

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

In accordance with Article L. 225-68 of the French Commercial Code, the report on corporate governance and risk management procedures was approved by the Supervisory Board on 23 February 2016.

### 3.2.1. Corporate governance

The Company refers to the AFEP-MEDEF Corporate Governance Code, which was revised in November 2015, 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/>

The Group has applied all recommendations of the AFEP-MEDEF Code, except for a few recommendations of the Code which were not implemented. These are presented in the summary table in Section 3.2.1.3 along with the related explanations.

#### 3.2.1.1. COMPOSITION OF THE SUPERVISORY BOARD

##### 3.2.1.1.1. A balanced composition

#### Changes in 2015-2016

The table below summarises the changes that took place within the Supervisory Board in 2015 up to 23 February 2016.

Effective date	Description of the change
4 June 2015	Co-option of Zhu Yanfeng as a member of the Supervisory Board and Vice-Chairman to replace Xu Ping
28 July 2015	Appointment of Aymeric Ducrocq and Wei Wenqing as Advisors to the Supervisory Board
15 December 2015	Co-option of Dongfeng Motor (Hong Kong) International Co. Ltd. (DMHK) as a member of the Supervisory Board to replace Zhu Yanfeng. Appointment of Zhu Yanfeng as Permanent Representative of that company to the Supervisory Board and, as such, appointment as Vice-Chairman of the Supervisory Board. Resignation of Dominique Reiniche as a member of the Supervisory Board
23 February 2016	Appointment of Catherine Bradley as a member of the Supervisory Board to replace Dominique Reiniche

#### Current membership

At 23 February 2016, the membership of the Supervisory Board was well balanced and consisted of the following fourteen members:

- six members appointed upon the proposal from each of the three main shareholders: two for the French Government (via SOGÉPA), two for the Peugeot family (comprised of Établissements Peugeot Frères, hereinafter "EPF", and FFP) and two for Dongfeng (via Dongfeng Motor (Hong Kong) International Co., Ltd, hereinafter "DMHK"), and the title of Vice-Chairman was given to three of the members appointed by each of these shareholders;

- six independent members, including the Chairman of the Supervisory Board and an Senior Independent Member;
- one employee representative and one employee shareholder representative.

This composition is derived from the shareholders' agreement signed on 28 April 2014 between three reference shareholders and the Company.

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).

## 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

Members of the Supervisory Board	Date of first appointment	Term of office expiry date	Age	Independent according to the AFEP-MEDEF Code	Main function	Committee membership	Attendance at Board meetings	Attendance at Committee meetings
Louis GALLOIS	12/02/2013	2018 AGM	72	√	Chairman of the Supervisory Board of PSA	Strat. Comm., ACGC	100%	100%
Bruno BÉZARD (French Government representative – Art. 139 of the New Economic Regulations Law (Loi NRE))	29/04/2014	2018 AGM	52		Head of the French Treasury	Strat. Comm., ACGC	67%	45%
Marie-Hélène PEUGEOT RONCORONI Permanent Representative of EPF	02/06/1999	2018 AGM	55		Chief Operating Officer of Établissements Peugeot Frères	ACGC, Asia BD Committee	100%	100%
ZHU Yanfeng Permanent Representative of DMHK	04/06/2015	2018 AGM	55		Chairman of Dongfeng Motor Corporation	Strat. Comm., ACGC	100%	100%
Patricia BARBIZET <sup>(1)</sup>	24/04/2013	2017 AGM	60	√	CEO of Christie's International plc	FAC (Chmn.), Asia BD Committee	83%	100%
Catherine BRADLEY	23/02/2016	2016 AGM	56	√	Independent Director (FCA)	FAC	N/A in 2015	N/A in 2015
Pamela KNAPP	31/05/2011	2017 AGM	58	√	Independent Director	ACGC, FAC	100%	100%
Jean-François KONDRATIUK Employee representative (appointed under Art. L. 225-79-2 of the French Commercial Code)	24/04/2013	2018 AGM	66		Employee	Strat. Comm., Asia BD Committee	100%	87.5%
LIU Weidong (appointed on the proposal of Dongfeng)	29/04/2014	2018 AGM	49		Deputy General Manager of Dongfeng Motor Corporation	Asia BD Committee (Chmn.), FAC	100%	100%
Robert PEUGEOT Permanent representative of FFP	06/02/2007	2017 AGM	65		Chairman and Chief Executive Officer of FFP	Strat. Comm. (Chmn.), FAC	100%	100%
Henri Philippe REICHSTUL	23/05/2007	2017 AGM	66	√	Director at several companies	Strat. Comm., Asia BD Committee	83%	100%
Geoffroy ROUX de BÉZIEUX Senior Independent Member	23/05/2007	2016 AGM	53	√	Chairman of Notus Technologies	ACGC (Chmn.), FAC	100%	80%
Anne VALLERON Employee shareholder representative (appointed under Art. L. 225-71 of the French Commercial Code)	24/04/2013	2017 AGM	62		Employee	ACGC, FAC	100%	100%
Florence VERZELEN Permanent representative of SOGÉPA (appointed on the proposal of the French Government)	29/04/2014	2017 AGM	38		COO of Engie Europe and CEO of Engie Russia	FAC (Chmn.), Asia BD Committee	100%	100%
CORPORATE GOVERNANCE INDICATORS					50% <sup>(2)</sup>		93% <sup>(3)</sup>	93% <sup>(3)</sup>

AGM: Annual General Meeting; Strat. Comm.: Strategy Committee; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Asia BD Comm.: Asia Business Development Committee; Chmn: Chairman.

(1) Patricia Barbizet will resign from the Supervisory Board at the end of the Shareholders' Meeting of 27 April 2016. It has been suggested that Helle Kristoffersen be appointed as her successor. Information related to Helle Kristoffersen is presented in the notice of meeting, which can be downloaded from the Shareholders Section of the PSA Group website ([www.psa-peugeot-citroen.com](http://www.psa-peugeot-citroen.com)).

(2) Employee representatives and employee shareholders are not taken into account to establish this percentage (AFEP-MEDEF Code, Article 9.2).

(3) Attendance rate including the attendance rates of Xu Ping (100% at Board and Committee meetings) and Dominique Reiniche (67% at Board meetings and 80% at Committee meetings), former members who left the Board in 2015.

## 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

**Senior Independent Member**

The Senior Independent 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 Shareholders' Meeting.

In 2015, one meeting of the independent members of the Supervisory Board was held. At that meeting, the independent members came to the following conclusions:

- the Board's operating procedures were more flexible and effective and the information provided to the members of the Board was of good quality;
- the voices of the independent members of the Board were respected;
- the Chairman of the Board did an excellent job of presiding over meetings;
- the concerns of shareholders not represented on the Board, as they were reported by the Secretary of the Board and the

Financial Communications Department, were treated with respect by the Board and were to be regularly referred to the Senior Independent Member of the Board, together with a report on the ownership structure.

**Employee representatives and employee shareholders**

The employee representative was appointed by the Group's European Committee in accordance with Article L. 225-79-2 of the French Commercial Code and the by-laws (Article 10.I B). A representative of employee shareholders was appointed by the Shareholders' Meeting on the proposal of the Supervisory Boards of the corporate mutual funds, in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the by-laws (Article 10.I C).

In 2015, Anne Valleron was awarded the Company Director Certificate by the Institut Français des Administrateurs. In 2016, Jean-François Kondratiuk will also take "Employee Representative Director" training with that organisation.

**Advisor to the Supervisory Board**

Under the terms of the shareholders' agreement to which the Company is party, each of the three reference shareholders may apply to have a non-voting advisor attend the meetings of the Supervisory Board. The Peugeot family had exercised this option in 2014. In July 2015, the French Government and Dongfeng also used this option to increase the number of advisors on the Supervisory Board from one to three. In accordance with the Internal Rules of the Supervisory Board, the non-voting advisors are appointed by the Supervisory Board for a term of four years.

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.

Advisor to the Supervisory Board	Date of first appointment	Term of office expiry date	Age	Independent according to the AFEP-MEDEF Code	Attendance at Board meetings
Frédéric BANZET (Appointed on the proposal of the Peugeot family)	SB 29/07/2014	2018 AGM	57		100%
Aymeric DUCROCQ (appointed on the proposal of the French Government)	SB 28/07/2015	2019 AGM	37		100%
WEI Wenqing (appointed on the proposal of Dongfeng)	SB 28/07/2015	2019 AGM	52		100%

**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 23 February 2016:

- 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;

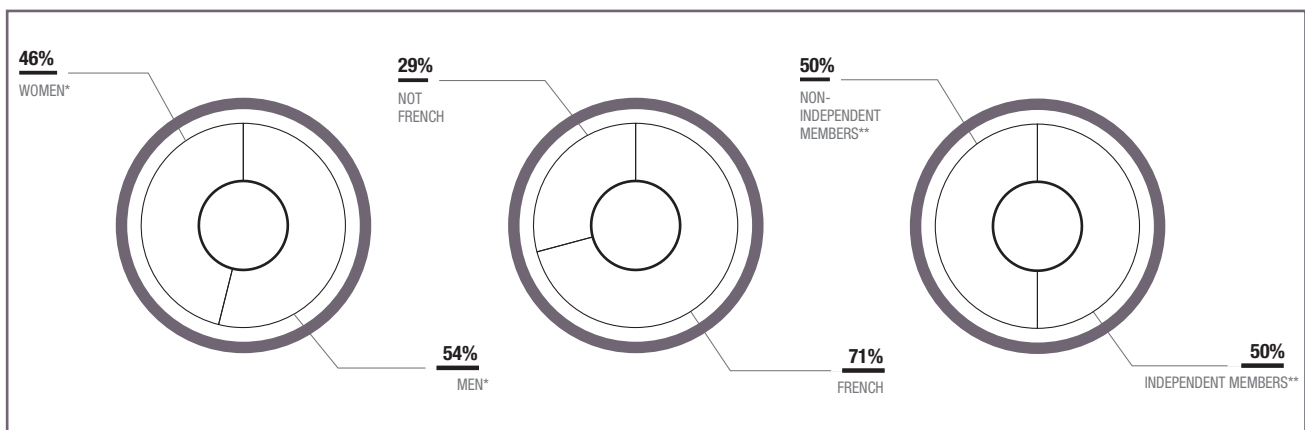
- not be a major client, supplier, investment banker or corporate banker of the Company or its Group, or for which the Company or its Group represents a significant part of its business;
- have no close family ties with a corporate officer;
- not have been a Statutory Auditor of the Company in the last 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), Catherine Bradley, Geoffroy Roux de Bézieux (Senior Independent 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 came to the conclusion that the director terms of office of Patricia Barbizet within Total and of Pamela Knapp within Saint Gobain do not compromise their independence due to the non-significant nature (as assessed using the length of their terms and the revenue of the companies concerned) of the business relations between these companies and the Group. The Board also reviewed the independence of Helle Kristoffersen, whose appointment was proposed to the Shareholders' Meeting of 27 April 2016 to replace Patricia Barbizet. After considering her offices held within the Total group and the business relations between those companies and the Group, the Board came to the conclusion that she could be considered independent as defined by the AFEP-MEDEF Code.

### 3.2.1.1.3. Diversity policy

The Board regularly examines the desirable balance of its membership and of its committees, given the composition of and changes to the ownership structure of the Company and the diversity of representation on the Board. It currently includes six female and eight male members; women account for 46% of the members \* (unchanged from 2014) and 50% of members \*\* are independent (see details above in Section 3.2.1.1.2). The Board's objective is to maintain the presence of women and independent members on it at those levels at least. The Board also has four members of foreign nationality (Pamela Knapp, Zhu Yanfeng, Henri Philippe Reichstul and Liu Weidong), and all non-employee members have experience within an international organisation. The Board's objective is to continue the internationalisation of its members through the presence of foreign members or members with extensive international experience.



\* The employee representative is not taken into account to establish this percentage (AFEP-MEDEF Code, Article 6.4).

\*\* Employee representatives and employee shareholders are not taken into account to establish this percentage (AFEP-MEDEF Code, Article 9.2).

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

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 2015, performed terms, statements on conflicts of interest, family ties, etc.).

## 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

## 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 (excerpts)

## Role

The internal rules of the Supervisory Board are available in full on the Group's website.

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 stock option or performance share plans,
  - k) buy back shares under a programme authorised by the 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).

All of these authorisations affect the transactions performed by the Company and, depending on the nature of the transaction, may also affect the transactions performed by the Group's subsidiaries, with the exception of Faurecia.

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.

## Operating procedures

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

- 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;
- 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;
- rules for managing 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 October 2015 by an external firm (Spencer Stuart). The members of the Managing Board and the Secretary of the Board were also interviewed to hear their opinions on the operating procedures of corporate governance. They described a marked improvement in the practices of the Supervisory Board since the implementation of the new governance structure in 2014, with alignment between the members of the Board and the uncontested leadership of the Chairman.

Following this evaluation, the Supervisory Board decided to retain the following main changes: strategy will be dealt with in a more in-depth manner, with more time left for discussion, committee minutes will be available to all members of the Board, not only to committee members, the Finance and Audit Committee oral report will be expanded and greater focus will be placed on risk; the Appointments, Remuneration and Governance Committee will, in accordance with a process to preserve confidentiality, put more emphasis on the succession plan and the Asia Business Development Committee will be more interactive. Finally, the Chairman will hold discussions with each of the members of the Supervisory Board once a year on their contribution to the work of the Board.

### Stock Market Code of Ethics

The Stock Market Code of Ethics 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 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.). It 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.

### 3.2.1.2.2. Supervisory Board meetings in 2015

The Supervisory Board met six times in 2015, compared with ten times in 2014. The attendance rate of its members at the meetings was 93%.

The year 2015 saw the continued implementation of the Back in the Race plan to speed up the Group's recovery.

The Supervisory Board also approved the following items:

Business and finance:

- presentation of the consolidated financial statements and the parent company financial statements of Peugeot S.A. for 2014 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;
- the preparation of the Shareholders' Meeting of 29 April 2015 and the approval of the reports presented to the Shareholders' Meeting;
- the major strategic guidelines as proposed by the Managing Board (which received a favourable opinion from the Works Council, which was made known to the Board);
- The Group's Corporate Social Responsibility programme (which is now presented every year in April to the Board), with a particular focus on gender equality between men and women;
- publication of the quarterly revenues;
- the acquisition of Mister Auto;
- the Morocco investment project;
- the results and financial statements from the first half of 2015, the half-year financial report and related disclosure (hearing of the Statutory Auditors);
- changes in the petrol/diesel mix and its impact for the Group in light of, inter alia, a possible tightening of the regulatory environment;
- the 2016 budget and the medium-term plan.

The Supervisory Board also approved the renewal of the annual authorisation to give sureties, endorsements and guarantees and the regulated agreements in effect during 2015.

Governance and compensation:

- approval of a performance share plan;
- the introduction in 2016 of a controlling variable portion of the attendance fees for attendance at Board meetings;
- the co-option of two members (change in Dongfeng representatives: Zhu Yanfeng and Dongfeng Motor (Hong Kong) International Co., Ltd);
- the elimination of the defined-benefit pension plan and the implementation of a new pension plan.

A strategic seminar was also held in September 2015, and the Board held a meeting in China in October 2015, during which Board members were able to visit Group concessions and the Wuhan 3 plant.



## 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

## 3.2.1.2.3. Supervisory Board committees

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

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

## The Strategy Committee

Membership	Independent	Main roles	Main activities in 2015
Robert PEUGEOT (Chairman)		<ul style="list-style-type: none"> <li>› Look at the long-term future and potential avenues for growth and suggest to the Supervisory Board the Group's general orientations;</li> <li>- Make recommendations on the long-term strategic plans, the medium-term plan and the investment plan presented by the Managing Board;</li> <li>- Ensure that the strategy proposed and applied by the Managing Board fits with the long-term vision which the Supervisory Board has defined.</li> <li>› At the request of the Chairman of the Supervisory Board, examine any major project from an early stage.</li> <li>› Examine any strategic (or non-strategic) project to be authorised by the Supervisory Board (point e above of the Internal Rules).</li> </ul>	Four meetings in 2015 with an attendance rate of 89%. <ul style="list-style-type: none"> <li>› Powertrain strategy and parts and services strategy</li> <li>› Morocco investment project;</li> <li>› New Group strategic plan</li> <li>› 2016-2020 medium-term plan</li> </ul>
Bruno BÉZARD			
Louis GALLOIS	√		
Jean-François KONDRATIUK			
Henri Philippe REICHSTUL	√		
ZHU Yanfeng			
<b>2 Independent Members out of 6 → 40% independent membership</b> <i>(member representing employees not included when calculating this percentage in accordance with the AFEP-MEDEF Code).</i>			

## The Appointments, Remuneration and Governance Committee

Membership	Independent	Main roles	Main activities in 2015
Geoffroy ROUX De BÉZIEUX (Chairman)	√	<ul style="list-style-type: none"> <li>› Appointments:               <ul style="list-style-type: none"> <li>- Determining the criteria for selecting members of the Supervisory Board and the Managing Board, making proposals on the Senior Independent Member and conducting the selection process;</li> <li>- Formulating and following 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.</li> </ul> </li> <li>› Governance:               <ul style="list-style-type: none"> <li>- Monitoring changes in French regulations on the governance of listed companies and recommendations by markets and issuer representatives to submit opinions;</li> <li>- Ensuring regular evaluations by the Supervisory Board and suggesting improvements;</li> <li>- Examining and giving its opinion to the Supervisory Board on any proposal to amend the Company's by-laws which require the advance permission of the Board.</li> </ul> </li> <li>› Compensation:               <ul style="list-style-type: none"> <li>- Suggesting compensation of corporate officers in all their components, as well as any benefits in kind and retirement plans which may be allocated to them;</li> <li>- Examining the general compensation policy for the members of the Managing Board</li> </ul> </li> </ul>	Five meetings in 2015 with an attendance rate of 91%. <ul style="list-style-type: none"> <li>› Report of the Chairman on corporate governance and internal control procedures</li> <li>› Co-opting of Zhu Yanfeng and DMHK</li> <li>› 2014 variable portion and 2015 fixed portion of the members of the Managing Board</li> <li>› External evaluation of the Board</li> <li>› Performance share plan</li> <li>› "Say on pay" resolutions submitted to AGM</li> <li>› Controlling variable part of attendance fees</li> <li>› Executive manager pension scheme</li> <li>› Chairman and Management Board succession plan</li> </ul>
Bruno BÉZARD			
Louis GALLOIS	√		
Pamela KNAPP	√		
Marie-Hélène PEUGEOT RONCORONI			
Anne VALLERON			
ZHU Yanfeng			
<b>3 Independent Members out of 7 → 50% independent membership</b> <i>(member representing employee shareholders not included when calculating this percentage in accordance with the AFEP-MEDEF Code).</i>			

In accordance with the AFEP-MEDEF Code, the evaluation of the performance of the Chairman of the Managing Board and other members of the Managing Board, as well as reflections on the future

of management, are conducted at meetings of the Appointments, Compensation and Governance Committee and Supervisory Board at which Managing Board members are not present.

### The Finance and Audit Committee

Membership	Independent	Main roles	Principal tasks in 2015	
Patricia BARBIZET (Chairman)	√	<ul style="list-style-type: none"> <li>› Oversees:               <ul style="list-style-type: none"> <li>- the process of preparing the financial information and the efficiency of internal control and risk management systems;</li> <li>- statutory auditing of the Company's annual financial statements and the Group's consolidated financial statements by the Statutory Auditors;</li> <li>- the independence of the Statutory Auditors.</li> </ul> </li> <li>In particular, overseeing the selection procedure for renewing the Statutory Auditors.</li> <li>› Examining and giving 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.</li> <li>› Periodically examining the Group's financial position and financing.</li> </ul>	<ul style="list-style-type: none"> <li>Five meetings in 2015 with an attendance rate of 92.5%.</li> <li>› The 2014 consolidated and company and half-yearly financial statements (presentation by the Chief Financial Officer, conclusions by the Statutory Auditors on their mission and discussion of the selected accounting options with them).</li> <li>› Regular monitoring of changes in the Group's financial position and the financial ratings of Group companies</li> <li>› Regular review of the medium-term plan, use of the yearly budget and analysis of any differences.</li> <li>› The Group's various financial communication materials, draft resolutions to the 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.</li> <li>› Internal Audit operations, 2015 Audit Plan and Top Group Risk mapping (as defined in Section 2.4.1 below) and 2016 Audit Plan.</li> <li>› Buyback of bond debt (€500 million)</li> <li>› Renegotiation of €3-billion syndicated credit facility</li> <li>› Monitoring of Banque PSA Finance-Santander partnership</li> </ul>	
Pamela KNAPP	√			
LIU Weidong				
Robert PEUGEOT				
Catherine BRADLEY	√			
Geoffroy ROUX De BÉZIEUX	√			
Anne VALLERON				
Florence VERZELEN				
<b>4 Independent Members out of 8 → 57% independent membership</b> <i>(member representing employee shareholders not included when calculating this percentage in accordance with the AFEP-MEDEF Code).</i>				

In accordance with the French Commercial Code and the AFEP-MEDEF Code, members of the Finance and Audit 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. Patricia Barbizet is the Chairman of the Committee, and she has the required qualities, particularly as regards her role as Chief Executive Officer of the Artemis Group, CEO of Christie's International Plc, director of a CAC 40 company and corporate officer of major French and foreign companies.

Apart from some exceptional cases, the period given to the Committee to examine the financial statements 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. 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.

### THE ASIA BUSINESS DEVELOPMENT COMMITTEE

Membership	Independent	Main roles	Principal tasks in 2015
LIU Weidong (Chairman)	√	<ul style="list-style-type: none"> <li>› Considering 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 and consequently making 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.</li> <li>› Ensuring 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.</li> <li>› Monitoring the implementation of the strategic and industrial partnership agreement between the PSA Group and the Dongfeng Group.</li> </ul> <p>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.</p>	<ul style="list-style-type: none"> <li>Two meetings in 2015 with an attendance rate of 100%.</li> <li>› China/ASEAN automotive market, PSA results in the region</li> <li>› Strategic objectives of the Group and PSA/Dongfeng strategic partnership.</li> <li>› Cost-reduction plans</li> <li>› Growth in the ASEAN region</li> </ul>
Patricia BARBIZET	√		
Jean-François KONDRATIUK			
Marie-Hélène PEUGEOT RONCORONI			
Henri Philippe REICHSTUL	√		
Florence VERZELEN			
<b>2 Independent Members out of 6 → 40% independent membership</b> <i>(member representing employees not included when calculating this percentage in accordance with the AFEP-MEDEF Code).</i>			



## 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

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

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

Relevant recommendation	Explanation
Evaluation of the actual contribution of each member to the Board's work (Art. 10.2)	During the external evaluation of the Board conducted in 2015, it was revealed that members receive no feedback on their actual contribution to the Board's work. Starting in 2016, the Chairman will hold discussions with each of the members of the Supervisory Board once a year on their contribution to the work of the Board.
Term of office of Supervisory Board members (Art. 14)	The term of office of Supervisory Board members is four years. The Shareholders' Meeting of 25 April 2012 amended the articles of association, shortening the terms of office from six to four 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.

**3.2.1.4. SUPERVISORY BOARD AND MANAGING BOARD COMPENSATION PRINCIPLES**

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 GROUP**

To prevent and limit the effect of internal and external risks, the Group 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. Nevertheless, internal controls cannot give an absolute guarantee that the Company's objectives will be achieved.

**3.2.2.2. REFERENCE FRAMEWORK**

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) 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 Group 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 Department Risks" report. This is sent to the General Secretary via its Audit and Risk Management Department.

In addition, this Department identifies the Group's main crossover risks once a year at interviews conducted with a representative range of the Group's executive officers 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".

In 2016 the Group plans to create a network of correspondents in charge of internal controls in each department and to initiate a formal self-assessment of the Group's internal control system.

**Specific Risk Management and Control Procedures cover particular Risks.**

The Group's Code of Ethics was updated in 2015, 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 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. For further information on the Group's ethics policy, see Section 2.3.4 of this Registration Document.

Measures to prevent fraud were strengthened in 2015. It is still placed under the responsibility of the Group's Ethics Committee, which has tasked the Group's Security Department with managing it, carrying out investigations, monitoring and reporting incidents.

The Security Department, which reports to the General 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 General 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 car manufacturers, 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 97 audits were carried out in 2015 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 General 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.

### 3.2. Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures

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](http://www.banquepsafinance.com)).

#### 3.2.2.4.3. Faurecia

Faurecia's risk management and internal control procedures are presented in its 2015 Registration Document, which can be found on its website.

#### 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 Group.

##### 3.2.2.5.1. Accounting and financial organisation

The Finance Department uses a technical and organisational framework called "Nordic"<sup>(1)</sup> 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 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. The Automotive Accounting Department prepares the parent company and restated financial statements for Peugeot S.A. The Consolidation Department, along with the other accounting departments, 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

(1) As of March 2016 the Nordic framework will no longer be used. All of the standards will be accessible to all employees on a collaborative computer application.

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 SAP Business Objects Financial Consolidation system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability. However, Faurecia has its own consolidation tool and is in this regard outside the purview of PSA.

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

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. EXAMINATION OF INTERNAL CONTROL 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.