3.1 of the Registration Document for further developments about the Supervisory Board's composition (presentation of the members, membership developments in 2014, performed terms, statements on conflicts of interest, family ties, etc.).

3.2.1.2. PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD

3.2.1.2.1. ROLE AND OPERATING PROCEDURES OF THE SUPERVISORY BOARD

INTERNAL RULES

New internal rules for the Supervisory Board were implemented on 29 July 2014, to reflect changes in the AFEP-MEDEF Code. It is available in full on the Group's website.

It defines the work of the Supervisory Board 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 also sets the amount of compensation for its Chairman and Vice-Chairman or Vice-Chairmen and determines the procedures for allocating attendance fees among its members. In accordance with the AFEP-MEDEF Code, when allocating the attendance fees, the Supervisory Board considers, in line with its procedures, the actual attendance of members at the meetings of the Board.

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.

Therefore, the role of the Supervisory Board is:

- to permanently monitor the management of the Company by the Managing Board, making the checks it deems necessary;
- to perform periodic checks on the Company's management: once a quarter for the Management Report which the Managing Board submits to it and within three months of the end of each financial year when the Managing Board submits the parent company financial statements, consolidated financial statements and the Management Report intended for the Shareholder Meeting for opinion and observation. Therefore, it also examines the half-year financial report, the quarterly financial information and the financial press releases to be published by the Company.

  It is regularly kept up to date by the Managing Board on the Company's financial position, cash flow situation and commitments;
- to grant, in line with its powers pursuant to Article 9 of the by-laws, in addition to the preliminary legal obligations, its authorisation prior to the completion by the Managing Board of the following actions:
  - a) propose any amendment to the Company's by-laws (or any other decision whose purpose or effect would be to amend the by-laws),
  - b) conduct share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions authorised by the Shareholders' Meeting,
  - c) issue any and all ordinary or convertible bonds authorised by the Shareholders' Meeting,
  - d) draft any merger agreements or agreements for partial business transfer,
  - e) sign or terminate any manufacturing or sales agreements representing a future commitment for the Company with companies whose corporate purpose is similar or related to that of the Company and generally the execution of any major transaction which substantially alters the scope of the business or the financial structure of the Company or the Group it controls or which are not part of the strategy announced by the Group,
  - f) purchase, sell, exchange or contribute any business property and/or goodwill in excess of the amounts determined by the Supervisory Board (currently €50 million),
  - g) purchase, take or dispose of any stake in other existing or future companies which represent directly or indirectly a capital expenditure, an expense (in corporate value) or a credit or liability guarantee, immediate or deferred, in excess of the amounts determined by the Supervisory Board (currently €50 million),
  - h) sign 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),
  - i) grant or renew guarantees or sureties on behalf of the Company (excluding commitments to the tax and customs authorities), irrespective of the duration of the guaranteed commitments, for an amount per commitment in excess of the amount set by the Supervisory Board (currently €25 million), or for a total yearly amount in excess of the amount set by the Supervisory Board (currently €125 million),
  - j) issue any performance-based share option or bonus share allocation plans,
  - k) buy back shares under a programme authorised by the Annual Shareholders' Meeting, and
  - l) enter into any transaction agreement or any commitment, as part of a legal dispute or arbitration procedure in excess of the amounts set by the Supervisory Board (currently €50 million).

The Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with its long-term vision. Each year, it examines and approves the medium-term strategic plan, the capital expenditure plan and the budget. It is alerted by the Managing Board as soon as possible in the case of an external event or internal developments which significantly jeopardise the Company's outlook or the projections submitted to the Supervisory Board.

It is notified every year of the main priorities of the Group's human resources policy.

STOCK MARKET CODE OF ETHICS

The Stock Market Code of Ethics was updated by the Supervisory Board in July 2014 to take into account certain recent changes to the regulations and the AFEP-MEDEF Code. It aims to define the preventive measures authorising members of the Supervisory Board, Managing Board and/or Advisors to the Supervisory Board to intervene on Peugeot S.A. and/or Faurecia securities, in line with market integrity rules (reminder of confidentiality obligations and the obligation to refrain from such activity in the event of access to insider information and the applicable penalties, reporting obligations, blackout periods, inclusion on the insiders' trading list, etc.). The new 2014 version is available in full on the Group's website. All corporate directors have signed on to the charter. They are periodically reminded of these obligations by the Company. An identical Stock Market Code of Ethics applies to members of the Executive Committee.

INTERNAL RULES

The Supervisory Board's Internal Rules set out the following:

- 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 procedures for supplying information to members (a monthly presentation on the Group's business and results);
- the roles and responsibilities of Supervisory Board Committees;
- the obligations of Supervisory Board members.

The 2014 update to the Internal Rules introduced new rules in terms of:

- minimum shareholding (1,000 shares), except for French government representatives, the employee representative and the employee shareholder representative, in accordance with the special legislative provisions applicable to them;
- management of conflicts of interest: *"any member of the Supervisory Board who finds him or herself, even potentially, either directly or* via *an intermediary, in a conflict of interest situation with regard to the corporate interest, must notify the Chairman of the Supervisory Board, or any person appointed by the Chairman. They shall refrain from taking part in decision-making on related issues, and as such may be asked not to take part in the vote"*.

ASSESSMENT OF THE BOARD'S PERFORMANCE

The Supervisory Board's Internal Rules set out the following: *"the Board regularly reviews its membership, organisation, functioning and the procedures used to exercise its control. The Board also works with the Managing Board to review the operating procedures between the two bodies*.

This review has three aims:

- *review the Board's operating procedures;*
- *check that important matters are properly prepared and discussed;*
- *measure the actual contribution of each member to the Board's work through their skills and involvement in the deliberations.*

Therefore, the Supervisory Board dedicates an item on its agenda once a year to a debate on its operating procedures and reports back on these evaluations in the minutes of the relevant meeting.

At least once every three years, a formal evaluation takes place. It is performed by the Appointments, Remuneration and Governance Committee, with the assistance of an external consultant if required. The shareholders are notified every year in the Annual Report of the evaluations and any follow-up measures. A meeting of the members of the Supervisory Board is held once a year to assess the performance of the Managing Board and reflect on its future."

The annual assessment of the performance of the Supervisory Board and its Committees was carried out in February 2013 by an external firm (Spencer Stuart). Given the change in membership of the Supervisory Board which took place in April 2014, no Board assessment took place in 2014. An external evaluation is scheduled for the second half of 2015.

3.2.1.2.2. SUPERVISORY BOARD MEETINGS IN 2014

The Supervisory Board met ten times in 2014, compared with twelve times in 2013. The attendance rate of its members at the meetings was 95%.

Member	Attendance rate
Louis Gallois	100%
Marie-Hélène Peugeot Roncoroni	100%
Xu Ping	100%
Bruno Bézard	60%
Patricia Barbizet	100%
Pamela Knapp	90%
Jean-François Kondratiuk	100%
Robert Peugeot	100%
Henri Philippe Reichstul	100%
Dominique Reiniche	80%
Geoffroy Roux de Bézieux	100%
Anne Valleron	100%
Liu Weidong	100%
Florence Verzelen	100%
Frédéric Banzet (Advisor to the Supervisory Board)	75%

2014 was heavily affected by major transactions announced in February 2014 (capital increases of €3 billion, strategic partnerships with Dongfeng, partnership between Banque PSA Finance and Santander) and the "Back in the Race" plan to accelerate the Group's recovery.

The Supervisory Board also ruled on:

- adopting the new regulations for the supplementary pension plan for directors;
- potential successors as Chairman of the Managing Board;
- presentation of the consolidated financial statements and the parent company financial statements of Peugeot S.A. for 2013 by the Chief Financial Officer (hearing of the Statutory Auditors) and review of the financial communication relating to the consolidated and parent company financial statements; authorisation for a bond issue under the Euro Medium Term Notes (EMTN) programme;
- the preparation of the Annual Shareholders' Meeting of 25 April 2014 and the approval of the Report of the Supervisory Board to the Annual Shareholders' Meeting;
- publication of the quarterly revenues;
- the implementation of the new composition of the Supervisory Board, the amount of attendance fees (with the introduction in 2014 of a variable component in line with attendance at Board meetings) and compensation of the Chairman and Vice-Chairmen of the Supervisory Board and the authorisation for a capital increase reserved for employees;
- the results and financial statements from the first half of 2014, the half year financial report and related disclosure (hearing of the Statutory Auditors), the appointment of a Vice-Chairman and an Advisor to the Supervisory Board, a new distribution of tasks within the Managing Board;
- negotiations with the Mahindra & Mahindra (M&M) Group as part of a strategic partnership with Peugeot Motocycles (PMTC) and transactions resulting in M&M holding 51% of the PMTC capital;
- the 2015 budget, the medium-term plan, the optimisation of tertiary operations in the Paris region, the renewal of the annual authorisation to give sureties, endorsements and guarantees and the regulated agreements in effect during the year.

A strategic seminar was also held in September 2014.

Following the recommendations of the AMF, the Supervisory Board will examine in the first six months of 2015 the Group's social and environmental responsibility policy.

3.2.1.2.3. SUPERVISORY BOARD COMMITTEES

The Supervisory Board draws on the preparatory work performed by its four Committees:

- the Finance and Audit Committee;
- the Strategy Committee;
- the Appointments, Remuneration and Governance Committee;
- the Asia Business Development Committee.

The role of these four Committees is to prepare matters for discussion 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.

As part of the implementation of a new governance structure in April 2014, the membership of the committees was changed on the advice of the Appointments, Remuneration and Governance Committee. The Asia Business Development Committee was set up. New internal regulations for the committees were adopted by the Supervisory Board.

The membership of the committees at 17 February 2015 was as follows:

COMMITTEE	Chairman	Members	Independent according to the AFEP-MEDEF Code	Number of independent members and percentage according to the AFEP-MEDEF Code
Strategy committee (6 members)	Robert PEUGEOT			2 independent members out of 5*, 40%
		Bruno BÉZARD		
		Louis GALLOIS	√	
		Jean-François KONDRATIUK		
		Henri Philippe REICHSTUL	√	
		Xu PING		
Appointments, Remuneration and Governance Committee (8 members)	Geoffroy ROUX de BÉZIEUX		√	4 independent members out of 7*, 57%
		Bruno BÉZARD		
		Louis GALLOIS	√	
		Pamela KNAPP	√	
		Marie-Hélène PEUGEOT RONCORONI		
		Dominique REINICHE	√	
		Anne VALLERON		
		Xu PING		
Finance and Audit Committee (8 members)	Patricia BARBIZET		√	4 independent members out of 7*, 57%
		Pamela KNAPP	√	
		Liu WEIDONG		
		Robert PEUGEOT		
		Dominique REINICHE	√	
		Geoffroy ROUX de BÉZIEUX	√	
		Anne VALLERON		
		Florence VERZELEN		
Asia Business Development Committee (6 members)	Liu WEIDONG			2 independent members out of 5*, 40%
		Patricia BARBIZET	√	
		Jean-François KONDRATIUK		
		Marie-Hélène PEUGEOT RONCORONI		
		Henri Philippe REICHSTUL	√	
		Florence VERZELEN		

* *The member representing employees and the member representing employee shareholders both sit on two committees; the first on the Strategy Committee and the Asia Business Development Committee, and the second on the Finance and Audit Committee and the Appointments, Remuneration and Governance Committee. They are not counted when determining the independence percentages according to the AFEP-MEDEF Code.*

For a discussion of the independence of Board members, see section 3.2.1.1.2 p. 125.

Members attend Committee meetings in their own names and may not be represented by another party. The committees may call upon external experts when adhering to their objectivity and independence requirements.

3.2.1.2.3.1. THE STRATEGY COMMITTEE

ROLE

The role of the Strategy Committee is to look at the long-term future and potential avenues for growth, and suggest to the Supervisory Board the Group's general orientations. In this respect, it makes recommendations on the long-term strategic plans, the medium-term plan and the investment plan presented by the Managing Board. The Strategy Committee ensures that the strategy proposed and applied by the Managing Board fits with the long-term vision which the Supervisory Board has defined.

The Chairman of the Supervisory Board calls upon the Supervisory Board to examine any major project from an early stage. Therefore, it is kept informed of the projects' content, especially their business approach and development. In particular, it examines the product plans, capital expenditure policies, brand positioning strategy and the manufacturing and competitiveness strategy priorities.

The Strategy Committee meets when a project has to be authorised by the Supervisory Board, when the Managing Board wants to adopt or renege on any industrial or business agreement binding the Company's future with any other companies with a purpose similar or related to that of the Company and, more generally, perform all major operations which substantially change the scope of the business or the financial structure of the Company and the Group it controls, or which fall outside the strategy announced by the Group.

ACTIVITY IN 2014

The Strategy Committee met twice in 2014 with an attendance rate of 91%.

The Strategy Committee took note of the medium-term plan for 2015-2019 and the various assumptions used and formulated specific points for attention on these. It indicated that it would like to receive specific information on several matters and strategic areas. It examined the strategic partnership project with M&M concerning PMTC.

3.2.1.2.3.2 THE APPOINTMENTS, REMUNERATION AND GOVERNANCE COMMITTEE

ROLE

The powers of the Appointments, Remuneration and Governance Committee are as follows:

Appointments:

- Determining the criteria for selecting members of the Supervisory Board and the Managing Board, making proposals on the Independent Reference Member.

  For members of the Supervisory Board, the selection criteria relate mainly to the sought-after balanced membership of the Supervisory Board as regards the membership and the development of the Company's shareholder base and the distribution of men and women on the Board;
- Selection procedure for members of the Supervisory Board and Managing Board.

  The Committee organises a procedure for selecting future members and vetting out potential candidates before they are approached;
- Making appointment or renewal proposals;
- Monitoring succession plans for members of the Managing Board;

  The Committee formulates a succession plan for members of the Managing Board so that it can suggest to the Board succession solutions in the event of unforeseen departures.

  The Committee is also notified of the succession plan and appointments to the Executive Committee (for members who do not sit on the Managing Board) and for key director positions within the Group. On this occasion, the Committee appoints the Chairman of the Managing Board.

Governance:

The Committee monitors changes in French regulations on the governance of listed companies and ensures that any decisions to be taken comply with these regulations are brought before the Supervisory Board.

It takes into consideration all market recommendations and those of issuer representatives to submit opinions or make recommendations to the Supervisory Board in terms of governance.

It ensures regular evaluations by the Supervisory Board of its practices according to the procedures defined in the Supervisory Board's internal regulations.

After this evaluation, it suggests to the Board the improvements which it deems suitable.

It examines and gives its opinion to the Supervisory Board on any proposal to amend the Company's by-laws which require the advance permission of the Board.

Compensation:

The Committee proposes the compensation:

- for members of the Supervisory Board (Board and Committees);
- the Chairman of the Supervisory Board;
- the Chairman of the Managing Board and members of the Managing Board in all their components, as well as any benefits in kind and retirement plans which may be allocated to them.

The Board examines the general policy for allocating share purchase and subscription options, free shares and comparable benefits and makes proposals to the Supervisory Board both on this policy and on the allocations to corporate officers of share purchase or subscription options, free share allocations and comparable benefits.

To successfully fulfil this role, the Committee stays informed of the current and future market compensation practices, and the modes and levels of compensation of the Group's Executive Directors, excluding corporate officers, and the policy selected by the Managing Board to update this compensation.

ACTIVITY IN 2014

The Appointments, Remuneration and Governance Committee met ten times in 2014 and had an attendance rate of 91%.

During 2014, the Committee worked extensively on developing the Supervisory Board (new governance and employee representatives as a result of the job security law).

It issued recommendations on the succession procedure of the Chairman of the Managing Board, the implementation of the new supplementary retirement plan for directors and the setting of the fixed and variable compensation components for members of the Managing Board and the compensation for Supervisory Board members (introduction of a variable component to the attendance fees paid to Board members).

It examined the situation of each Board member as regards the independence criteria chosen by the AFEP-MEDEF Code.

It looked into draft resolutions at the Annual Shareholders' Meeting in its area of competence and was involved in preparing a chapter of the Registration Document on the compensation of corporate officers. Its work also involved the implementation of any long term discretionary profit-sharing plans for directors.

Finally, it took formal note of the new organisation of the Group's Executive Management and the new distribution of tasks on the Managing Board with a view to their implementation on 1 September and the Group's talent management policy.

3.2.1.2.3.3. THE FINANCE AND AUDIT COMMITTEE

MEMBER EXPERTISE

In accordance with the French Commercial Code and the AFEP-MEDEF Code, members of this Committee must have finance and accounting expertise. Therefore, the Supervisory Board considers that all members of the Committee have such expertise as proven by their experience, past careers and training as presented in section 3.1. of the Registration Document. In April 2014, Patricia Barbizet was made Chairman of this Committee, and she has the required qualities, particularly as regards her role as Chief Executive Officer of the Artémis Group, CEO of Christie's International Plc, director of a CAC 40 company and corporate officer of major French and foreign companies.

ROLE

In accordance with Article L. 823-19 of the French Commercial Code, the Finance and Audit Committee monitors:

- preparation of financial information;
- the efficiency of internal control and risk management systems;
- statutory auditing of the Company's annual financial statements and the Group's consolidated financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors.

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

Further, it examines and gives its opinion to the Supervisory Board on off-balance-sheet commitments, any projects requiring advance authorisation from the Board to which it refers as outlined in the internal rules of the Supervisory Board and the proposals on the appropriation of profit and setting of the dividend submitted by the Managing Board.

The Finance and Audit Committee must have sufficient time to examine the Group's consolidated annual and half yearly financial statements, as well as the yearly financial statements of the Company. This period must be no less than four calendar days before the financial statements are presented to the Supervisory Board. The yearly and half yearly consolidated financial statements and the company financial statements are presented by the Chief Financial Officer to the Finance and Audit Committee, then the Supervisory Board along with a presentation by the Statutory Auditors on any significant weaknesses in internal control and the accounting options selected.

When it takes note of the internal control and risk mapping system, particularly as regards major risks likely to have an impact on the financial and accounting information, it ensures a degree of maturity and management for these systems and examines the way they are implemented and the way any corrective measures are applied in the event of significant weaknesses or anomalies. To that end, it is kept informed of the main observations of the Statutory Auditors and the Audit and Risk Management Division. In formalising its opinion on the quality of the internal control systems, the Committee reviews 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 accordance with the plan.

The Finance and Audit Committee has access to all the information it requires. It also holds meetings with the Head of the Audit and Risk Management Department, the Head of Accounting, the Head of Cash Flow and the Statutory Auditors, with or without members of the Managing Board. In this latter case, it notifies the Chairman of the Managing Board and/or the Member of the Managing Board responsible for finances. The Committee periodically examines the Group's financial position and financing.

To do this, the Committee relies on the internal rules of the Committee, which outline the committee's objectives, and the report by the AMF Audit Committee working group of 22 July 2010.

ACTIVITY IN 2014

The Finance and Audit Committee met nine times in 2014, with a 95% attendance rate.

The year began with the examination of major projected operations announced in February 2014 and the procedures for the "Back in the Race" plan, which the Committee then monitored.

Before the 2013 consolidated, company and half yearly financial statements were examined, the Chief Financial Officer presented the conclusions of the Statutory Auditors' work and discussed the selected accounting options with them.

The Committee regularly monitored the development of the Group's financial position and the financial rating of the Group's companies, which are reviewed every six months; the medium-term plan and the use of the yearly budget is reviewed quarterly and any differences analysed.

It looked into the Group's various financial communication methods, draft resolutions to the Annual Shareholders' Meeting under its area of expertise, the fees paid to external service providers and the Statutory Auditors and the exchange rate risk management policy.

During the year, it also took note of a report on the activity of the Audit and Risk Management Department and the corrective measures to be taken, and at the end of the year, it took note of the "Top Group risks" (as defined in paragraph 3.2.2.4.1 below) and the 2015 Audit plan.

It was also kept informed and gave its opinion on the progress of the partnership project between Banque PSA Finance and Santander and the negotiations with the Mahindra & Mahindra Group for a strategic partnership with Peugeot Motocycles.

3.2.1.2.3.4. THE ASIA BUSINESS DEVELOPMENT COMMITTEE

ROLE

The role of the Asia Business Development Committee is to consider carefully the Group's long-term future in Asia, look at potential growth strategies in the Asian market and suggest to the Supervisory Board the Group's main growth strategies in Asia. Therefore, the Committee makes its recommendations on the Group's long-term strategic plan in Asia and on the medium term plan submitted by the Managing Board for the Asia region.

The Committee ensures that the strategy proposed and applied by the Managing Board fits with the long-term vision for the Asian market as defined by the Supervisory Board. It also monitors the implementation of the strategic and industrial partnership agreement between the PSA Peugeot-Citroën Group and the Dongfeng Group.

The Chairman of the Supervisory Board refers all major projects concerning the Asian market to the Committee from the outset. It stays informed of the projects' content, especially their business approach and their development.

The Committee meets when a project concerning the Asian market requires the advance authorisation of the Supervisory Board.

ACTIVITY IN 2014

In 2014, the Asia Business Development Committee met once and had an attendance rate of 100%. At this first meeting the operating procedures and expectations of the Committee were reviewed, and the medium-term plan for the ASEAN region and the growth strategy for this market was examined. The results of the Chinese joint ventures were also reviewed.

3.2.1.3. SUMMARY TABLE OF THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE WHICH HAVE NOT BEEN APPLIED

The table below summarizes the recommendations of the AFEP-MEDEF Code which the Company has decided not to apply in light of its particular situation:

Relevant recommendation	Explanation
Meeting of non-Executive Directors without the presence of Executive or Internal Directors to evaluate the Chairman's performance and reflect on future management (art. 10.4)	The implementation of this recommendation for a dual company requires some adjustments: on the one hand, a meeting of independent members of the Supervisory Board is held at least once a year, and on the other hand, the performance of the Chairman of the Managing Board is evaluated and the management future reflected upon at a Supervisory Board meeting at which Managing Board members are not present.
Term of office of Supervisory Board members (art. 14)	The term of office of Supervisory Board members is four years. The Annual Shareholders' Meeting of 25 April 2012 amended the articles of association, shortening the terms of office from 6 to 4 years to be applied in future. Therefore, the term of office of Pamela Knapp, who was appointed in 2011, is still six years until her next renewal.
Representative part of independent members of the Finance and Audit Committee (art. 16.1)	More than half (57%) of the members of the Finance and Audit Committee are independent (instead of the minimum of two thirds recommended by the Code). The relatively large proportion of non-independent members is due to the presence of a representative of each of the three major shareholders, given the composition of the Group's share capital and its governance as a result of the capital increases in 2014. Reaching the threshold of two thirds would bring about an increase in the number of committee members, which may hinder its effectiveness. Therefore there are no plans to reach this threshold to date.
Opinion of Supervisory Board sought before an office is accepted in another listed company (for Managing Board members) (art. 19)	Pursuant to the internal rules, the members of the Supervisory Board must now notify the Company whenever any terms of office in other companies begin or end. When the Internal Rules are modified in future, it will be suggested that the Supervisory Board issues an opinion before any members of the Managing Board accepts a new term of office in a listed company.
Controlling variable part of attendance fees (art. 21.1)	A variable component was introduced to attendance fees in the second half of 2014 to acknowledge the diligence of members at Board meetings. It represents a maximum of 50% of the attendance fees allocated (for further details, refer to section 3.4. of the Registration Document). As this is a new system, the Board may alter the variable component in future, if it deems this necessary.
Obligation for members of the Managing Board to hold a significant number of shares (art. 23.2.1)	The Supervisory Board has considered implementing this recommendation but decided against doing so for the time being; as members of the Managing Board have not benefited from option or share allocation plans since 2008 (a share allocation process was only reintroduced in 2015). While the performance shares are available, the Board now requires members of the Managing Board to acquire 5% of shares on the market and keep 50% of the shares received. A requirement to keep a significant number of shares depending on their base compensation will be implemented for future allocation plans.

3.2.1.4. SUPERVISORY BOARD AND MANAGING BOARD COMPENSATION

The principles and rules decided on by the Supervisory Board to determine the compensation and benefits granted to corporate officers are presented in section 3.4 of the Registration Document.

3.2.1.5. ATTENDANCE OF SHAREHOLDERS AT PEUGEOT S.A. GENERAL MEETINGS AND PUBLICATION OF INFORMATION WHICH MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER FOR THE COMPANY'S SHARES

Information about shareholder attendance at General Meetings can be found in Chapter 7 of the Registration Document. Pursuant to Article L. 225-100-3 of the French Commercial Code, it should be noted that there is no agreement providing for compensation for members of the Supervisory Board or the Managing Board if their term ends due to a takeover bid. In accordance with Article L. 225-68 of the French Commercial Code paragraph 10, the other information referred to in Article L. 225-100-3 of the French Commercial Code is published in Chapter 7 of the Registration Document.

3.2.2. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

3.2.2.1. INTERNAL CONTROL OBJECTIVES FOR THE PSA PEUGEOT CITROËN GROUP

To prevent and limit the effect of internal and external risks, PSA Peugeot Citroën has implemented risk management and internal control systems to ensure:

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

More generally, these procedures and processes help manage the Group's businesses, boost the effectiveness of its operations and ensure efficient use of its resources.

3.2.2.2. REFERENCE FRAMEWORK USED BY PSA PEUGEOT CITROËN

The Group's risk management and internal control system complies with and functions according to the rules of the eighth directive on Statutory Audits, the *Autorité des Marchés Financiers* (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. The Group's banking arm uses a specialised system for credit institutions that complies with Regulation 97-02 of the French Banking and Financial Regulations Committee concerning internal control in 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. In this respect, specific developments are accorded to the Company, as set out below.

3.2.2.3. INTERNAL CONTROL PRINCIPLES

The Group internal control system was designed with the following goals in mind:

- take into account the Group's ambitions;
- involve all of the Group's companies in the process, manage risks and ensure internal control compliance in all of their operations;
- comply with rules and regulations, set an example in terms of behaviour and ethics;
- to have each division manage all the risks inherent in its business through internal control processes geared to its specific challenges;
- identify and deal with major risks ("Top Risks") to which the Group is exposed and perform reporting up to Executive Committee level;
- to make the system auditable based on quality indicators.

3.2.2.4. PARTICIPANTS AND PROCESSES

3.2.2.4.1. 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 are decided by the Executive Committee, and defined in Reference Documents forming a Working Framework that each Person follows

They include the Organisation Handbook and the Operating Procedures Handbook (hereinafter the "Operating Procedure) which describe the responsibilities, procedures to be followed and, more generally, the rules to be applied by everyone. In addition, each division has a reference manual which describes its own operating procedures.

These documents are available on the Group's intranet.

The Risk Management System is deployed Group-wide

Each department is responsible, in accordance with the corresponding Operating Procedure, for identifying and checking the risks to which it is exposed and implementing the necessary action plans to deal with those risks.

The Audit and Risk Management Department is in charge of the Risk Management Approach and checks the Correct Application of Risk Management Systems

The principal risks in each department (those with the highest impact and the most critical (impact x probability) are reported by every department each half year in a "Top Departmental Risks" report. This is sent to the General Secretary *via* its Audit and Risk Management Department.

In addition, the Audit and Risk Management Department identifies the Group's main crossover risks, once a year, at interviews conducted with a representative range of the Group's senior executives and managers.

The mapping of major risks "Top Group Risks" (from the "Top Management Risks" and the aforementioned interviews) is reviewed every year by the Executive Committee and presented to the Supervisory Board's Finance and Audit Committee. The Executive Committee validates the action plans for dealing with the "Top Group Risks".

Specific Risk Management and Control Procedures cover particular Risks

The Group's Code of Ethics was updated and expanded in 2010, and is directly available to all Group employees *via* the Intranet portal. All employees are required formally to accept the terms of the Code. An Ethics Committee chaired by the General Counsel 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. For further information on the Group's ethics policy, see section 2.3.4 of this Registration Document.

The fraud-prevention system was enhanced in 2012 and made the responsibility of the Group Ethics Committee. The Committee delegates its management, investigations, incident follow-up and reporting to the Group's Security Department.

The Security Department, which reports to the General Counsel, 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, produces or checks the Group's contractual commitments. It is also in charge of organising the Group's defence in the event of disputes with third parties. It thus helps limit and manage the legal risks to which the Group is exposed.

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 manages the process of preparing the medium-term plan and the budget framework. It controls the results of the operating departments and the Group's projects, and produces summary reports. It also carries out other finance-related tasks, particularly for the automotive business, such as product costings and price provision, selling price control, checking project profitability, financial monitoring of industrial cooperation with other carmakers, negotiations for mergers, acquisitions and disposals, etc., and drawing up formal management rules and standards.

The Audit and Risk Management Department checks that the risk management procedures are correctly applied

The Audit and Risk Management Department checks through audit assignments that all of the Operating rules are being adhered to. 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 Supervisory Board's 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 2014 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 "Top Group Risks" map, with particular emphasis on risks which could have 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.

3.2.2.4.2. BANQUE PSA FINANCE

Banque PSA Finance (BPF) has introduced an internal control system which complies with regulation No. 97-02 relating to the internal control of credit institutions. This system is described in BPF's annual report, which is available on its website (www.banquepsafinance.com).

3.2.2.4.3. FAURECIA

The Faurecia Group's internal control system is based on a set of resources, behaviours, procedures and actions tailored both to the specific features of each company and to the Faurecia Group as a whole. The system:

- contributes to controlling its activities, the effectiveness of its operations and the efficient use of its resources; and
- enables Faurecia to deal effectively with significant operational, financial or compliance risks.

The Faurecia Group's internal control aims to ensure:

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

The Faurecia Group follows the AMF's Reference Framework and application guide as updated on 22 July 2010. The Group's internal controls are implemented based on its operational organisation as well as its legal structure. It concerns all of the Group's fully consolidated subsidiaries.

Internal control is implemented by the management bodies and by all the employees of the Faurecia Group, who comply strictly with the Group's procedures in the course of their day-to-day tasks.

The internal bodies that are stakeholders in the internal control system include in particular:

- The Board of Directors, which sets broad guidelines for the business and determines the Group strategy. It also supervises their development;
- The Audit Committee, for which the responsibilities are defined by the Board of Directors, which plays a key role in monitoring (i) the process of preparing the financial information, (ii) the effectiveness of the internal control and risk management systems, and (iii) the statutory audit of the annual consolidated and parent company financial statements by the Statutory Auditors;
- the Internal Control Department and network at Group level and the financial department of certain regions, which aims to improve governance, procedures, processes and IT tools and train managers in internal control concepts and procedures;
- the Internal Audit Department, which evaluates, using a systematic and methodical approach, risk management, internal control and corporate governance processes, ensures that the Group's policies are consistent with legislation and market recommendations and constantly ensures that procedures are adhered to *via* test and checking work. If there are shortcomings, it ensures that corrective action plans are properly implemented and assesses the effectiveness of the internal control. Its work is approved and directed by the Chairman and reviewed by the Audit Committee. It may, where necessary, audit any Group process anywhere in the world. It conducts its audits entirely independently and supports its findings with detailed and quantified evidence that has been fully verified. All its work is open to the Executive Management and it reports regularly on the progress of the audits and on compliance with its objectives. Internal Audit follows up its recommendations to the audited sites with (i) an analysis by questionnaire three, six and twelve months after the final report, (ii) a follow-up by the Operations Committee, (iii) a subsequent on-site audit, if this is considered necessary. Every six months, it presents

the planned audit agenda, the completed reports, and the objectives achieved to the Group's Executive Vice-President, Finance and at least once a year to the Audit Committee.

It reports at least annually to the Audit Committee. Programmes are subject to specific internal control procedures, and are bounded by control procedures and systems throughout their life cycle. The Programme Management System (PMS) closely defines the programme's successive stages. Each programme is marked by milestones, from managing the invitation to tender until the end of the product's life. As part of the control system, programmes are reviewed by the businesses concerned every month. The reviews are formally recorded and must comprise a certain number of documents. The purpose of this process is to identify on an on-going basis both the risks in the programme and the necessary action plans, and to implement those plans.

Quality risks are managed separately. They are assessed using clearly defined indicators, *via* monthly reports that generate improvement plans. Actions to prevent major risks are applied across business boundaries, at all levels in the organisation. There is also an Alert Management System (AMS) which relays problems to management as they arise. This system ensures both that the response will be rapid and organised so that the problem is resolved, and that the Company can capitalise on the solution. Lastly, the Group's Quality Department has a team of auditors independent of operational units to carry out audits at both the production sites and in the research and development centres.

As regards the accounting and financial information, the internal control procedures necessary to produce reliable information are implemented locally. They include physical inventories, a separation of tasks and reconciliations with independent information sources.

At all Group levels, the principles implemented to prepare the financial statements are:

- the processing of all transactions;
- the compliance of the transactions with the applicable accounting principles;
- periodic review of assets.

Good communication between the financial reporting and the Group's operational systems is the bedrock for producing the financial and accounting information. Since 2008, Faurecia has been implementing Group ERP based on the SAP software, which has now been rolled out on most of the Group's accounting platforms and is gradually being rolled out at the Group's various manufacturing sites.

Preparing complete monthly financial statements significantly reduces the risks when establishing half-yearly or annual financial statements, notably as regards deadlines. This allows any problems to be anticipated, the reciprocal accounts are reconciled every month, special transactions are processed without waiting for year end, justifying the tax calculation has become a regular exercise.

3.2.2.5. 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 Peugeot Citroën Group.

3.2.2.5.1. ACCOUNTING AND FINANCIAL ORGANISATION

The Finance Department uses a technical and organisational framework called "Nordic" which includes: the Group's accounting and consolidation standards, good accounting practice, integrated accounting standards, finance management standards, financing and cash standards and tax rules. 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 accounting standards describe the accounting policies applicable to all Group's 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.

A Group reporting timetable, produced by the Corporate Management Control Department, is circulated annually to all the Group's accounting, financial and management departments. For each month, it sets the various accounting, reporting and statement of income dates. 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.

3.2.2.5.2. PROCEDURES FOR PRODUCING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Published financial information comprises the consolidated financial statements of the PSA Peugeot Citroën Group and the statutory financial statements of Peugeot S.A., 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. They form the basis of the full set of consolidated financial statements reviewed each month by the Executive Committee.

The consolidated financial statements are prepared by the Consolidation Department, which is also responsible for Group accounting policies. The statements are prepared using the accounts of Group companies excluding Faurecia, restated in accordance with IFRS as adopted by the European Union, together with the accounts of the Faurecia Group sub-consolidation. The subsidiaries' accounts are prepared under the responsibility of the Accounting and Finance Departments within the various divisions (Automotive, Automotive Equipment, 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 parent company and restated 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 the Group as well as inventories of property, plant and equipment held at Group sites, based on cycle counts which ensure that each asset is counted, in general, 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.

3.2.2.6. 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.