

2020

# REGISTRATION DOCUMENT

Including the annual financial report



2020

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# 2017

## REGISTRATION DOCUMENT

**including the annual financial report**



The original French version of this Registration Document, which contains all of the information in the Management Report, was filed with the French securities regulator (Autorité des Marchés Financiers – AMF) on 28 March 2018, in accordance with the provisions of Article 212-13 of the AMF General Regulations.

It may be used in connection with a financial transaction in conjunction with an Offering Memorandum approved by the AMF. It was prepared by the issuer and is the responsibility of the person whose Signature appears therein.

It contains all of the information concerning the Annual Financial Report



## MESSAGE OF THE PRESIDENT OF THE MANAGING BOARD

Two years after the launching of our **Push to Pass strategic plan**, Groupe PSA is continuing to accelerate, **is establishing new records** – in sales, revenue and earnings – and **is changing scale with the acquisition of Opel Vauxhall**.

Four years after experiencing a worrying economic situation, we now have sound fundamentals, and our earnings are strengthened daily thanks to the commitment of the teams who place efficiency, the satisfaction of our customers and the quality of our products at the heart of their concerns.

For the last four years, our sales drive has been backed by the rigorous deployment of our core model strategy in support of an unprecedented product offensive, featuring the launch of six new SUVs in 18 months and the phased renewal of the light commercial vehicle range.

**All our new products are commercially successful**, enjoying recognition by the experts. After the Car of the Year award obtained in 2017 by the Peugeot 3008, the Autobest prize was awarded in 2018 to the new Citroën C3 Aircross.

Our Core Technology Strategy meets consumer expectations and places us on track to offer electric versions across our whole range of models in 2025.

2017 also marked a turning point in history of Groupe PSA, which now includes the Opel and Vauxhall brands in addition to the Peugeot, Citroën and DS brands, and our mobility brand Free2move.

**Constructing a European champion** gives us strength to secure the foothold in our historic region, as well as providing a wonderful opportunity to reinforce our international positions by offering our customers the best of our know-how and expertise world-wide.

This buoyant context has been made possible through mature social dialogue with the unions and through multi-year agreements, such as the “New Momentum for Growth” performance agreement signed in 2016 by five unions out of six, representing 80% of employees, or the new framework agreement signed in Germany with the IG Metall union and the Opel Works Council in 2017, in addition to the agreements covering all European countries.

**Group employees can be proud of these results and the progress made in 2017** which reflect both individual and collective commitment every step of the way.

The excellent results obtained in 2017 thus afforded payment to employees of the fruits of growth and performance, through a redistribution which has been multiplied four fold in four years.

Our shareholders will enjoy a dividend payment of €0.53 per share in 2018, which will be put to the vote of the Shareholders’ General Meeting on 24 April 2018. This direct result reflects performance in 2017, when the Group had already resumed payment of dividends the year before (of €0.48 per share).

However, running a business transcends achieving annual business and sales objectives, and also calls for forecasting skills.

**More than ever, we must be Darwinian and agile, leveraging the strength of our three markers:**

■ **Performance**, since performance is the only safeguard. Financial performance and non-financial performance feed from one another: in September 2017, Groupe PSA became our industry’s leader in the Dow Jones Sustainability Index, and is included in all the world-leading SRI indices<sup>(1)</sup>;

■ **Responsibility**, which guides us daily in committing ourselves to decisions for which we shall answer in the future. Our Group has a long-standing commitment to Corporate Social Responsibility. It has consistently renewed its endorsement of the principles of the ILO and the Global Compact, and supports the 17 Global Sustainable Development Goals published in September 2015 by the UN Member States, a roadmap for tackling issues of public concern on a world scale.

In 2018, we shall continue to deploy our Global Framework Agreement on Social Responsibility signed with the IndustriAll trade-union federation, and we shall involve ourselves in the actions conducted and share in the results achieved;

■ **Transparency**, since responsibility cannot forego transparency in creating sustainable value.

We will unhesitatingly overturn the codes by undertaking innovative actions with demanding stakeholders, as with our commitment, unique in the automotive industry, to publish in 2018 the nitrous-oxide emissions of our vehicles in real-life use, following on from the publication in 2017 of the findings at our brand sites of fuel consumption under real driving conditions.

**Groupe PSA is more than ever committed to creating value.**

We are steeling ourselves as of today to achieve the goals set for 2018 which will mark the end of the first phase of the Push to Pass plan and the first full year of implementation of the *PACE!* plan for Opel Vauxhall.

As agents of our performance, we shall continue to seek optimum satisfaction for our customers, our shareholders, the Groupe PSA employees and, on a wider canvas, for our stakeholders, in order **to make 2018 another successful year!**

To conclude, we shall live up to our mission in order to respond to the legitimate and growing demands for mobility, which is synonymous with freedom of movement.

This is responsibility’s claim on us!

**CARLOS TAVARES**

<sup>(1)</sup> Socially Responsible Investment.

# A GLOBAL PRESENCE...



# ...A EUROPEAN LEADER



## 2017 KEY FIGURES

**65.2** billion euros  
2017 revenue  
+20.7% versus 2016

**3.63** million units  
sold worldwide  
+15.4% versus 2016

**7.3%**  
recurring operating margin  
of the Automotive Division  
Peugeot Citroën DS

**6.1%**  
recurring operating margin  
of Groupe PSA including  
Opel Vauxhall

**2<sup>e</sup>**  
largest car manufacturer in Europe  
(13.3% market share in passenger cars + LCV, and LCV market leader with 22.1% market share)

**€1.56** billion  
of operational free cash flow



# GROUPE PSA

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## 1.1. HISTORY AND HIGHLIGHTS OF THE COMPANY'S BUSINESS

Founded in 1896, Peugeot S.A. engaged in manufacturing and sales until 1965, when it was transformed into a holding company as part of a legal and financial restructuring of the Group. Its operating activities were taken over by a subsidiary, Automobiles Peugeot.

In 1974, Peugeot S.A. acquired all of the outstanding shares of Citroën S.A. and then merged the two companies in 1976.

In 1978, the Chrysler Corporation sold its European manufacturing and sales operations to Peugeot S.A. In 1980, the newly-acquired companies – which continued to do business under the Talbot brand – were transferred to Automobiles Peugeot.

In 1979, Chrysler Financial Corporation's European commercial financing subsidiaries were acquired, marking a turning point in the development of the Group's finance business.

Aciers et Outillages Peugeot merged with Cycles Peugeot in 1987 and was renamed Ecia. It then became Faurecia in 1998 following its friendly merger with automotive equipment manufacturer Bertrand Faure. In 2001, Faurecia acquired Sommer Allibert's automotive equipment business.

PSA Finance Holding, whose subsidiaries provide financing for Peugeot and Citroën vehicle sales, was transformed into a bank in 1995. Its current name is Banque PSA Finance.

The Automotive Division was reorganised in late 1998 to align legal structures with the new functional organisation introduced that year. Automobiles Peugeot and Automobiles Citroën transferred all their motor vehicle development and manufacturing assets to Peugeot Citroën Automobiles and their capital equipment design and manufacturing operations to Process Conception Ingénierie.

In 1992, a joint-venture with the Chinese group SAW (former name of Dongfeng Motor) was created, called Shenlong Automobile and dedicated to the production and sales in China of the Citroën brand.

In 2000, the joint-venture with the Chinese group Dongfeng Motor Group (DFG) was extended to the brand Peugeot and changed its name to DPCA.

In 2011, a new joint-venture was created in China with the Group Changan, called CAPSA, dedicated to the production and sales in China of the DS brand.

In February 2012, Automobiles Citroën sold Citer, a group specialising in car rentals, to the Entreprise group.

At the end of 2012, Groupe PSA sold 75% of the capital of GEFCO S.A., the Group's parent company which specialises in Logistics, to JSC Russian Railways (RZD).

Following the project to increase the investment of Groupe PSA and Renault in the capital of the subsidiaries Française de Mécanique (Douvrin, Nord-Pas de Calais) and Société de Transmissions

Automatiques (Ruitz, Nord-Pas de Calais), in December 2013 Groupe PSA took exclusive control of Française de Mécanique.

At the end of March 2014, the Group strengthened its industrial and commercial partnership with Dongfeng Motor Group (DFG).

Following the signing of a framework agreement on European partnership with the Santander Group in Brazil in July 2014 then in July 2015, all local partnerships between Banque PSA Finance (BPF) and the Santander Group started operations. For more details, please refer to Section 1.3.1.3. below.

Moreover, to speed up the expansion of Peugeot Scooters, strengthen the brand and its products, and secure its future, Groupe PSA has entered on 19 January 2015 into a long-term strategic partnership with Mahindra & Mahindra Group (M&M).

On 31 March 2015, the Group acquired Mister Auto, an e-commerce leader for spare parts for all automotive brands on the European market.

On 21 June 2016, Groupe PSA and Iran Khodro signed the final joint venture agreement to produce latest-generation vehicles in Iran.

On 29 July 2016, Faurecia sold its Automotive Exteriors business, comprising bumpers and front end modules, to Compagnie Plastic Omnium.

On 6 October 2016, Groupe PSA and SAIPA, Citroën's partner in Iran since 1966, signed a joint venture agreement to produce and market Citroën vehicles.

In December 2016, Groupe PSA and Aramisauto, the leader in online sales of used vehicles (UV), entered into a capital and strategic alliance to accelerate the development of online sales of used vehicles and related services.

On 25 January 2017, the Groupe PSA and the CK Birla Group signed joint venture agreements to produce and sell vehicles and components in India by 2020.

On 6 March 2017, General Motors (GM) and Groupe PSA announced that they had entered into an agreement under the terms of which the General Motors subsidiary Opel Vauxhall (OV) and the European operations of General Motors Financial would join Groupe PSA.

On 1 August 2017, Groupe PSA announced the closing of the acquisition of the Opel and Vauxhall subsidiaries of General Motors, for which the preliminary agreement had been signed on 6 March 2017.

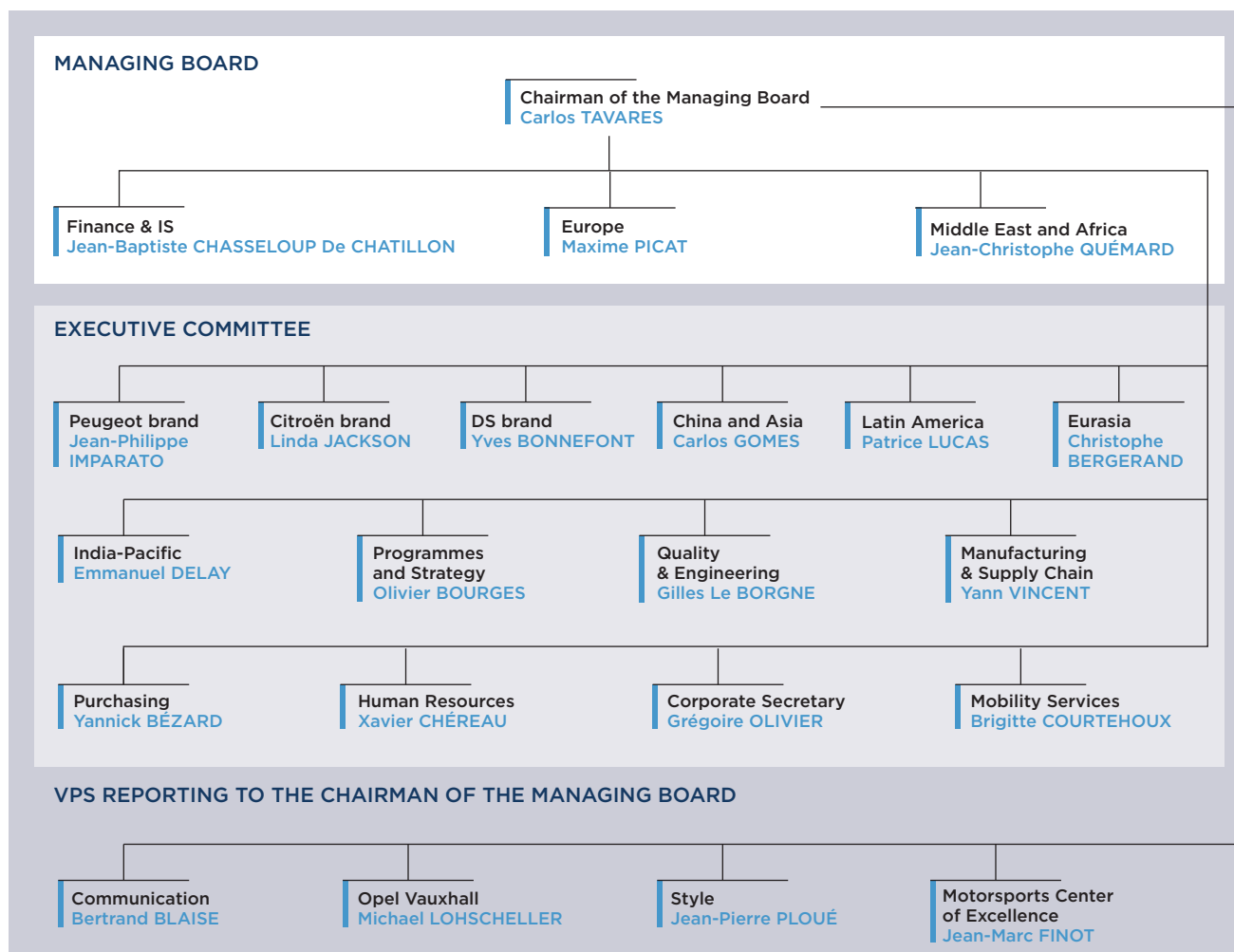
On 4 December 2017, Groupe PSA and Nidec Leroy-Somer Holding decided to work together in France in the field of electric traction motor. For this purpose, Nidec Leroy-Somer and Groupe PSA entered into a joint venture agreement.

## 1.2. ORGANISATIONAL STRUCTURE



### 1.2.1. Group organisational structure – functions

The Group's simplified functional organisational structure at 1 February 2018 is set out as follows:



### 1.2.2. Group organisation

The executive management of Groupe PSA is the responsibility of the Managing Board, which is presented in detail in Section 3.1 below.

The Managing Board is responsible for executive leadership and financial management. It helps to define and implement the Group's strategic vision developed in accordance with the long-term objectives set by the Supervisory Board.

The Managing Board is backed by the Executive Committee. The latter is organised in a matrix structure by brands, regions and

business lines. This structure aims to secure worldwide profitable growth for the Group. Each region is supervised by a Chief Operating Officer (COO), who is responsible for economic profit and the management of Group resources in the region, including manufacturing and sales companies. This responsibility is exercised in partnership with the Group brands and business lines.

Three business line VPs as well as Opel Vauxhall VP report to the Chairman of the Managing Board.

### 1.2.3. Parent-subsidary relationships

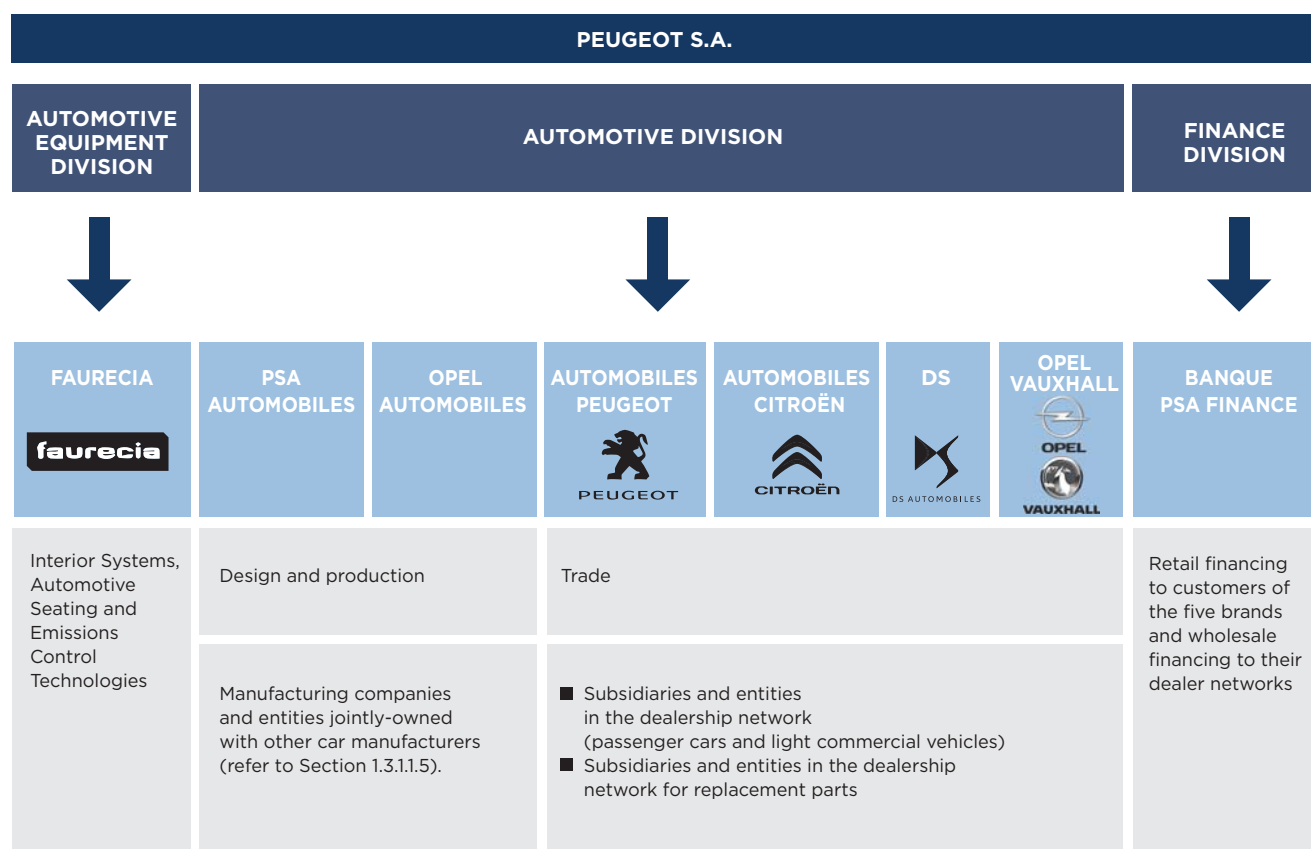
As the Group's holding company, Peugeot S.A. is not directly involved in any material operating activities.

Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship are reviewed in the Company's financial statements in Section 6.4. Please refer as well to Note 18 to the 2017 consolidated financial statements for a

detailed description of Group related party transactions, in particular with equity-accounted entities.

For further information, please refer to the Statutory Auditors' Special Report on Related Party Agreements and Commitments (see Section 6.7 below).

### 1.2.4. Simplified organisation structure at 31 December 2017



At 31 December 2017, there were 436 entities included in the scope of consolidation. A comprehensive list is found in Note 21 to the 2017 consolidated financial statements (see Section 5.6 below).

## 1.3. ACTIVITIES AND STRATEGY

### 1.3.1. Main activities of the Group

The main activities of Groupe PSA are the following:

- the Automotive Division groups together the two Peugeot Citroën DS (PCD) and Opel Vauxhall (OV) segments, covering chiefly the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot Citroën DS and Opel Vauxhall brands;
- the Automotive Equipment Division, corresponding to the Faurecia Group comprising Interior Systems, Automotive Seating and Emissions Control Technologies;

- the Finance Division, corresponding to the Banque PSA Finance Group (BPF), financing sales to customers of the Peugeot, Citroën, DS brands and, since 1 November 2017, the Opel Vauxhall brands and their dealer networks. BPF is classified as a financial institution.

The breakdown of revenue and recurring operating income by activity is as follows:

(in million euros)	Revenue			Recurring operating income		
	2017	2016	Change	2017	2016	Change
Automotive – Peugeot Citroën DS	40,735	37,066	669	2,965	2,225	740
Automotive – Opel Vauxhall	7,238	-	7,238	(179)	-	(179)
Faurecia	20,182	18,710	1,472	1,170	970	200
Other activities and eliminations <sup>(1)</sup>	(2,945)	(1,746)	(1,199)	35	40	(5)
<b>TOTAL</b>	<b>65,210</b>	<b>54,030</b>	<b>11,180</b>	<b>3,991</b>	<b>3,235</b>	<b>756</b>
Group sales (in thousands of new vehicles)	3,632	3,146	15.4%			

(1) Including the activities of Banque PSA Finance not covered by the partnership agreement signed with Santander Consumer Finance.

Regarding segment information – business segments and principal markets – please refer to Note 4 to the 2017 consolidated financial statements (see Section 5.6 below).

Information on the revenue and results of the various operating segments is presented in Section 4.1 below.

#### 1.3.1.1. AUTOMOTIVE DIVISION

##### 1.3.1.1.1. Significant events of the sales activities in 2017.

##### Strong acceleration in 2017: Groupe PSA worldwide sales up 15.4%

- **Groupe PSA sold 3,632,300<sup>(1)</sup> vehicles worldwide.**
- **4th consecutive year of improvement in Groupe PSA sales.**
- **Successful SUV product offensive supporting the Group's profitable growth.**
- **Strengthening European leadership in Light Commercial Vehicles (LCV) for Peugeot and Citroën, with a 20.2% market share.**

**The Push to Pass plan's SUV offensive accelerates and the five SUV models launched in the past 18 months have enjoyed growing success.** Overall, SUV sales accounted for 23% of consolidated sales at the year-end.

Peugeot brand sold nearly 600,000 SUVs in 2017 worldwide and ranks 2nd in the SUV European market with a strong expansion of nearly 60%.

With 259,300 Peugeot 3008 SUVs sold globally in 2017, the Peugeot brand enjoyed sustained demand for the model, which was named Car of the Year 2017 in Europe and recognised by 38 additional awards worldwide. Peugeot also benefited from the

success of the new Peugeot 5008 launched in March 2017, with 85,900 units sold, and the positive performance of the Peugeot 4008 in China, with 51,500 units.

In autumn 2017, Citroën kicked off its SUV offensive in China with the C5 Aircross, launched in September, and in Europe with the C3 Aircross, launched in October. Each model sold around 22,700 and 35,400 units, respectively, and will be rolled out worldwide in 2018.

At the end of February 2017, DS Automobiles debuted its first SUV, DS 7 CROSSBACK, and opened up online reservations for the La Première limited edition model. In October, the brand launched its exclusive network in parallel with order taking for all the line-up's versions. The first deliveries are set for February 2018.

In 2017, Opel and Vauxhall rationalized the channel mix, in line with PACE! turnaround plan and led a record-breaking product offensive in 2017, with two new SUVs, the Crossland X and Grandland X, launched in May and September with sales of 33,900 and 18,700 units, respectively.

**In 2017, Groupe PSA reported its best LCV sales ever, with 476,500 units sold, up 15% on 2016.** And with Passenger Car derivatives (Peugeot Traveler and Citroën SpaceTourer for example) these are 658,000 units sold by the Group in 2017.

The Peugeot and Citroën brands strengthened the Group's leadership status in Europe, where it holds a market share of 20.2% in LCV (1.3 point market share gain) allowing the Group to capture more than 50% of European LCV market growth thanks to the new Peugeot Expert and Citroën Jumpy.

(1) As from 1 August 2017, the Group's scope of consolidation includes the sales volumes of OPEL and VAUXHALL, together representing 403,900 units sold between August and December

Outside Europe, the Group's LCV offensive also began to deliver results. In Eurasia, sales were up 55% before the start of local production of new Peugeot Expert and Citroën Jumpy planned in the first half of 2018. In Latin America, sales increased 13% and a full range of renewed products and a complete range of services will be offered in 2018.

### 1.3.1.1.2. The Group's markets

**in Europe**, consolidated sales came in at 2,378,600 units, representing a year-on-year increase of nearly 450,000 vehicles (up 23.2%), of which 376,400 Opel and Vauxhall units since 1 August 2017.

Groupe PSA's market share increased in all of the Group's main host countries, excluding the United Kingdom. For the first time since 2010, the Group added 0.3 points to its market share (11.1%) from Peugeot, Citroën and DS sales alone.

On top of increased sales of SUVs and LCVs, the Group benefited from the successful launch of the Peugeot 308 (166,000 units sold), Citroën C3 (217,000 units sold), and Opel Insignia, available in three models, the Sports Tourer, Grand Sport and Country Tourer (total 40,600 units sold from August to December 2017).

In addition, the Peugeot 2008 and Opel Mokka ended the year second and third, respectively, in their segment.

DS Automobiles continued to develop its network, with 150 locations now dedicated to marketing the first-ever second generation DS model, the DS 7 CROSSBACK.

**in the Middle East & Africa region**, consolidated sales increased by 61.4% year on year at 618,800 units, of which 26,800 for the Opel brand.

This performance was driven by the Group's development in Iran (444,600 units sold in 2017) and higher sales in Turkey, Israel and the French overseas departments.

Groupe PSA has continued its product offensive in the region, where it has successfully launched the new Citroën C3, the new Peugeot 3008 SUV, and the new Peugeot Pick Up, which marks the brand's history-making return to its legitimate place in the segment.

Opel is in the midst of a product offensive in the region having recently launched the new Insignia and Crossland X and with the launch of the new Grandland X slated for early 2018.

For the DS brand, 2017 marked the development of a dealer network across the region ahead of the market launch of the DS 7 CROSSBACK in the coming months.

The year also saw the production start-up and market launch of the Peugeot 2008 SUV in Iran, and the creation of an Iranian joint venture between Citroën and Saipa based at the Kashan plant. The Group continued to expand its manufacturing base, breaking ground on the Kenitra plant in Morocco, starting up local production in Kenya and Ethiopia, and signing a memorandum of understanding to set up a new plant in Oran, Algeria.

**In China & Southeast Asia**, in a difficult economic environment, the Group sold 387,000 vehicles. Showing the first signs of a sales recovery, the Group has seen a rise in sales since July, and a market share gain of 0.3 points in second-half 2017 compared with the first half. The SUV line-up proved to be a triumph, with the successful launch in 2017 of the Peugeot 4008 and 5008, and the Citroën C5 Aircross. It is worthy to note that sales volumes for the new Peugeot 308 and the Citroën C5 and C6 were stable *versus* 2016, despite weaker demand in this market segment.

In Southeast Asia, Groupe PSA has been accelerating its development, particularly in Vietnam with the successful launch of the Peugeot 3008 and 5008 SUVs. The vehicles are now produced locally at THACO's plant in Chu Lai, just nine months after a new assembly agreement was signed.

In June 2017, Groupe PSA signed an agreement to step up its cooperation with ChangAn Automobile, establishing a solid foundation for faster expansion of the DS brand. Presented at Auto Shanghai, the DS7 CROSSBACK will be brought to market at the start of the Beijing Motor Show.

Further Rebound **in Latin America**, with sales climbing 12.2% to 206,300 units.

In Latin America, Peugeot sales rose 11.1% due to strong momentum in most of the region's markets. The Peugeot 3008 and 5008 SUVs were launched very successfully in every country and sales have exceeded targets. The Peugeot Expert, recently launched in Brazil and Argentina and produced in Uruguay, also promises to be a success.

Citroën's sales were up 13.8% in most of the region's markets. For example, sales in Chile jumped 47% thanks to the tremendous success of the new Citroën C3 and the solid performance delivered in the LCV segment, with Berlingo leading the way. The Citroën Jumpy, produced in Uruguay and marketed in Brazil and Argentina, has been well received, suggesting that demand for the vehicle will be strong in 2018.

DS Automobiles recorded sales growth of 21.6%, led by Argentina's performance, where the brand ranks fourth in the premium automotive market thanks to the DS3, the leading vehicle in its class for the fourth year in a row.

**India-Pacific** reports 26,100 cars sold and 31% Growth.

In Japan, the Group grew by 20% and recorded its best performance in more than 20 years. A sales recovery is under way in Australia and New Zealand, where two new importers have been appointed, resulting in sales almost tripling compared to 2016. Sales for the French Pacific overseas territories continued to rise sharply (up 40%) and South Korea's performance was in line with that of 2016.

Peugeot contributed significantly to this growth, reporting a 37% increase in sales driven by the successful launch of the Peugeot 3008 and 5008.

Citroën's sales also rose sharply (up 36%) thanks to strong demand for the new C3.

Sales up 45% **in Eurasia**, outpacing the Auto Market.

The Group made headway in the region's major markets, including Russia (up 38%) and Ukraine (up 62%), with a total of 15,200 units sold.

Sales of the new Peugeot 3008 SUV were significantly ahead of the previous generation's performance, accounting for 21% of the brand's volumes, and helping to drive its volumes up 50.7%. The momentum in sales for Citroën's Grand C4 Picasso (up 126%), particularly in the BtoB segment, also pushed up the brand's sales, by a strong 33.4% in Eurasia.

Groupe PSA's LCV segment sales rose 55%. Local production of the Peugeot Expert, Citroën Jumpy, Peugeot Traveller and Citroën SpaceTourer in Kaluga, Russia as from 2018 is expected to enable the Group to achieve even faster sales growth in Eurasia.

### 1.3.1.1.3. A few key figures

#### CONSOLIDATED WORLDWIDE SALES BY REGION<sup>(1)</sup>

Region	Brand	2016 volume	%	2017 volume	%	%Chg
<b>Europe</b>	Peugeot	1,102,230	35.03%	1,173,465	32.31%	6.46%
	Citroën	762,576	24.24%	785,662	21.63%	3.03%
	DS	65,452	2.08%	43,135	1.19%	-34.10%
	<b>PCD</b>	<b>1,930,258</b>	<b>61.35%</b>	<b>2,002,262</b>	<b>55.12%</b>	<b>3.73%</b>
	Opel Vauxhall	--	--	376,380	10.36%	0.00%
	<b>Groupe PSA</b>	<b>1,930,258</b>	<b>61.35%</b>	<b>2,378,642</b>	<b>65.49%</b>	<b>23.23%</b>
<b>Middle East and Africa<sup>(2)</sup></b>	Peugeot	323,084	10.27%	533,170	14.68%	65.03%
	Citroën	58,662	1.86%	57,273	1.58%	-2.37%
	DS	1,743	0.06%	1,575	0.04%	-9.64%
	<b>PCD</b>	<b>383,489</b>	<b>12.19%</b>	<b>592,018</b>	<b>16.30%</b>	<b>54.38%</b>
	Opel Vauxhall	--	--	26,809	0.74%	0.00%
	<b>Groupe PSA</b>	<b>383,489</b>	<b>12.19%</b>	<b>618,827</b>	<b>17.04%</b>	<b>61.37%</b>
<b>China &amp; Southeast Asia</b>	Peugeot	351,904	11.18%	249,223	6.86%	-29.18%
	Citroën	250,297	7.96%	131,821	3.63%	-47.33%
	DS	16,151	0.51%	5,963	0.16%	-63.08%
	<b>PCD</b>	<b>618,352</b>	<b>19.65%</b>	<b>387,007</b>	<b>10.65%</b>	<b>-37.41%</b>
	Opel Vauxhall	--	--	295	0.01%	0.00%
	<b>Groupe PSA</b>	<b>618,352</b>	<b>19.65%</b>	<b>387,302</b>	<b>10.66%</b>	<b>-37.37%</b>
<b>Latin America</b>	Peugeot	122,639	3.90%	136,303	3.75%	11.14%
	Citroën	60,196	1.91%	68,526	1.89%	13.84%
	DS	1,072	0.03%	1,304	0.04%	21.64%
	<b>PCD</b>	<b>183,907</b>	<b>5.85%</b>	<b>206,133</b>	<b>5.67%</b>	<b>12.09%</b>
	Opel Vauxhall	--	--	142	0.00%	0.00%
	<b>Groupe PSA</b>	<b>183,907</b>	<b>5.85%</b>	<b>206,275</b>	<b>5.68%</b>	<b>12.16%</b>
<b>India and Pacific</b>	Peugeot	13,977	0.44%	19,205	0.53%	37.40%
	Citroën	4,452	0.14%	6,049	0.17%	35.87%
	DS	1,457	0.05%	799	0.02%	-45.16%
	<b>PCD</b>	<b>19,886</b>	<b>0.63%</b>	<b>26,053</b>	<b>0.72%</b>	<b>31.01%</b>
	Opel Vauxhall	--	--	26,053	0.72%	31.01%
	<b>Groupe PSA</b>	<b>19,886</b>	<b>0.63%</b>	<b>26,053</b>	<b>0.72%</b>	<b>31.01%</b>
<b>Eurasia</b>	Peugeot	5,626	0.18%	8,479	0.23%	50.71%
	Citroën	4,758	0.15%	6,345	0.17%	33.35%
	DS	106	0.00%	84	0.00%	-20.75%
	<b>PCD</b>	<b>10,490</b>	<b>0.33%</b>	<b>14,908</b>	<b>0.41%</b>	<b>42.12%</b>
	Opel Vauxhall	--	--	307	0.01%	0.00%
	<b>Groupe PSA</b>	<b>10,490</b>	<b>0.33%</b>	<b>15,215</b>	<b>0.42%</b>	<b>45.04%</b>
<b>TOTAL</b>	Peugeot	1,919,460	61.01%	2,119,845	58.36%	10.44%
	Citroën	1,140,941	36.26%	1,055,676	29.06%	-7.47%
	DS	85,981	2.73%	52,860	1.46%	-38.52%
	<b>PCD</b>	<b>3,146,382</b>	<b>100.00%</b>	<b>3,228,381</b>	<b>88.88%</b>	<b>2.61%</b>
	Opel Vauxhall	--	--	403,933	11.12%	0.00%
	<b>Groupe PSA</b>	<b>3,146,382</b>	<b>100.00%</b>	<b>3,632,314</b>	<b>100.00%</b>	<b>15.44%</b>

(1) Including CKD kits.

(2) Including 443,000 vehicles produced in Iran under a Peugeot licence in 2017 following the final joint venture agreement signed with Iran Khodro on 21 June 2016.

## GROUPE PSA – WORLDWIDE CONSOLIDATED SALES PER MODEL

Brand	Model	2016 volume	2017 volume
PEUGEOT	ION	2,266	1,148
	108	66,884	54,573
	206	93,473	176,572
	208	335,860	326,814
	2008	251,491	232,739
	301	102,105	63,866
	308	316,738	242,132
	408	108,904	63,460
	3008	134,767	226,322
	4008	12,074	51,990
	405	143,751	266,645
	508	50,469	23,888
	5008	28,212	86,555
	BIPPER	9,428	7,723
	PARTNER	156,220	165,781
	EXPERT	37,729	45,084
	BOXER	64,944	68,665
	TRAVELLER	3,974	14,801
	PEUGEOT PICK UP	--	860
	OTHER	171	227
<b>TOTAL PEUGEOT</b>		<b>1,919,460</b>	<b>2,119,845</b>
CITROEN	C-ZERO	1,741	1,242
	E-MEHARI	725	252
	C1	66,309	54,376
	C3	186,811	255,227
	C3 MPV	49,038	32,034
	C3 AIRCROSS	--	35,415
	C-ÉLYSEE	126,414	88,410
	C3-XR	73,458	22,642
	C4 CACTUS	80,703	59,219
	C4	146,674	70,030
	C4 PICASSO	115,700	106,670
	C4 AIRCROSS	9,676	3,321
	C5	14,743	12,570
	C5 AIRCROSS	--	22,657
	C6	4,079	5,947
	NEMO	8,917	5,999
	BERLINGO	160,506	165,717
	JUMPY	34,138	38,670
	JUMPER	56,788	61,367
	SPACETOURER	4,521	13,911
<b>TOTAL CITROEN</b>		<b>1,140,941</b>	<b>1,055,676</b>



Brand	Model	2016 volume	2017 volume
DS	DS 3	40,653	28,971
	DS 4	21,677	12,257
	DS 5	13,859	7,854
	DS 6	9,792	2,947
	DS 7 CROSSBACK	--	788
	OTHER	--	43
<b>TOTAL DS</b>		<b>85,981</b>	<b>52,860</b>
<b>TOTAL PCD</b>		<b>3,146,382</b>	<b>3,228,381</b>
OPEL VAUXHALL	ADAM	--	17,152
	AMPERA-E	--	1,074
	ANTARA	--	129
	ASTRA	--	79,472
	CASCADA	--	870
	COMBO	--	7,607
	CORSA	--	80,739
	CROSSLAND X	--	33,899
	GRANDLAND X	--	18,703
	INSIGNIA	--	40,579
	KARL/VIVA	--	15,906
	MERIVA	--	3,390
	MOKKA X	--	58,555
	MOVANO	--	8,397
	VIVARO	--	23,086
	ZAFIRA	--	14,367
<b>TOTAL OV</b>		<b>--</b>	<b>403,933</b>
<b>TOTAL GROUPE PSA</b>		<b>3,146,382</b>	<b>3,632,314</b>
of which PCD	Passenger cars (PC)	2,731,174	2,790,930
	Light Commercial Vehicle (LCV)	415,208	437,451
	PC+LCV of which: Petrol	1,786,410	1,884,435
	Diesel	1,352,073	1,337,272
	Electric	6,359	6,231
	Hybrid	1,500	--

### 1.3.1.1.5. Existing or planned material property, plant and equipment

The Group's geographical breakdown in 2017 was as follows: Europe 72.6% (and some 42.8% in France), South America 4%, Asia 10.9% and the Middle East 12.5%.

#### Manufacturing Facilities

##### ASSEMBLY PLANTS

Manufacturing centres	Models manufactured at 31 December 2017	2016 Output	2017 Output
Madrid (Spain)	C4 Cactus	81,200	59,517
Mangualde (Portugal)	Partner, Berlingo	49,500	53,645
Mulhouse (France)	2008, C4, DS 4, DS 7 CROSSBACK	272,000	247,832
Buenos Aires (Argentina)	308, 408, C4, Partner, Berlingo	59,700	46,844
Poissy (France)	208, C3, DS 3, DS 3 Cabrio	234,600	233,968
Porto Real (Brazil)	New 208, 2008, Novo C3, C3 Picasso Aircross	82,700	95,900
Rennes (France)	C5, C5 tourer, 508, 508 SW, 508 RXH, 508 RXH HY, 508 HY, New 5008	55,700	89,647
Sevelnord (France)	Expert, Jumpy, Traveller, Space Tourer	79,100	110,730
Sochaux (France)	308, 308 SW, 5008, DS 5, DS 5 HY, New 3008, Grandland X	347,000	424,998
Trnava (Slovakia)	208, C3 Picasso, New C3	315,000	335,114
Vigo (Spain)	301, C-Élysée, C4 Picasso, Grand C4 Picasso, Berlingo, Partner, Berlingo electric, Partner electric	424,000	434,915
Ellesmere Port (United Kingdom)	New Astra, New Astra Sports Tourer	-	28,377
Luton (United Kingdom)	Vivaro	-	19,963
Eisenach (Germany)	Corsa, Adam	-	29,226
Gliwice (Poland)	Astra, New Astra, Cascada	-	53,460
Rüsselsheim (Germany)	Zafira, Insigna, New Insigna, New Insigna Sports Tourer	-	63,035
Zaragoza (Spain)	Corsa, Corsa Van, Meriva, Mokka X, Crossland X, C3 Aircross	-	145,693

## MANUFACTURING COMPONENT PLANT AND FOUNDRIES



Caen (France)	Chassis systems and transmissions
Charleville (France)	Aluminium and iron castings
Douvrin Française de Mécanique (France)	Petrol and diesel engines
Hérimoncourt (France)	Engines, gearboxes: small-scale assembly and reconditioning
Metz (France)	Gearboxes
Mulhouse components (France)	Chassis systems
Mulhouse foundry (France)	Pressurised aluminium castings, steel forge, tooling
Porto Real (Brazil)	Flex-fuel and petrol engines
Saint-Ouen (France)	Stamping
Sept-Fons (France)	Iron castings and brake parts machining
Trémery (France)	Petrol and diesel engines
Valenciennes (France)	Gearboxes
Rüsselsheim (Germany)	Transmissions
Kaiserslautern (Germany)	Diesel engines
Aspern (Austria)	Petrol engines and transmissions
Szentgotthard (Hungary)	Petrol and diesel engines

## SUBSIDIARIES JOINTLY-OWNED WITH OTHER CAR MANUFACTURERS

(situation at 31 December)		Manufacturing	Annual output 2016	Annual output 2017
Outside France				
Sevelsud, Società Europea Veicoli Leggeri (Italy)				
50% Peugeot Citroën Automobiles	Peugeot Boxer		64,490	67,957
50% Fiat	Citroën Jumper		55,760	60,870
Total			120,250	128,826
DPCA, Dongfeng Peugeot Citroën Automobiles (Wuhan, Chengdu, China)				
50% Peugeot Citroën Automobiles	New C-Elysée, 301, New 308, Restyled C4, C3-XR, New C4, C4 Lounge, New 408, 508, C5, New C5, 3008			
50% Dongfeng Motors			561,560	364,256
Total			561,560	364,256
TPCA, Toyota Peugeot Citroën Automobiles (Kolin, Czech Republic)				
50% Peugeot Citroën Automobiles	Peugeot 108		66,550	54,512
50% Toyota Motor Corporation	Citroën C1		65,580	54,415
Total			132,130	108,927
PCMA Rus (Kaluga, Russia)				
70% Peugeot Citroën Automobiles				
30% Mitsubishi Motors Company (MMC)	Citroën C4 L, Peugeot 408		3,780	1,731
Total			3,780	1,731
CAPSA, Changan PSA Auto Company Ltd (Shenzhen, China)				
50% Peugeot Citroën Automobiles				
50% Changan	DS 4, DS 5, DS 5 LS, DS 6		15,000	6,170
Total			15,000	6,170
Iran Khodro, Automobiles Peugeot (Tehran, Iran)				
25% Automobiles Peugeot				
25% Peugeot Citroën Automobiles				
50% Iran Khodro	Peugeot 405, 206, 207, 2008		233,000	443,775
Total			233,000	443,775
Other joint ventures				
Okazaki (Japan)				
Mitsubishi Motors Company cooperation agreement	Citroën C4 Aircross, Peugeot 4008		12,600	2,667
Mizushima (Japan)				
Mitsubishi Motors Company cooperation agreement	Citroën C-Zéro, Peugeot iOn		4,200	2,140
Bursa (Turkey)				
Fiat and Tofas cooperation agreement	Citroën Nemo, Peugeot Bipper		17,600	14,395
Bolloré (Rennes)				
Bolloré cooperation agreement	e-Méhari		-	122
NORDEX (Uruguay)				
Nordex cooperation agreement	Expert, Jumpy		-	1,069
Dongfeng (China - DFPV2)				
Dongfeng cooperation agreement	2008		-	10,788
Dongfeng Nissan (Chine)				
Dongfeng cooperation agreement	Peugeot Pick Up		-	878

For more information on property, plant and equipment, please refer to Note 8.2 to the 2017 consolidated financial statements (see Section 5.6 below).



## After-Sales, Maintenance, Repair and Spare Parts

In after-sales, the Push to Pass plan has materialised a sales offensive designed to satisfy all customers' needs world-wide, regardless of their purchasing power, their vehicle's brand or age. Under the plan, the Group has moved from an offer focused on original equipment parts for its automotive brands to a wraparound offer widened to the independent repairer market as a whole, covering the whole motor-vehicle fleet world-wide, with both the Eurorepar brand, and an entirely unprecedented offer of equipment-manufacturer parts.

This offensive is carried by DISTRIGO, launched in 2016. In Europe, it is backed by a logistics network of 130 spare parts Distrigo hubs.

A similar offer is being rolled out in Latin America, through joint ventures in Brazil and Argentina, and in China, particularly with the majority shareholding in the spare parts distributor Jian Xin.

Groupe PSA also provides an Internet offer with the [MisterAuto.com](http://MisterAuto.com) on-line parts sales website, established in 19 countries across the world, and Autobotler, a company generating estimates on-line for automotive servicing and repairs.

As at 31 December 2017, 24 spare parts warehouses manage 275,000 SKUs for Peugeot, Citroën, DS: Vesoul (France), Natolin (Poland), Villaverde (Spain), Pregnana (Italy), Rieste (Germany), Spillern (Austria), Tile Hill (the United Kingdom), Barueri (Brazil), Pacheco (Argentina), Santiago (Chile), Toluca (Mexico), Kaluga (Russia), Kiev (Ukraine), Boufarik (Algeria), Istanbul (Turkey), Johannesburg (South Africa), Shimizu (Japan), Wuhan (China-DPCA), Shanghai (China-DPCA), Beijing (China-DPCA), Chengdu (China-DPCA), Guangzhou (China-DPCA), Shanghai (China-CAPSA) and Shenzhen (China-CAPSA).

For Opel Vauxhall, 10 Spare parts warehouses in Europe manage close upon 215,000 SKUs: Luton (United Kingdom), Saragossa (Spain), Gonesse (France), Fiumicino (Italy), Russelsheim and Bochum (Germany), Mszczonów (Poland), Budapest (Hungary), Nyköping (Sweden) and Izmir (Turkey).

The environmental issues that may influence the use of these assets by Groupe PSA are presented below in Chapter 2.

### 1.3.1.2. FAURECIA

The Faurecia Group<sup>(1)</sup> is one of the world leaders in automotive equipment. This company develops, manufactures and markets original equipment through three main business divisions ("Business Groups"): Seating, Interiors and Clean Mobility. In each of these three business lines, Faurecia is one of the top three global players.

Faurecia is a company listed in compartment A of the Euronext Paris market (FR0000121147 EO). As at December 2017, Peugeot S.A. held 46.34% of Faurecia's share capital and 63.09% of its theoretical voting rights.

At 31 December 2017, the Faurecia Group employed almost 110,000 people in 35 countries over all the continents, and operated some 300 sites of which 30 research and development centres.

The Faurecia Group earns its revenue primarily from product sales (deliveries of parts and components to car manufacturers). It also generates revenue from two other sources: The Faurecia Group sells monoliths, which are components used in catalytic converters for exhaust streams (classified under "Clean Mobility"). These monoliths are billed to the car manufacturers at production cost (pass-through basis) and integrated in the exhaust streams by Faurecia under global contracts. The Faurecia Group also generates income from the sale of equipment, R&D and prototypes.

In 2017, the Faurecia Group total revenue amounted to €20.2 billion, 7.9% increased from 2016, and its added-value sales (excluding monolith sales) came to €17.0 billion, rising 8.6% over 2016.

In 2017 The Faurecia Group value-added sales broke down as follows: 50.1% in Europe, 26.4% in North America, 17.3% in Asia (of which 13.3% in China), 4.7% in South America and 1.5% in the rest of the world.

For more information on Faurecia's earnings, please refer to Section 4.1.6 and Note 4 to the 2017 consolidated financial statements (see Section 5.6 below).

#### 1.3.1.2.1. Three core businesses

Since the sale of its exterior parts business in 2016 (formerly "Automotive Exteriors"), Faurecia has refocused on three business lines ("Business Groups") and this Group's strategic priorities have become aligned with the underlying trends on the world automotive market.

Accordingly, The Faurecia Group is accelerating its profitable growth by focusing its development and innovative efforts on two main areas:

- **"Sustainable mobility"**, through its "Clean Mobility" activity, which supports evolution of the automotive industry towards steadily less polluting vehicles; and
- **"Smart Life on Board"**, through its two other activities, Seating and Interiors, which are developing innovative solutions and disruptive technology, aimed at creating the cockpit of the future in response to the industry trend towards driving that is more networked and takes more of the burden off the driver.

Still in the aim of accelerating its profitable growth, Groupe Faurecia is also looking to rapid development of its sales in Asia, particularly China.

The Faurecia group's three Business Group include:

#### Seating

Faurecia designs and assembles seats and makes their main components, including frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories. Besides this core seat-architecture business line, adapting to the different car manufacturer platforms, Faurecia is developing innovative solutions for safety and comfort, on the strength of joint arrangements with key player in safety, such as ZF, or in heat and temperature management, such as Mahle. The "Seating" activity accounted for 42% of the Faurecia Group value-added sales in 2017.

(1) For more information concerning Faurecia, please view the website, [www.faurecia.com](http://www.faurecia.com), and refer to Faurecia's 2017 Registration Document, also available on its website

## Interiors

A world leader in this business, Faurecia designs and produces instrument panels, central consoles and door panels that meet both the expectations of car buyers and the requirements of car manufacturers. The trend towards a more networked vehicle that takes more of the burden off the driver is impelling Faurecia to develop innovative solutions, particularly in the areas of Smart Surfaces, Infotainment and Human-Machine Interaction ("HMI"). The contribution of expertise from such sources as TactoTek, Parrot Automotive or Jiangxi Coagent is helping to accelerate the development of these innovations. The Interiors activity accounted for 31% of Groupe Faurecia's value-added sales in 2017.

## Clean Mobility

The world leader in emissions control technologies, Faurecia engineers, manufactures and markets a range of complete exhaust systems corresponding to every market requirement. For compliance with increasingly stringent international standards, Faurecia boasts a solid portfolio of technology and innovation both for passenger cars and for utility models and lorries, including the ASDSTM innovative solution for reducing nitrogen oxide emissions. The "Clean Mobility" Activity accounted for 27% of the Faurecia group's value added sales in 2017.

### 1.3.1.2.2. Industrial footprint

Today, the Faurecia Group works with virtually all the car manufacturers, requiring a world-wide presence so as to be as close as possible to its customers.

It can adapt its worldwide production facilities to fit the needs and expectations of car manufacturers. While two thirds of its facilities manufacture components and are therefore located to optimise production and logistics costs, the other third operate on a just-in-time basis.

### 1.3.1.2.3. Customers

The Faurecia Group boasts a widely-diversified customer portfolio.

In 2017, of the Faurecia Group's main customers (representing over 5% of its value added sales) Ford accounted for 18.3%, followed by the Volkswagen Group with 17.8%, Renault-Nissan with 13.8%, Groupe PSA with 13.7% (including sales to Opel from August to December 2017), Daimler with 6.2%, GM with 5.9% (including Opel sales from January to July 2017), and FCA also with 5.9%.

### 1.3.1.3. BANQUE PSA FINANCE

Closely involved in the sales policy of the Groupe PSA brands, Banque PSA Finance (BPF), directly and wholly controlled by Groupe PSA companies, works in 18 countries, alongside partners in most of those countries, to distributed financing and service offers designed to stimulate vehicle sales by the dealership networks for the Groupe PSA brands.

Through its local operating entities, BPF:

- provides dealers of the brands with financing for their inventories of new and used vehicles, and of spare parts, along with other financing such as for working capital;
- offers individuals and businesses a complete range of financing and services, as well as savings products in France and Germany.

BPF's commercial offer will typically tie insurance and services into the financing package in order to best meet the increasing mobility needs of individuals or companies.

Since 2015, BPF has instituted a business model based on cooperation agreements, featuring two major partnerships in

Europe, with the Group Santander for the Peugeot, Citroën, DS brands, and with BNP Paribas Group for the Opel and Vauxhall brands. The governance scheme deployed under these cooperation agreements means that loan decisions are independent of the brands, while also allowing the development of commercial offers that are appropriate, innovative and fully supportive of the Push to Pass growth plan.

On its principal markets, Banque PSA Finance carries on business through joint ventures:

- a partnership with Santander Consumer Finance (SCF) begun in 2015 in 11 European countries with 10 JVs (Germany, Austria, Belgium/Luxembourg, Spain, France, Italy, Netherlands, Poland, United Kingdom, Switzerland), a commercial agreement in Portugal and a JV with Banco Santander Brasil in Brazil. Excluding financing business, two subsidiaries jointly held between BPF and SCF were started up in Malta in 2015 as insurance companies;
- a partnership in the form of a single JV between Groupe PSA and BNP Paribas, started up in 2017, with the acquisition of the Opel Vauxhall financing business, and operating in eight main countries (Germany, the United Kingdom, France, Italy, Belgium, the Netherlands, Switzerland and Austria).

Outside Europe, BPF also conducts its Business in the form of joint Arrangements:

- in China, through Dongfeng Peugeot Citroën Automobile Finance Co. (DPCAFC), a company of which 25% is held by BPF, 50% by DPCA and 25% by Dongfeng Motor Group. DPCAFC's results are consolidated in the accounts of BPF using the equity method;
- in Argentina, BPF finances end customers through PSA Finance Argentina Compania Financiera, a 50%-held partnership with a subsidiary of Groupe BBVA. This company's operations are managed by BPF, with the partner providing half the refinancing of loan production. In 2017, a new insurance activity was started up in partnership with BNP Paribas;
- in Turkey with TEB/Cetelem;
- in Mexico with BNP Paribas.

Or acting Alone:

- in Russia, in both the banking and the new leasing business, which began in 2017.

For more information on the implementation of the legal transactions in each country of the Cooperation, please refer to BPF's Annual Report at [www.banquepsafinance.com](http://www.banquepsafinance.com).

### 1.3.1.3.1. Refinancing strategy

Following the establishment of the partnership with Santander, the financing required for these jointly-held entities is no longer BPF's responsibility. Since the last launch on 1 October 2016, BPF finances only the activities outside the scope of the framework agreement with SCF and outside Brazil, i.e. chiefly in Argentina, Mexico and Russia.

In 2017, the joint acquisition of the Opel and Vauxhall captive financing companies by Groupe PSA and BNP Paribas was finalised. In this partnership, BNP Paribas Personal Finance handles the financing.

For the financing of activities outside the scope of the partnerships with Santander and BNP Paribas Personal Finance, BPF relies on a capital structure and an equity ratio that are compliant with regulatory requirements, and are backed by the quality of the bank's assets. Its financing is ensured by the broadest possible range of liquidity sources, matching of maturities of assets and liabilities.



At 31 December 2017, as at 31 December 2016, no collateralised financing was sought from the ECB and no assets were deposited with the ECB as collateral.

At 31 December 2017, as at 31 December 2016, only the bond financing and a few non-euro-zone bank credit lines remained in the BPF balance sheet. This is due to the transfer or cessation of the securitisation operations carried on for the creation of the joint ventures with SCF, and the cessation in early December 2016 of its bank deposit activity (consumer savings) in Belgium. Following the redemption of the tranche that matured in April 2016, BPF had no outstanding bonds guaranteed by the French State.

### 1.3.1.3.2. Financial services to end customers

Financial services to Peugeot Citroën DS as well as Opel and Vauxhall end customers represented 68% of Banque PSA Finance's total loans outstanding, amounting to €23,188 million at 31 December 2017, *versus* €15,589 million at 31 December 2016 under IFRS 8 (under IFRS 5 presentation, loans outstanding of this type amounted to €270 million, or 82% of total loans outstanding).

Banque PSA Finance serves both individuals and corporate fleets with:

- loans for the purchase of new and second-hand cars;
- short- and long-term operating leases (hire);
- finance leases (vehicles sold with a buyback commitment);
- an array of related services, such as insurance, maintenance and extended warranties.

Spurred by a sustained focus on building customer loyalty for the Groupe PSA brands, BPF offers diversified financing products and services, as well as bundled offers, that together with the three brands provide a comprehensive range of mobility solutions.

In 2017, BPF's penetration rate among buyers of new Peugeot, Citroën, DS, Opel and Vauxhall vehicles reached 30.0% in vs. 30.8% in 2016.

### 1.3.1.3.3. Wholesale financing

Banque PSA Finance, *via* its subsidiaries, provides financing for new and demonstration vehicles and spare parts for the dealer networks of Peugeot, Citroën, DS, Opel and Vauxhall within the areas where BPF is established.

As at 31 December 2017, wholesale financing for the Peugeot, Citroën and DS, as well as Opel Vauxhall dealership networks represented 32% of BPF's total loans outstanding, amounting to €10,916 million under IFRS 8 (loans outstanding of this type amounted to €61 million, or 18% of total loans outstanding, under IFRS 5). At 31 December 2017, financing of the Opel Vauxhall dealer networks amounted to €3,021 million under IFRS 8.

As the financial partner of the dealer networks, Banque PSA Finance also helps the dealers manage, track and control their financial risks in line with country-specific developments.

### 1.3.1.3.4. Insurance and services

In addition to retail lending, every year BPF expands its offering with insurance products (credit insurance, private health insurance, auto insurance, etc.) and automotive services coordinated with Groupe PSA's brands (extended warranties, maintenance contracts, roadside assistance, etc.).

Through all of its subsidiaries, PSA Insurance designs and distributes a full range of insurance products and services in collaboration with its own insurance companies or in partnership with major insurance carriers.

In 2017, BPF sold 1,625,361 insurance policies and/or services within the Peugeot Citroën DS scope, up by +4.5%, or on average a little less than two contracts per customer financed. The contribution of this business to BPF's recurring operating income was €198 million under IFRS 8 (€15 million under IFRS 5).

2017 was the eighth year running of sales growth for this strategic business.

## 1.3.2. The Group's strategic trends

On 5 April 2016, Groupe PSA presented its strategic plan for profitable growth, "Push to Pass", covering the period from 2016 to 2021. The "Push to Pass" plan has raised the Groupe PSA's structural performance level and has set the following operational targets:

- deliver over 4.5% Automotive recurring operating margin<sup>(1)</sup> on average in 2016-2018, and target more than 6% by 2021;
- deliver 10% Group revenue growth by 2018 vs 2015<sup>(2)</sup>, and target additional 15% by 2021<sup>(2)</sup>.

The Push to Pass plan marks a first stage towards Groupe PSA's vision for itself: "a world-ranking car manufacturer with optimum efficiency, supplying standard-setting mobility services", making the customer the core concern of its activities.

This plan builds on the momentum of the previous plan, "Back in the Race", in terms of operational excellence and differentiation between the Peugeot, Citroën and DS brands.

In addition, the "Push to Pass" plan is drawing on the digitalisation of the Group and its competitive teams in order to build:

- a product offensive enabling the launch of "one new vehicle per region, per brand and per year". This product offensive revolves around a global vehicle design strategy ("Core model strategy") incorporating target technologies ("Core technology strategy");
- the Group's international expansion and profitable growth in all its host regions;
- the expansion of the Group's business activities, primarily in the areas of after-sales services and used vehicles, incorporating the development of multi-brand offerings with the aim of expanding its customer base. The Group is also expanding its activities to mobility services to meet the needs of its customers ("Core services strategy"), including car-sharing, connected services, leasing, fleet management and sharing.

<sup>(1)</sup> Recurring operating income as a percentage of revenue.

<sup>(2)</sup> At constant (2015) exchange rates. and at constant perimeter (excluding OV).

The acquisition of Opel Vauxhall, effective at 1 August 2017, constitutes an opportunity for accelerating the Groupe PSA growth plan, under the benefit of:

- the leveraging of operational excellence over a widened Group;
- a higher R&D capacity;
- volume and synergy gains;
- new automotive brands, with considerable synergy by their image and geographical footprint.

The *PACE!* plan presented on 9 November 2017 is designed to sustain Opel Vauxhall's competitiveness, setting as operational targets:

- a recurring operating margin<sup>(1)</sup> of 2% for Opel Vauxhall by 2020 and a target of 6% by 2026;
- positive free operating cash flow<sup>(2)</sup> by 2020.

It is based on four fundamental pillars:

- the path set by the European Union for reducing CO<sub>2</sub> emissions de CO<sub>2</sub>, which will be achieved among others by electrification of the range;
- improved competitiveness through optimised process efficiency, reduction of costs and Group synergy gains of €1.1 billion p.a. by 2020, reaching €1.7 billion p.a. by 2026;
- a high positioning of the Opel Vauxhall brands, to improve pricing power while emphasising quality and services in keeping with customer expectations;
- lastly, a vigorous drive by Opel Vauxhall to boost its sales growth by accelerating the rollout of new models, with a total of 9 launches by 2020, and international development at a pace of 20 new markets by 2022.

## 1.4. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

To begin with, it should be specified that Section 1.4 gives details on the Groupe PSA global risk management policy. Section 1.5 discusses the major risks, termed the "Top Group Risks" to which the Group is exposed, and the remedial measure the Group

institutes to reduce that exposure. Lastly, Section 1.6. and 2. are designed to comply with regulatory requirements concerning the processing of environmental, social and societal risks.

### 1.4.1. Internal control objectives for the 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 Executive Committee's instructions and guidelines;
- efficient internal processes, particularly those that help to safeguard the assets of Group companies;
- reliable financial and operational reporting.

Groupe PSA sets up effective Internal Audit mechanisms based on:

- engagement at the highest level;
- accountability of all actors at all levels of the organisation;
- reliance on self-assessments of compliance and deployment of processes;
- analysis of self-assessment findings to improve efficiency and compliance of Group activities.

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.

### 1.4.2. 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's shares are traded on a regulated market and it acts under the responsibility of its own Board of Directors; it has a separate internal control system which it applies independently from other Group divisions.

(1) Recurring operating income as a percentage of revenue.

(2) Defined as recurring operating income + depreciation and impairment - restructuring costs - capital expenditure and capitalised R&D - fluctuations in working capital.

### 1.4.3. Internal control principles

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

- comply with rules and regulations, set an example in terms of behaviour and ethics;
- 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;
- to have each division manage all the risks inherent in its business through internal control processes geared to its specific challenges;

- identify and monitor major risks ("Top Risks") to which the Group is exposed and perform reporting up to Executive Committee level;

- make the scheme auditable on the basis of quality indicators.

To do this, the Group's Executive Committee decided in 2016 to strengthen the internal controls by structuring their organisation and deployment as part of a process of continued improvement. This mission was entrusted to the Group Protection, Audit and Risk Management Department, which is attached to the General Secretary, which developed and set up the METRIC programme (Management of Ethics, Risks, Internal Control & Compliance).

### 1.4.4. Participants and processes

#### 1.4.4.1. AT GROUP LEVEL AND IN THE AUTOMOTIVE DIVISION FOR RISK MANAGEMENT

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 Group Protection, 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 which are 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".

**Specific risk management and control procedures cover particular risks.**

The Group's Code of Ethics 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.

Anti-fraud measures, which are the responsibility of the Group Ethics Committee, which delegates their implementation, investigation, records management and reporting to the Group Protection, Audit and Risk Management Department.

The Group Protection, Audit and Risk Management 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 Executive 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 costing 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 Group Protection, Audit and Risk Management Department checks that the risk management procedures are correctly applied.**

The Group Protection, 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 Executive Management for approval and presented to the Supervisory Board's Finance and Audit Committee. The Group Protection, 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 60 audits were carried out in 2017 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.

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.

### **1.4.4.2. AT THE GROUP AND AUTOMOTIVE DIVISION LEVELS FOR INTERNAL CONTROLS**

#### **Audit environment**

To better meet regulatory requirements and consumer expectations, the Group has appointed four compliance officers in the areas of competition, anti-corruption, personal data and approval to take care of and integrate these concerns internally.

Similar to regulatory bodies, each one is responsible in its field for internally communicating external restrictions and obligations (laws, regulations, consumer commitments) in the form of internal rules applicable to the Company's operational processes.

As needed, they rely on a network of internal control and risk managers (ICRMs) established in 2016. These managers are responsible within their departments for leveraging the Group's rules and adapting them to their department's activities. The ICRMs identify the risks specific to their department and keep them under control. They oversee the drafting and maintenance of business line reference guides and major processes, and ensure they are consistent with the Group's rules (including compliance rules). They conduct self-assessments of their departments.

#### **Control activities**

Control activities are designed to ensure the application of the standards, procedures and recommendations from audits that ensure the implementation of the Executive Management's guidelines. All departments reporting to the Chairman of the Managing Board have annual self-assessment process.

- The tool supporting the METRIC programme allows departments to self-assess and evaluate their compliance with the Group's internal rules. It also allows the necessary action plans to be followed when necessary.

- The departments' results from the METRIC self-assessment campaign are reported once a year to the Executive Committee. Appropriate action plans are put in place by the entities with the objective of continuous improvement and their proper implementation can be assessed later through Internal Audits.

#### **Internal audit oversight**

The Executive Committee initiated the internal control system. Its oversight is based on the following points:

- an annual review by the Management Committee, presenting the entity's self-assessment findings;
- an annual submission to the Executive Committee of the internal-control activity, providing concise information to Group managers on the degree of maturity of internal control;
- an annual presentation to the Audit and Finance Committee of the Supervisory Board detailing the major risks of the Group, the associated audit plan and the level of maturity of the Group regarding internal controls.

The ICRM network meets periodically. These meetings are supplemented, as needed, by the creation of working groups and the deployment of awareness-raising efforts and training.

#### **A continued improvement approach**

Internal Audit oversight is part of a process of continuous improvement. Its purpose is to continually improve processes and create a coherent set of methods and tools to give management an integrated view of any findings and adjustments. It is based on the following principles:

- producing and updating internal control reference guides, in close collaboration with the operating units to support Group policy;
- listening to the various business lines to streamline and optimise internal controls;
- adjusting controls based on changes in risks.

### **1.4.4.3. 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)).

### **1.4.4.4. FAURECIA**

Faurecia's risk management and internal control procedures are presented in its 2017 Registration Document, which can be found on its website ([www.faurecia.com](http://www.faurecia.com)).

## 1.4.5. 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 Groupe PSA.

### 1.4.5.1. ACCOUNTING AND FINANCIAL ORGANISATION

The Finance Department uses a technical and organisational framework 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 (IFRS) 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.

### 1.4.5.2. PROCEDURES FOR PRODUCING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Published financial information comprises the consolidated financial statements of the 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 the Group as a whole, Banque PSA Finance and its subsidiaries and Faurecia. Each month, all consolidated companies send their dedicated team their detailed financial statements, including their statement of income, 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 statement of income, balance sheet and cash flow statement items is communicated each month to Executive 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 Groupe 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.

#### 1.4.6. 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 risk analysis procedures, conduct of and regular updates to the 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.

Since 1 August 2017, Groupe PSA has supported Opel Vauxhall in defining a scheme for managing its own risks, with the ultimate aim of incorporating those risks in the Groupe PSA scheme.

As a result, Groupe PSA has implemented an action plan including a detailed roadmap, designed to fully include Opel Vauxhall within the Group's risk management scope for the 2018 financial year and thus ensure consistent, consolidated presentation of information.

### 1.5. RISK FACTORS

Groupe PSA conducts its activities in an environment of radical changes for the automotive industry, changes with respect to technology, consumption patterns and new competitive forces in the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, earnings or outlook. This section sets out the main identified risks.

The various operating units of the Group identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad (Faurecia has its own arrangements for these activities; for further details please refer to the Faurecia Registration Document available for consultation on its website [www.faurecia.com](http://www.faurecia.com)), and report thereon to the Executive Committee

and to the Supervisory Board's Finance and Audit Committee on an annual basis.

In addition, the Group conducted a series of interviews with outside observers to obtain a realistic and relevant perspective as to its ability to address these risks in its environment.

However, other risks may exist or occur, which are either not known to Groupe PSA at the date of this Registration Document or whose realisation has not been deemed likely to have a material adverse effect on the Group, its business, financial position, earnings or outlook.

For more information on risk management, please refer to Section 1.4, of this Registration Document.



## 1.5.1. Operational risks

### 1.5.1.1. RISKS RELATED TO THE GROUP'S ECONOMIC AND GEOPOLITICAL ENVIRONMENT

#### Risk factors

In 2017, Groupe PSA's earnings were still largely dependent on the European market and to a lesser extent the Chinese market. The Opel Vauxhall acquisition increases this dependence on the European Market.

The Group's activities particularly in the British markets (since Brexit), and the Russian, Brazilian and Argentinian markets, naturally expose it to exogenous risks such as currency risk, adverse changes in tax and/or customs regulations, and geopolitical events.

Furthermore, the increasing part of electrified powertrains with batteries integrating rare raw material represents a risk of battery procurement (geopolitical and shortage).

#### Risk management and control processes

With the aim of limiting such risks, strategy consists of expanding internationally in order to reduce the Group's dependence on its historic markets, and to protect itself from protectionist policies introduced by certain countries to foster the development of a domestic automotive industry.

The Group's international expansion, an integral part of the "Push to Pass" plan, led in 2016 to a strong involvement in the Maghreb countries of North Africa and the Mediterranean region (particularly with the start of operations at a plant in Morocco and the signing of joint venture agreements to produce latest-generation vehicles in Iran), and in early 2016, to the signing of a joint venture to produce vehicles in India and Algeria.

The Executive Committee steers and controls the Group's activities through the "Push to Pass" plan and the progress of its action plans.

### 1.5.1.2. NEW VEHICLE DEVELOPMENT, LAUNCH AND MARKETING RISKS

#### Risk factors

The decision to develop new vehicle models or subassemblies and to introduce them in the market is backed by marketing and profitability studies carried out several years prior to their actual launch. In the context of an increasingly responsive automotive market, this time gap puts forecast volumes at risk and ultimately generates a financial risk (loss of value of fixed assets, payables to suppliers who would have invested based on estimated volumes).

The development of vehicles and subassemblies is exposed to continuous changes in regulations which impose increasingly stringent requirements, particularly in terms of fuel economy and emissions of CO<sub>2</sub> and pollutants.

For more information on the Group's policy on fuel economy and emissions of CO<sub>2</sub> and pollutants, please refer to Section 2 below of this document.

These changes, together with strong consumerist trends, may determine structural modifications in the market (for example, the internal-combustion/PHEV/electric mix in the French market), to which the manufacturing facilities cannot always adapt immediately.

Technical risks related to product quality and safety can lead car manufacturers to recall vehicles.

## Risk management and control processes

The Automotive Programmes Department aims to translate the Groupe PSA's strategy into product plans and ensure their implementation by steering the development of vehicle and subassembly programmes and being responsible for their economic performance. The Automotive Programmes Department has a "Strategy" unit for anticipating deep-seated changes in market structure. This facility helps predict future-year changes in the energy mix (internal-combustion/PHEV/electric).

The Group relies on an operational development plan, regularly updated and optimised, thanks to project experience feedback conducted in cooperation with our partner car manufacturers. For each vehicle and subassembly project, a set of product services, profitability, quality and time-to-market objectives are set. Progress in meeting these objectives is ensured by a system of project milestones approved by the Executive Committee. In addition, the Quality Department authorises (or refuses) the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers.

The Group attaches the utmost importance to exchanges with regulatory authorities to anticipate design plans and capital expenditures required to meet scheduled changes in regulations.

Concerning the approval of its vehicles by regulatory authorities, the Group notes that they comply with the various pollutant emissions regulations.

### 1.5.1.3. RISKS RELATED TO THE EMERGENCE OF NEW BUSINESS MODELS FOR NEW MOBILITY

#### Risk factors

The market shows a strong trend towards new forms of mobility such as car-sharing, car-pooling, and connected services.

This creates opportunities that are also available to new market entrants, mostly from the digital industry. These players from outside the automotive industry seek a positioning in the automotive value chain that directly competes with the "natural" place of car manufacturers and helps said players take advantage of the margins offered by the new technologies.

Insufficient control of the advances of these new players or the absence of the Group from these new markets and consequently its lack of exposure to these new business models would represent a risk to Groupe PSA.

#### Risk management and control processes

The Mobility Services Department addresses the need for the Group to participate in a strong and visible manner to the mobility and future connected services value chain.

In 2016, Groupe PSA announced the creation of its Free2Move mobility services brand which brings together all of its connected mobility services offerings, including:

- B2C and C2C car-sharing;
- B2B car-sharing;
- networked fleet management;
- smart services: with all advanced mobile services to customers, by creating an ecosystem with other partners;
- rental activity.

Furthermore, the Group develops connected after-sales services and data service activities, primarily for cities.

The Free2Move application, launched in April 2017, is available in Europe, and has recently become so in Seattle. It will subsequently become more widely deployed in the United States. It incorporates urban car-sharing between private individuals, with single-click choice of the most appropriate transport mode. It offers a solution to every need, with options to rent a bicycle, scooter or vehicle from a consumer, a partner-operated service or Groupe PSA.

#### 1.5.1.4. CUSTOMER AND DEALER RISKS

##### Risk factors

Groupe PSA is exposed to the risk of customer and dealer default in the normal course of its distribution and lending activities.

For sales with a buyback commitment, the risk concerns the difference between the vehicle's estimated resale price, as determined at the contract's inception, and the actual resale price.

The provisions and charges recognised to cover these risks are presented in Note 13.2 for Banque PSA Finance and Note 12.2 for the manufacturing and sales companies in the Notes to the 2017 consolidated financial statements, Section 5.6 below.

##### Risk management and control processes

Faced with the risk of customer default, the Group has placed particular importance on the security of the payments it receives for goods and services delivered to its customers. The Group has developed a secure payment policy to avoid credit risks.

Banque PSA Finance has set up its own system for managing the credit risk associated with financing activities (see paragraph 1.5.3 below).

For Automotive Division sales not financed by Banque PSA Finance, a standard has been issued that specifies: (i) the payment and credit terms to be applied to customers according to the type of product (new vehicle, used vehicle, spare parts, CKD - Complete Knocked Down or subassemblies); and (ii) the level of approval required for granting special dispensation from the rules set out in the standard. Among these rules, protection mechanisms must be set up to fully guarantee the payment of amounts owed by foreign importers. Exemptions granted are subject to formal validation depending on authorised open credit limits. The Group monitors outstandings against authorised limits on an ongoing basis.

A system has also been set up for measuring the residual value of vehicles sold with a buyback commitment. An initial valuation is carried out in the contract negotiation phase and subsequent valuations are regularly performed throughout the term of the contract which enables the values to be adjusted for new contracts where required. In 2017, the Group opted for harmonisation of the provisioning methods, and for more reliable residual values using, for France, the reference system of Autobiz, one of the world leaders in vehicle price listing. This residual value is reviewed periodically, and includes the best estimates of foreseeable market trends, particularly as regards petrol and diesel propulsion systems.

#### 1.5.1.5. RAW MATERIALS RISKS

##### Risk factors

The Group's Automotive Division is exposed to raw materials risks through its direct and indirect purchases of commodities. In 2017, purchases of raw materials for Europe amounted to nearly €5 billion (or around 30% of the purchasing budget).

The main raw materials used, in declining order of their impact, are:

- steel (38% of the total cost of production raw materials purchases), polymers and elastomers (27%);
- aluminium (9%).

The Group has identified two main types of raw materials risk:

1. the supply risk related to the availability of materials;
2. the economic risk relating to price fluctuations that could not be further passed on to the Group's product selling prices.

##### Risk management and control processes

To deal with these risks, the Purchasing Department aims to fully leverage a number of measures, in particular: optimising global sourcing, using bulk purchases, searching for substitute materials, using recycled and green materials, recovering and reusing by-products and implementing financial hedges.

The implementation of this raw materials strategy is managed during reviews chaired by the Director of Quality and Engineering and the Director of Group Purchasing. It is deployed within joint technical networks organised by material.

In order to limit the economic risk of traded commodities, the Group set up a management, steering and monitoring process for financial hedging in 2009. Every quarter, positions according to established governance rules are submitted to the Chief Financial Officer and the Director of Group Purchasing for arbitration and approval. The Protection, Audit and Risk Management Department regularly audits this process.

For additional information, please refer to Note 12.7 to the consolidated financial statements as at 31 December 2017, in Section 5.6 below.

#### 1.5.1.6. SUPPLIER RISKS

##### Risk factors

Given that the parts and components purchased from suppliers represent more than 75% of a vehicle's production cost. These companies' technical, quality, logistical and financial performances are essential to the Groupe PSA's overall performance. Failure by suppliers to fulfil their commitments, even for a seemingly minor component, could lead to a serious risk of production stoppages (component used in the production cycle) and delays in the commercial launch of new vehicles (component used in the developing cycle).

##### Risk management and control processes

Suppliers are evaluated, selected and monitored according to various criteria including: competitiveness, quality, logistics performance, the ability to develop new products and manufacture them in large quantities, sustainability, exposure to natural risks, and environmental and social responsibility (CSR).

The Purchasing Department leverages its extensive expertise in production costing and commodity price management and its in-depth understanding of global markets to efficiently manage competitive bidding processes and supplier relationships. World-class automotive suppliers were invited by car manufacturers to support their global expansion. These suppliers have become leading economic players whose responsibility weighs heavily on the subcontracting chain. In view of this risk, the Group implemented operating procedures with these global Player that ensure a quality long-term relationship and involve said suppliers in the process of managing any risks (including CSR risks) that may occur across the subcontracting chain.

In addition, dedicated teams are responsible for preventive and curative managing of the risks related to suppliers' quality, logistics and sustainability.

The Purchasing Department analyses the financial results of the Group's main suppliers and compiles information about their industrial strategies, assesses the impact on the suppliers of Groupe PSA's "make-or-buy policy", analyses the socio-economic impacts of industrial choices and verifies that suppliers comply with the Group's social and environmental specifications.

This analysis has two benefits: first, avoiding awarding new markets to suppliers experiencing financial difficulties and secondly, identifying all suppliers at high risk of insolvency (financial soundness, probity of shareholders, exposure to natural risks, etc.). The situation of the suppliers at a high risk of default is reported to the Purchasing Management Committee on a monthly basis, which validates any action plans and may suggest measures to support supplier liquidity (temporary reduction of payment terms) or risk mitigation (doubling production, search for potential rescuers or investors, stockpiling, etc.). Groupe PSA has set up a flexible organisation and scalable processes to ensure that contractual payment terms agreed upon with its suppliers are strongly respected. It has also put in place a dedicated process to address late payments. This will identify any reasons for recurring delays and provide the necessary structural solutions.

In 2017, the curative or preventive monitoring of high risk suppliers based on financial criteria covered 45 companies representing approximately 7.7% of annual purchases.

### 1.5.1.7. INDUSTRIAL RISKS

#### Risk factors

The occurrence of a major incident (such as fire, explosion or natural disaster) at a manufacturing site of the Group or of its supply chain could compromise the production and sale of several hundred thousand vehicles.

#### Risk management and control processes

The Group has implemented steps to lower the probability of occurrence of undesirable events and mitigate potential impacts on human, environmental and economic resources.

Actions to manage risks and promote business continuity are conducted at each organisation by the operating entities assisted by risk management experts and the various business lines involved.

The risk management processes and associated best practices are also implemented for the new technical centres or manufacturing sites.

In the specific area of manufacturing processes, the regional risk management system is built on three pillars: the convergent trend towards the "Excellent Plant", the Global Risk Management System and the Manufacturing Management Control System, all of which serve to cover, monitor and control throughout the year all the major risks identified within the industrial entities.

Lastly, concerning the quality of manufacturing processes, the assembly plants have been ISO 9001 certified by UTAC (except for Section 7.3 "Design and Development"), to comply with the requirements of European Directive 2007/46/EC, Annex X, "Conformity of production procedures".

### 1.5.1.8. ENVIRONMENTAL RISKS

#### Risk factors

Groupe PSA may be exposed to environmental risks arising from its manufacturing and sales activities. It should be noted that no Group establishment falls within the scope of the regulation on industrial hazards (the Seveso Directive).

#### Risk management and control processes

The Industrial Environment Department coordinates the deployment of the Group's environmental policy for manufacturing and research sites which aims to reduce the environmental impact of the Group's facilities. This unit manages a centralised reporting system monitoring each facility's environmental performance and promotes continuous improvement initiatives.

At each major site, an "environment" team is dedicated to the operational management of all environmental risks - a specific annual investment plan accompanies the rollout of the certification programme and appropriate methodologies are deployed (ISO 14001, REACH European regulations, Classification, Labelling, Packaging regulation).

For more information on the environmental risk provision and the Group's ISO 14001 certification process, please refer to Section 2.2.2 below.

### 1.5.1.9. WORKPLACE HEALTH AND SAFETY RISKS

#### Risk factors

Groupe PSA is faced with a wide range of situations that could affect employee health, safety and well-being.

Working conditions can cause situations of stress or discomfort that, in addition to their impact on health, can directly influence employee engagement. Shiftwork, involving physical demands, is the main cause of occupational illnesses.

Moreover, commuting inside and outside of the Group's facilities may cause workplace or commuting accidents.

Lastly, the use or presence of certain chemicals in production processes may lead to risks related to air quality, generate pollution or create a risk of explosion.

#### Risk management and control processes

In line with its ambition to promote Responsible Development, the Group relies on an Occupational Safety and Health Management System (OSHMS) consisting of 22 requirements applicable to all entities and subsidiaries (see Section 2.4.4.1).

The OSHMS aim:

- to reduce the risk of workplace accidents and occupational illnesses (for example, the implementation of a road risk prevention charter to prevent travel risk, ergonomic workstation design);
- to improve safety and well-being at work, particularly through stress detection measures (prevention of psychosocial risks).

This system is based primarily on the firm, regularly renewed commitment from the executive management, a structured approach and ownership tools that allow all employees to take control of their health and safety during daily activities.

Our total lost-time incident frequency rate is one of the best in the automotive industry (demonstrating the effectiveness of our management system).

### 1.5.1.10. RISKS ASSOCIATED WITH THE COOPERATION AGREEMENTS

#### Risk factors

To speed up its development and bring down engineering and production costs, Groupe PSA has implemented a policy of entering into cooperation agreements with other car manufacturers for both vehicle platforms and subassemblies. In addition, the Group regularly grants manufacturing licences to certain industrial partners. For more information on partnerships, please refer to Section 1.3.1.1.5 above.

In the pre-signature negotiation phase for cooperation agreements, there is a risk that the partner concerned could use the information provided to it by the Group. In the negotiation phase, there is a risk that the Group could misjudge contractual risks.

Once a cooperation agreement has been signed, the risks faced by the Group are mainly financial, i.e. penalties may be imposed in the event of a breach of take-or-pay clauses for vehicles or subassemblies, or to offset the negative impact on component purchase prices caused by reductions in volumes, or overruns or overestimates in respect of R&D expenditure or investments when the partner is acting as project manager.

Whenever a project's profitability is jeopardised, a provision for onerous contracts and/or an asset impairment loss is recorded in the consolidated financial statements to reflect the future costs that will be incurred.

Other risks to which the Group is exposed in relation to its cooperation agreements include the risk of a partner granting licences to a third party without any consideration for the Group or the risk of a partner manufacturing faulty products, which would require Groupe PSA to undertake remedial action and have a negative impact on its products.

Regarding the partnership with Dongfeng, the Group believes that strengthened cooperation should generate synergies for the Company.

However, these synergies are based on a number of assumptions that may not materialise, including the successful conduct of the next steps in the manufacturing and sales plan defined by the Group and Dongfeng Motor Group Company Limited in the partnership agreement.

#### Risk management and control processes

To reduce its risk in negotiating contracts, the Group uses control procedures applied to strategic projects *via* strict rules in terms of contract management. These procedures lay down the terms of liability, sequencing (mandate and framing, monitoring of negotiations, validation before signature, overseeing contract execution) and approval (Executive Committee, Managing Board).

At operational level, the Finance Department and the Programmes and Strategy Department use a process for verifying that the partners involved in cooperation ventures comply with their contractual commitments.

Part of this process entails setting up governance bodies for each venture, with a referral procedure for settling any disputes that may arise. The governance bodies allow regular reviews and shared decision-making, notably concerning action plans aimed at rectifying any potential situations of contractual non-compliance and as such mitigating the related risks.

In addition, please refer to Note 8.3 to the 2017 consolidated financial statements, Section 5.6 below.

Regarding the partnership with Dongfeng, in July 2014 the Group set up an Office of Strategic Partnership which consists of a joint Groupe PSA/Dongfeng team including managers from both companies. This Office of Strategic Partnership, which reports to the Director of the China-Southeast Asia region, is tasked with managing the operations of the partnership and is therefore close to day-to-day activities so as to anticipate risk situations and implement corrective actions.

### 1.5.1.11. RISKS OF NON-EXECUTION OF THE PACE! STRATEGIC PLAN

#### Risk factors

Following the acquisition of Opel Vauxhall on 1 August 2017, Groupe PSA must meet several challenges.

Undoubtedly the most ambitious is the recovery of Opel Vauxhall, which nevertheless entails a high risk of failing to carry out the PACE! strategic plan aimed at returning to that business's fundamentals, and putting its competitiveness and growth on a sustainable footing.

The failure of that plan could jeopardise the position of Opel Vauxhall, and hence, of Groupe PSA.

#### Risk management and control processes

The PACE! strategic plan presented on 9 November 2017 is based on four fundamental pillars:

- the path for reducing CO<sub>2</sub> emissions laid down by the European Union, which will be met by a complete electrified offer of Opel Vauxhall vehicles in 2024;
- improved competitiveness, with high synergy gains between PCD and OV of €1.1 billion p.a. in 2020 and €1.7 billion p.a. by 2026. These synergy gains will be made possible through efficiency gains and the overall reduction of costs achieved, for example, by controlling general expenses, reducing the number of and pooling production platforms, reducing the manufacturing-plant breakeven while preserving the Germanic "genes" of the Opel brand;
- a high positioning of the two brands by returning them to growth segments such as SUVs, and by improved pricing power while giving preference to quality and services in keeping with customer expectations;
- lastly, a vigorous drive by Opel Vauxhall to boost its sales growth by accelerating the rollout of new models, with a total of 9 launches by 2020, and international development at a pace of 20 new markets by 2022.

An Executive Committee common to both PCD and Opel Vauxhall has been set up, meeting monthly to monitor, control and ensure that the performance indicators are duly on track.

### 1.5.1.12. INFORMATION SYSTEM RISKS

#### Risk factors

Risks related to Groupe PSA's Information Systems, including those embedded in vehicles, stem from targeted attacks or malicious activities, anomalies in the behaviour of participants, failures or disasters. Their consequences would be economic, legal or damaging to the Group's image.

#### Risk management and control processes

A Group Information Systems Security Policy is in force, covering the Automotive and Finance Company Divisions.

It is deployed in the operational divisions through governance implemented by the Group Security Department in connection with the IT Department.

In order to manage these risks, the Group implements a range of measures that concern both the design features of its Information Systems and their use and maintenance. These measures are focused on the following areas:

- reinforcing the control of access to sensitive information and applications by deploying user-rights reviews governing the use of the Group's sites by employees and external parties;

- continuous awareness training of employees on the dangers and best practices in controlling information by the continuous deployment of an Information Control Management System (*Système de management de la maîtrise de l'information* – SMMI);
- intensifying research on security vulnerabilities in computer applications and implementing corrective actions;
- deployment of Disaster Recovery Plans that guarantee that the Group would be able to continue its essential operations if a malfunction or major incident occurred at one of its IT centres;
- compliance with regulatory and legal developments, specifically related to personal data;
- introduction of safety measures for people and property in the embedded systems of networked vehicles similar to those already used in stand-alone systems;
- implementation of the security operation center (SOC): a control tower improving our vision and detection of anomalies and attacks, and considerably leveraging our ability to take action.

### 1.5.1.13. CLIMATE CHANGE RISKS

#### Risk factors

Groupe PSA's industrial sites may, depending on the geographical areas in which they are situated, be subject to natural phenomena such as earthquakes or climatic phenomena such as hurricanes, cyclones and floods. Climatic events such as global warming need to be factored into the choice of new industrial sites of Groupe PSA, with means of protection provided for certain existing sites located in areas at risk.

#### Risk management and control processes

Beyond regulatory requirements, Groupe PSA is committed to active management of risks entailed in natural disasters and climate change, as exemplified by the institution of risk prevention and control actions for its plant, and the factoring-in of climate-change issues at its new industrial sites.

## 1.5.2. Financial market risks

Groupe PSA is exposed to liquidity risk, as well as interest rate risks, counterparty risks, exchange rate risk and other market risks related in particular to fluctuations in commodity prices. Note 12.7 to the 2017 consolidated financial statements provides information on risk management, which is primarily carried out by the Finance Department, as well as identified risks and the Group policies designed to manage them.

### 1.5.2.1. EXPOSURE TO CHANGES IN EXCHANGE RATES

Please refer to Note 8.3 and Note 12.7.A (4) to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.2.2. EXPOSURE TO CHANGES IN INTEREST RATES

Please refer to Note 12.7.A (2) to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.2.3. COUNTERPARTY AND CREDIT RISKS

Please refer to Note 12.7.A (3) to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.2.4. LIQUIDITY RISK

Please refer to Note 8.3 and Note 12.7.A (1) to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.2.5. CREDIT RATING

At 28/3/2018	Rating	Revision date	Previous rating
<b>Peugeot S.A.</b>			
Moody's	Ba1/Stable/NP	26/07/2017	Ba2/Stable/NP
Fitch	BB+/Positive	23/03/2018	BB+/Stable
<b>Banque PSA Finance</b>			
Moody's <sup>(1)</sup>	A3/Stable/P-2	08/03/2017	Baa2/stable/P-2

(1) Rating not requested since 11 February 2016.

Peugeot S.A.'s credit rating is based on criteria that assess the Group's competitiveness, geographic diversification, profitability and liquidity, and involve financial ratios, particularly the net debt-to-equity and operating cash flow-to-net debt ratios.

In 2017, the ratings of Peugeot S.A. and Banque PSA Finance improved following the disclosure of 2016 earnings in February 2017.

- Moody's Investors Service upgraded Banque PSA Finance's rating to A3/stable on 8 March 2017.

- Moody's Investors Service also upgraded Peugeot S.A.'s rating to Ba1/stable on 26 July 2017.

- Fitch upgraded Peugeot S.A.'s rating to BB+/Positive on 23 March 2018 following the disclosure of 2017 earnings.

Any revision of these ratings may affect the companies' ability to obtain financing in the short, medium and long term.

### 1.5.3. Risks related to Banque PSA Finance

The Risk Management Department, formerly the Risks Department which was renamed by Legal Order of 3 November 2014, is responsible for identifying, measuring, controlling and monitoring BPF's risks. Its head is a member of the Executive Committee. He also reports on its work to the Audit and Risk Committee, the Risk Management Committee and, where necessary, to the bank's ad hoc Transactions Committees.

Risk governance specifically covers risk oversight, the validation of risk measurement methods or models, and the setting of the desirable level of risk, as well as first and foremost the identification of risks and assessment of their potential criticality based on established management policies and the economic environment. These various items are submitted to, analysed and resolved-upon at the meetings of the following committees: The Risk Management Committee, the ALCO (ALM Committee), the Basel II and Model Committee and the Audit and Risk Committee. The members of the executive body and the decision-making body participate in the meetings of these committees or are informed about their discussions.

Risk control in the joint operations with Santander and BNPP PF is the task of Joint-Union Global Risk Committees, with local Risk Committees formed in each JV.

BPF has identified 14 risk factors to which it is exposed, including 6 major factors that are presented below.

For more information on the risks specific to BPF, please refer to BPF's 2017 Annual Report at [www.banquepsafinance.com](http://www.banquepsafinance.com).

#### 1.5.3.1. BUSINESS RISK

##### Risk factors

Six main risk factors influence BPF's activity levels and are regularly assessed:

- external factors contributing to vehicle purchases;
- public authority's incentive policy on acquiring new vehicles;
- changes in regulations and taxation that might alter the business or its profitability;
- the sales volumes and marketing activities of the Groupe PSA brands;
- BPF's competitive positioning in terms of products and prices;
- country risk, managed as far as possible by seeking local financing.

#### 1.5.3.2. CREDIT RISK

##### Risk factors

Credit risk arises from the failure of a customer to meet the payment of its obligations, including situations where BPF recovers the financed asset. BPF does not incur residual value risk. Credit risk levels are mainly related to the economic climate.

##### Risk measurement, management and control

Risks are assessed on approval of the loan and monthly for all loans in the portfolio.

On approval of the loan, internal rating models are used to evaluate risk: grading models (Corporate) or credit scoring systems (Retail).

Under the partnership with Santander Consumer Finance (SCF) in Europe for the activities of financing the Peugeot, Citroën and DS brands, the internal models are regularly reviewed by the different SCF risk teams to ensure stability of the models' performance over time.

Concerning the measurement of credit risk within the Peugeot Citroën DS scope, for accounting purposes under IAS 39, an overall provision for impairment losses is recognised on Retail loans outstanding, using rates that are calculated twice a year *via* dedicated models which estimate discounted losses and recoverable future amounts. A model for estimating a provision for impairment losses on performing Corporate loans has also been developed. Impairment losses on doubtful loans in Corporate portfolios are recognised on a case-by-case basis (Flash Report) taking into account the valuation of any potential collateral held. An impairment loss is recognised on these portfolios when the loan is reclassified as non-performing or the estimated loss calculated during individual analysis is not zero.

Under the partnership with BNP Paribas Personal Finance instituted in Europe as from 1 November 2017 for the financing activities of the Opel and Vauxhall brands, the internal risk models are being reviewed by the BNPP Personal Finance risk management teams.

#### 1.5.3.3. LIQUIDITY RISK

##### Risk factors

Liquidity risk depends on the situation in the financial markets (Market Risk) and principally the BPF's rating (Funding Risk). Liquidity risk is the main financial risk to which BPF is confronted.

##### Risk measurement, management and control

There are two mechanisms in place for managing liquidity risk: a general policy and established thresholds and indicators.

Risk control is based on these risk indicators. The monthly meeting of the ALCO monitors the application of the general policy, risk levels, compliance with the limits set and measures that need to be taken to anticipate liquidity risk.

Following the establishment of local joint arrangements with Santander Consumer Finance, financing are no longer Banque PSA Finance's sole responsibility.

Please refer to Note 13.4 (1) to the 2017 consolidated financial statements, Section 5.6 below.

#### 1.5.3.4. COUNTERPARTY RISK

##### Risk factors

Counterparty risk is the risk of the potential default of a borrower or a guarantor resulting in the cessation of loan repayments or rendering impossible the calling into play of guarantees given.

BPF is exposed to counterparty risk from three sources: interest rate risk hedges, investment of its liquidity reserves, the delegated management of the Securitisation Fund reserve investments.

##### Risk measurement, management and control

It invests only in leading banks ranked based on an internal model. Derivative contracts are entered into solely with Investment Grade banks. Utilisation of the limits is checked daily. A summary report of any exceeding limits is submitted to the ALCO, Risk Management Committee and Audit Committee meetings.

### 1.5.3.5. CONCENTRATION RISK

#### Risk factors

The concentration risk addressed by BPF is the risk of over-heavy exposure to a given customer from credit transactions and to a given counterparty in bank refinancing transactions.

#### Risk measurement, management and control

Concentration indices are used to measure this risk. Compliance with the indices is assessed during the Risk Management Committee or ALCO meetings. BPF factors in Groupe PSA's rating when determining the level of its commitments to the latter.

### 1.5.3.6. OPERATIONAL RISKS

#### Definition of risk and risk factors

Operational risk is defined as the risk of loss arising from inadequacy or failure attributable to procedures, BPF employees, internal systems or external events, including events that, although very unlikely to happen, would carry a high risk of loss. It is distinct from non-compliance risk and reputational risk.

#### Risk measurement, management and control

BPF is primarily exposed to operational risks linked to credit risk, external fraud and, to a much lesser extent, the risks inherent in outsourcing activities to contractors or partners.

Risk management mechanisms are incorporated into instructions and second-tier checks are carried out by the permanent control functions. Risk is also managed *via* decision-making and authorisation rules or special solutions incorporated into the IT systems (such as the Disaster Recovery Plan).

### 1.5.4. Legal and contractual risks

Groupe PSA is exposed to legal risks as an employer and in connection with the design, manufacturing and distribution of vehicles, the purchase of components and the supply of services.

To manage these risks, the Group implements preventive policies covering workplace health and safety, industrial and intellectual property, the manufacturing environment, vehicle safety, product and service quality and the security of the Group's transactions from a legal standpoint.

### 1.5.4.1. LEGAL AND ARBITRATION PROCEEDINGS

As at 31 December 2017, no Group company was involved in any claims or litigation that had a material impact on the consolidated financial statements.

During the last 12 months, there were no governmental, legal or arbitration proceedings that may have, or have had, significant effects on the Group's financial position or profitability. To the best of the Group's knowledge, no such proceedings are pending or threatened.

Établissements Peugeot Frères initiated arbitration proceedings against a Group subsidiary, Automobiles Peugeot, concerning the ownership and use of the "Peugeot" brand, excluding vehicles, in 2015. These proceedings are still ongoing and the Group is confident about their outcome.

Concerning the provisions for commercial and tax litigation, and other disputes, please refer to Note 10 to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.4.2. LEGAL RISKS ASSOCIATED WITH ANTI-TRUST LITIGATION

#### Risk factors

Like all economic operators, Groupe PSA is exposed, in France and in the countries where it operates, to legal risks related to competition law.

The identified risks have been mapped, and mainly concern the areas of procurement, trade and cooperation.

The Group might become the subject of investigations by the competition authorities. In the event anti-competitive practices are proven, possible sanctions include administrative fines, criminal penalties and/or liquidated damages. The Group is at present unable to predict the consequences of such investigations, including the administrative, criminal and/or civil sanctions that could be imposed.

#### Risk management and control processes

To avoid these risks, the Group, both centrally and in the countries where it operates, has internal and external legal counsel, experts in competition law, working closely with the relevant businesses.

In addition, since 2013 the Group has carried out permanent training in competition law for operational managers who may be faced with the risk of anti-competitive practices, specifically in the commercial area.

In 2017, these actions continued and expanded across the Group, which strengthened its competition compliance programme through several initiatives (11 commitments made to the French Competition Authority in 2014), including:

- the implementation of a whistleblowing system in France;
- training sessions (in-class and e-learning) for the employees concerned, to teach them the appropriate responses and the behaviours to avoid, using practical examples.

#### 1.5.4.3. REGULATORY RISKS

The nature of the Group's activities and its international presence make it subject to a set of wide-ranging regulations. In particular, the development of new vehicles and subassemblies also exposes the Group to risks arising from constant changes in European and global regulations, particularly in the areas of safety and the environment. The overall trend is towards increasingly strict regulations. The Group's activities may be impacted by public authority policy incentives to purchase new vehicles, as well as by unfavourable changes in tax and/or customs regulations in the countries with which the Group trades.

These requirements are taken into account as soon as possible in the development of vehicles and subassemblies at the project level and in the marketing of these vehicles. For this purpose, the Group has implemented policies and procedures at the appropriate levels to ensure compliance with these regulations. The Group also participates in permanent dialogue with the national and regional authorities in charge of specific regulations for automotive industry products so as to prevent risks related to regulatory changes.

The strengthening of the compliance scheme set out in 2016 and the phased introduction of the global whistleblowing system will also contribute to preventing the occurrence of and limiting regulatory risks.

#### 1.5.4.4. FINANCIAL COVENANTS

The purpose of financial covenants is to protect lenders, and their non-compliance generally opens up early repayment or acceleration clauses. Peugeot S.A. and GIE PSA Trésorerie's €3 billion syndicated revolving credit facility demands a level of the net debt of manufacturing and sales companies of less than €6 billion and a ratio of the net debt of manufacturing and sales companies to Group equity of less than one. As at 31 December 2017, these covenants were complied with.

For more details, please refer to Note 12.7.A (1) to the 2017 consolidated financial statements, Section 5.6 below.

#### 1.5.4.5. RISKS RELATED TO PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group's employees in certain countries are entitled to supplementary pension benefits under either defined-contribution or defined-benefit plans, as well as lump-sum payments at the time of retirement. The Group's only obligation under defined contribution plans is to pay fixed contributions into the fund concerned. For its defined benefit plans - which primarily concern France, the United Kingdom and Germany - the Group is required to record a provision corresponding to the long-term pension benefit obligation, which generates employee-benefit related commitments in the consolidated accounts. This directly impacts the Group's consolidated statement of income.

In order to effectively control the Group's overall pension liabilities, independent actuaries perform valuations every year in each country concerned, and the calculation inputs, including the discount rate applied to future cash flows, inflation rates and demographic assumptions (e.g. the rate of future salary increases, mortality tables and staff turnover, etc.), are regularly reviewed. The Group's pension funds (allocation of financial assets, underlying strength of the models used, returns, etc.) are monitored by the Finance Department. For more details, please refer to Note 12.7. to the 2017 consolidated financial statements, Section 5.6. below.

#### 1.5.4.6. RISKS RELATED TO INTELLECTUAL PROPERTY RIGHTS

In the course of its business, the Group patents its innovations and grants or receives rights to use patents or other industrial or intellectual property rights, undertaking all of the usual measures to protect them.

The Group pays careful attention to protecting its intellectual property rights and legal action is taken against producers of counterfeit spare parts and any other parties that breach the Group's rights.

In 2017, 1,021 new patent applications by Groupe PSA were published in France. For more information on the Group's patent policy, please refer to Section 4.5.3 below of this Registration Document.

#### 1.5.4.7. OFF-BALANCE SHEET COMMITMENTS

Please refer to Note 17 to the 2017 consolidated financial statements, Section 5.6 below.

### 1.5.5. Risk coverage – insurance

The Group's Insurance unit has set up worldwide insurance programmes that are placed with companies that have a high insurer financial strength rating, notably for:

- the property and casualty programme, under three policies providing aggregate cover of €1,500 million, with deductible excess amounts of up to €10 million per claim;
- the civil liability insurance programme, under three policies providing aggregate cover of €250 million, with a maximum excess of €1,000,000 per claim;
- the vehicle transportation and storage insurance programme, under two insurance policies of €72 million, with a maximum excess of €300,000 per claim;
- the fraud programme, under four policies providing cover of €65 million, with a maximum excess of €500,000 per claim.

Opel Vauxhall and Opel Bank have been included in the insurance programmes contracted by the Group with effect from 1 August 2017 for the first two, and with effect from 1 November for Opel Bank, for certain programmes on special terms.

Some of the lead policies under these programmes are reinsured by SARAL (*SA de Réassurance Luxembourgeoise*), a wholly owned subsidiary of Peugeot S.A.

SARAL is involved exclusively in insuring the Group's risks, and in particular, risks regarding property and casualty and losses attributable to business interruption (€16 million per claim and per year), automobile liability (€750,000 per claim), risks associated with the transportation of vehicles and their storage on parking lots (€18 million per claim and €36 million per year) and fraud risks (€1.5 million per claim and €3 million per year).

Allied to its pro-active approach to risk prevention, which was approved by its partner insurers, the Group's insurance policy consists of transferring certain high-level risks to the insurance market and retaining low-and average-level risks through deductibles and the captive reinsurance company.

## 1.6. VIGILANCE PLAN

### Object of the vigilance plan

Pursuant to Act No. 2017-399 of 27 March 2017 on the duty of vigilance of parent companies and principals, **the vigilance plan set out in this section includes reasonable measures of vigilance designed to identify risks and prevent serious breaches of human rights and fundamental liberties, and to ensure the health and safety of persons and of the environment**, arising from:

- the activities of the Company and those of the companies it controls directly or indirectly;
- the activities of subcontractors or suppliers with which an established commercial relationship is maintained.

To ensure the fullest transparency, Groupe PSA chose to distinguish these two scopes in presenting the different measures<sup>(1)</sup> of its vigilance plan.

### 1.6.1. Mapping of the risks covered by the vigilance plan

The items set out below constitute Groupe PSA's answer to measure No. 1: *"Risk mapping designed to identify, analyse and classify risks"*

#### 1.6.1.1. RISKS ARISING FROM THE ACTIVITIES OF THE COMPANY

While updating its materiality matrix, the Group identified seven macro-risks translating into 23 CSR issues (see Section 2.1.1.). The Group relied on an external third party to guarantee fair and rigorous rating of each of the issues according to a uniform methodology (see Section 2.1.1.).

The findings were submitted to appraisal by the Group stakeholders through interviews conducted with a representative sample. The new matrix (see Section 2.1.3) was validated by the members of the Executive Committee in September 2017.

#### 1.6.1.2. RISKS ARISING FROM THE ACTIVITIES OF SUBCONTRACTORS OR SUPPLIERS

Groupe PSA chose to identify the risks entailed in the activities of its subcontractors and suppliers by commodities, for direct and indirect material. The methodology hinges on the EcoVadis Rating Framework (see Section 2.3.1.2.2). The CSR risk level established for each commodity is then enriched by the CSR assessments performed by EcoVadis for the suppliers of the commodity, and then added the risks inherent to the host countries. Lastly, other factors (amount of purchasing spend and strategic significance to Group commodity) complete the assessment.

These factors in combination are used to rank risks on six levels; this ranking undergoes critical review by the Purchasing Department, and validation by the Managing Board.

(1) Article L. 225.102.4.I. of the French Commercial Code requires a vigilance plan comprising five measures.

## 1.6.2. Other measures under the vigilance plan

Scope: Activities of the Company and those of the companies it controls (subsidiaries)	Scope: Activities of subcontractors or suppliers
<b>Measure No. 2:</b> <b><i>“Procedures for regular assessment of the situation in connection with risk mapping”</i></b>	
<ul style="list-style-type: none"> <li>Annual follow-up of the Global Framework Agreement (Self-assessment of the subsidiaries in association with the unions), Workplace Safety Management System, safety audits (STOP audits, ALT alerts), social barometer, stress assessment and monitoring, internal and external environmental audits, etc. (see § 2)</li> <li>Procedures For internal control and management of risks (see Section 1.5.1)</li> </ul>	<ul style="list-style-type: none"> <li>CSR assessment of suppliers by an external third party (EcoVadis)</li> <li>Audits of all suppliers to IATF (International Automotive Task Force) standard 16949 (vehicle certification requirement)</li> <li>External audits of critical suppliers (see § 2.3.1.2.2)</li> </ul>
<b>Measure No. 3:</b> <b><i>“Appropriate actions to mitigate the risk of or to prevent serious breaches”</i></b>	
<ul style="list-style-type: none"> <li>Policies described by the departments in connection with the different CSR issues (see Section 2)</li> </ul>	<ul style="list-style-type: none"> <li>Buyer trainings</li> <li>Criteria for supplier selection/training/penalties</li> <li>Signature of the Responsible Purchasing Policy by suppliers (see § 2.3.1.2.2)</li> </ul>
<b>Measure No. 4:</b> <b><i>“a mechanism for alerting and for gathering reports on the existence or materialisation of risks, laid down in consultation with the representative unions within the Company”</i></b>	
<ul style="list-style-type: none"> <li>The Group has introduced a Whistleblowing <i>procedure</i> to enable employees to report confidentially any behaviour breaching the Group Code of Ethics, including upholding human rights and caring for the environment. (see Section 6.1.2. of the 2017 CSR Report).</li> <li>IndustriALL and the unions exercise continuous vigilance and can report non-compliance to the Head of human resources under the Global Framework Agreement.</li> <li>The Group has made mailboxes available to its employees: <a href="mailto:harcelement@mpsa.com">harcelement@mpsa.com</a> (harassment) and <a href="mailto:diversite@mpsa.com">diversite@mpsa.com</a> (discrimination) (see Section 2.4. of this document and Section 3.1.1.2 of the 2017 CSR Report)</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with suppliers are held once to twice a year.</li> <li>The discovery report (an internal tool available to anyone within the Group who is visiting a supplier production plant: purchasers, quality auditors, supervisors, analysts) is used to report any non-compliance observed.</li> <li>The Purchasing Department also extends a listening ear to feedback on these subjects from the Company's stakeholders (NGOs, journalists, unions). (see § 2.3.1.2.2)</li> <li>Global external whistleblowing system using a (whistleblowing) website is being set up with phased deployment planned to all countries. This website will be open, on the basis of national regulations and needs, to our external partners – suppliers, NGOs, etc. – wishing to report to Groupe PSA breaches of the law or of international treaties (see Section 6.1.2.1 of the 2017 CSR Report).</li> </ul>
<b>Measure No. 5:</b> <b><i>“a system for monitoring measures implemented and for assessing their effectiveness”</i></b>	
<ul style="list-style-type: none"> <li>The Group monitors the measures implemented to follow up the annual CSR Report (see Section 2).</li> <li>The effectiveness of the measures is assessed at the annual review of the global framework agreement (see Section 2.4.1).</li> <li>Internal control procedures (see Section 1.5.1)</li> </ul>	<ul style="list-style-type: none"> <li>Where a supplier is found to be non-compliant with the requirements of the Responsible Purchasing Policy, the Group supports and advises the supplier in instituting corrective action plans.</li> <li>The Group assesses the effectiveness of the measures by monitoring changes in the suppliers' EcoVadis ratings.</li> <li>Internal control verifies the effectiveness of these systems. (see Sections 4.2.2.3. and 4.2.2.4. of the 2017 CSR Report: “Change in CSR performance of suppliers assessed between 2008 and 2017” chart).</li> </ul>

# DECLARATION ON EXTRA-FINANCIAL PERFORMANCE



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The environmental, social and societal information contained in this section meet the requirements of Article R. 225-105-1 of the French Commercial Code as amended by Decree No. 2012-557 of 24 April, 2012 and, voluntarily, in anticipation of the new requirements for a Declaration on ESG Performance (hereafter the DPEF, *Déclaration de Performance Extra Financière*), resulting from **Order No. 2017-1180 and its implementing decree No. 2017-1265, transposing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, as regards the disclosure of non-financial information**, as well as the recommendations of the Global reporting initiative (GRI).

This information is based on the activities of the parent company Peugeot S.A., its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls, within the meaning of Article L. 233-3 of the French Commercial Code, and is presented in a detailed Annual Report (CSR Report) relating to the Automotive Division.

The reporting scope and the cross-reference tables with the "Grenelle 2" Law and the DPEF (see Section 2.7) detail the main risks and challenges identified by Groupe PSA based on a macroscopic risk analysis (see methodology presented in Section 2.1.1), covering the 43 categories included in Article R. 225-105 of the French Commercial Code.

However, as an exception to the above:

Quantitative information on Banque PSA Finance (BPF) and Faurecia is published separately in this section and accompanied by specific explanations, if necessary. For further information, especially about CSR initiatives implemented by these two companies over the period, please refer to ESG reports from PSA Banque France (formerly SOFIB - the joint venture between Banque PSA Finance and Santander Consumer Finance in France) and Faurecia: website, Registration Document, etc.

This document does not include the ESG information specific to the Opel and Vauxhall companies since their acquisition by Groupe PSA on 1 August 2017 meant that the exhaustive collection and consolidation of this information in a uniform manner could not be guaranteed. However, since 1 August 2017, Groupe PSA has implemented an action plan including a detailed roadmap, designed to include the Opel and Vauxhall subsidiaries within the ESG reporting scope for the 2018 financial year. For the most important CSR information, *i.e.* the six issues that have been qualified as strategic in the materiality matrix (see § 2.1.3) aim at least to present information in a uniform and consolidated manner. The implementation and deployment of this action plan has been recognised by the independent third-party body GRANT THORNTON.

## 2.1. SOCIAL RESPONSIBILITY: AN INTEGRAL PART OF THE GROUP'S STRATEGY

Within the Group, the Sustainable Development Department manages the CSR process with a cross-functional approach, backed by a network of correspondents in each of the Group's major departments. It reports to the Communications Director, who reports directly to the Management Board Chairman. It

recommends the Group CSR commitments proposed by members of the Executive Committee, which validates them once a year and monitors their implementation. This information is presented to the Supervisory Board on an annual basis.

### 2.1.1. The Group's main CSR risks DPEF.A DPEF.B DPEF.15

In line with the sustainable development objectives of the WHO, Law no. 2016-1691 of 9 December 2016 relating to transparency, anti-corruption and modernisation of economic life and Law no. 2017-399 of 27 March 2017 relating to the duty of care of parent companies and sourcing companies, the Group has identified the

macro-risks it must face. Given the Group's business, each macro-risk translates into several CSR issues. Chapter 2 outlines the Group's response to each of these issues. The Group's CSR Report presents the same responses in more detail, as well the roadmap it is committed to following.

## DECLARATION ON EXTRA-FINANCIAL PERFORMANCE

Social responsibility: an integral part of the Group's strategy

### 7 macro-risks

#### ► Climate change

► *Climate change requires a global approach: designing vehicles that emit less CO<sub>2</sub>, but also reducing the carbon impact of manufacturing facilities, logistics and purchasing, and finally implement levers for carbon compensation.*

#### ► Depletion of resources

► *In an age marked by the scarcity of natural resources, reducing our dependence on water resources and raw materials is not only a question of responsibility towards the environment but also a question of the sustainability of the business.*

#### ► Health and safety: vigilance of civil society

► *In response to the increasing concerns of the civil society relating to the impact of industrial products and processes on our health, car manufacturers must show their capacity to reduce the impact of their activity and increase the positive differentiation of their products in terms of safety.*

#### ► Increasing inequality in the economic development of the host communities

► *As a result of increasing inequality in the economic development of the host communities, specific focus must be given to the redistribution of the value created by the companies in the regions in which it operates.*

#### ► Infringements on human rights and unethical conduct

► *Auto industry stakeholders must anticipate tightening of national and international regulations linked for example to minerals originating from conflict zones, equality and integrity in business relations, the duty of care of large companies, as well as consumer protection.*

#### ► Human capital and internal social climate

► *Within a context of rapidly changing work within the automotive industry (automation, digital transformation, etc.) the competitiveness of the Company must be based on all of its talent, social dialogue, employee well-being and workplace safety.*

#### ► Customers' expectations and market risks

► *In response to transport policies and urban constraints, car manufacturers must set themselves apart by developing new solutions adapted to each mobility need, based on quality products and services and impeccable management of customer relations.*

### 23 linked CSR issues

#### ► **Vehicle CO<sub>2</sub> emissions\*** (see Section 2.2.1.1.)

► Energy/Industrial carbon footprint (see Section 2.2.2.1.)

► Environmental performance of the supply chain: Purchasing and Logistics (see Section 2.3.1.2.1)

► Responsible use of materials throughout the vehicle's life – including recycling (see Section 2.2.1.3.)

► Sustainable water management: (see Section 2.2.2.4.)

► Optimisation of material cycles – including waste – in industrial processes (see Section 2.2.2.3.)

► Biodiversity (see Section 2.2.2.5.)

► **Vehicle safety\*** (see Section 2.3.2.1.)

► **Vehicle impact on air quality\*** (see Section 2.2.1.2.)

► Control of industrial discharges and nuisances (see Section 2.2.2.2.)

► Local sourcing development in host territories (see Section 2.3.1.1.)

► Balanced governance and distribution of added value (see Section 3.)

► Philanthropy and socially responsible mobility (see Section 2.3.3.)

► Responsible information and marketing

(see Section 7.5. of the 2017 CSR Report)

► Ethics in business practices (see Section 2.3.4.)

► Human rights in the supply chain (see Section 2.3.1.2.)

► Attracting and developing all talents (see Section 2.4.3)

► **Management of company transformations and social dialogue\*** (see Section 2.4.1. and 2.4.2)

► Health, safety and well-being in the workplace (see Section 2.4.4.)

► Diversity and equal opportunity (see Section 2.4.5.)

► **Vehicles and services quality – customer satisfaction\*** (see Section 2.3 of the 2017 CSR Report)

► Responsible management of customer's data and relationships (see Section 3.2.2.2.)

► **Development of new mobility solutions\*** (see Section 2.2.1.4.)

\* **Strategic CSR issues** (see Materiality Matrix in Section 2.1.3).

The Group identified its macro-risks and CSR issues as part of its work to update its materiality matrix. The new matrix (see Section 2.1.3), which prioritises the 23 CSR issues categorised into 7 macro-risks, was approved by the members of the Executive Committee in September 2017.

The identification of the CSR issues and macro-risks was conducted based on the business expertise of the Group's network of CSR contributors, representing all activities. The result was confirmed by a review of issues reported by industry peers (including the Global Reporting Initiative) and a review of information in the media, then submitted for evaluation by the Group's stakeholders by means of interviews conducted on a representative sample.

As a result of this structured approach, we were able to list all of the factors justifying the materiality of each issue for the Group.

The issues were rated on two focus areas:

1. the position of the issue on the x-axis represents the importance for business performance according to three criteria:
  - likelihood that threat will occur and opportunities linked to the issue,
  - severity of the impact on the Group. For each issue, the opportunities and threats were categorised into three categories (business, operational functioning and reputation) and their impact was quantified economically by the department concerned,
  - degree of impact on long-term performance;
2. the position of the issue on the y-axis represents the importance to the stakeholders, taking into account the legitimacy of each stakeholder to express an opinion on each issue.

The Group relied on an external third party to guarantee fair and rigorous rating of each of the issues according to a uniform methodology.



## 2.1.2. The Group's CSR policy DPEF.15

For Groupe PSA, sustainable growth and long-term economic performance can only be achieved by **taking a responsible and transparent approach to its business**. On this basis, in line with the United Nations Global Compact, of which it has been a member since 2003, the Group defined its corporate social responsibility programme. This CSR policy, which is the result of **ongoing dialogue with stakeholders** and is reflected in **its public commitments**, guides the Group's approach to its strategic challenges. It is based on three pillars: sustainable mobility, economic development of its host communities and drawing on all its talent and creating the right environment for success.

### SUSTAINABLE MOBILITY

- As a pioneer in many technologies, Groupe PSA is demonstrating its social responsibility by developing a range of mobility solutions in response to changes in stakeholder expectations: not just for consumers but also for the host communities. Its strategy is **to have a presence across all mobility market segments**.
- With this objective, it is mobilising its **innovation** resources to reduce the environmental impacts of mobility. Its strategy is based on rolling out the most effective technologies **across the greatest number of vehicles**, so as to constitute massive leverage in the fight against pollution and climate change.
- From design through to manufacture, Groupe PSA is committed to **optimising the use of resources** by incorporating green or recycled materials into its vehicles, by guaranteeing their recyclability and by **limiting the environmental footprint of its production plants and dealership networks** in terms of energy, water and waste.
- Vehicle use is the main cause of emissions. The Group also:
  - widely fits its ranges with clean, **low carbon**, fuel efficient technologies that preserve **air quality**, and sells best in class combustion, hybrid and electric vehicles;
  - is developing a range of **connected mobility services** in response to changes in **customer** behaviours and expectations;
  - lastly, as a result of listening to the views of the general public, invents tomorrow's mobility solutions by making digital technology part of its ranges' DNA, by rolling out driver assistance systems offering increasing levels of safety and improved traffic flows, with the ultimate aim of producing **autonomous cars** at an affordable cost for the largest number of motorists.

### ECONOMIC DEVELOPMENT OF ITS HOST COUNTRIES

The Group's operations have a considerable economic and social impact on its host communities. Groupe PSA is aware of its responsibility in this area. On this basis:

- it selects its **suppliers** from amongst those closest to its production plants, in line with its **Social and Environmental Guidelines**. By increasing its percentage of local purchases in a responsible way, the Group is demonstrating that its operations support the **sustainable economic development** of its host regions and countries;
- it supports the most vulnerable populations in its host communities *via* its Company Foundation which funds initiatives that integrate people through mobility and access to education. In this way, the Group marks its **commitment to serve its host communities**.

### DRAWING ON ALL ITS TALENT AND CREATING THE RIGHT ENVIRONMENT FOR SUCCESS

Groupe PSA's economic performance is bound up with its workforce-related performance. The aim is to pool energies to end up as the winning team. The Group relies on the quality of its relations with its employee representatives to design innovative **solutions and build trust and commitment**. Since 2006, in order to support its global expansion and the efficient implementation of its social commitment, it has used the Global Framework Agreement on Social Responsibility as its reference framework.

Across all its sites, Groupe PSA is rolling out the principles of this reference framework, in response to its employment issues. The Group:

- draws on long-standing employee relations, taking a co-construction approach with employee representatives, in order to share its strategy and provide secure career paths for its employees *via* negotiated provisions and close support;
- reiterates the need to **guarantee workplace health and safety** and to develop well-being in the workplace;
- considers the expression and **development of talent** to be the cornerstone of its strategy;
- guarantees **equal opportunities** based on the recognition of individual merit;
- extends, to its suppliers and partners, its commitment to **respect fundamental Human Rights**;
- encourages all employees to comply with its **Code of Ethics** and its professional conduct rules.

Groupe PSA's CSR (corporate social responsibility) policy is both a collective and individual commitment and the Group ensures that its principles are taken into consideration in all operational decisions.

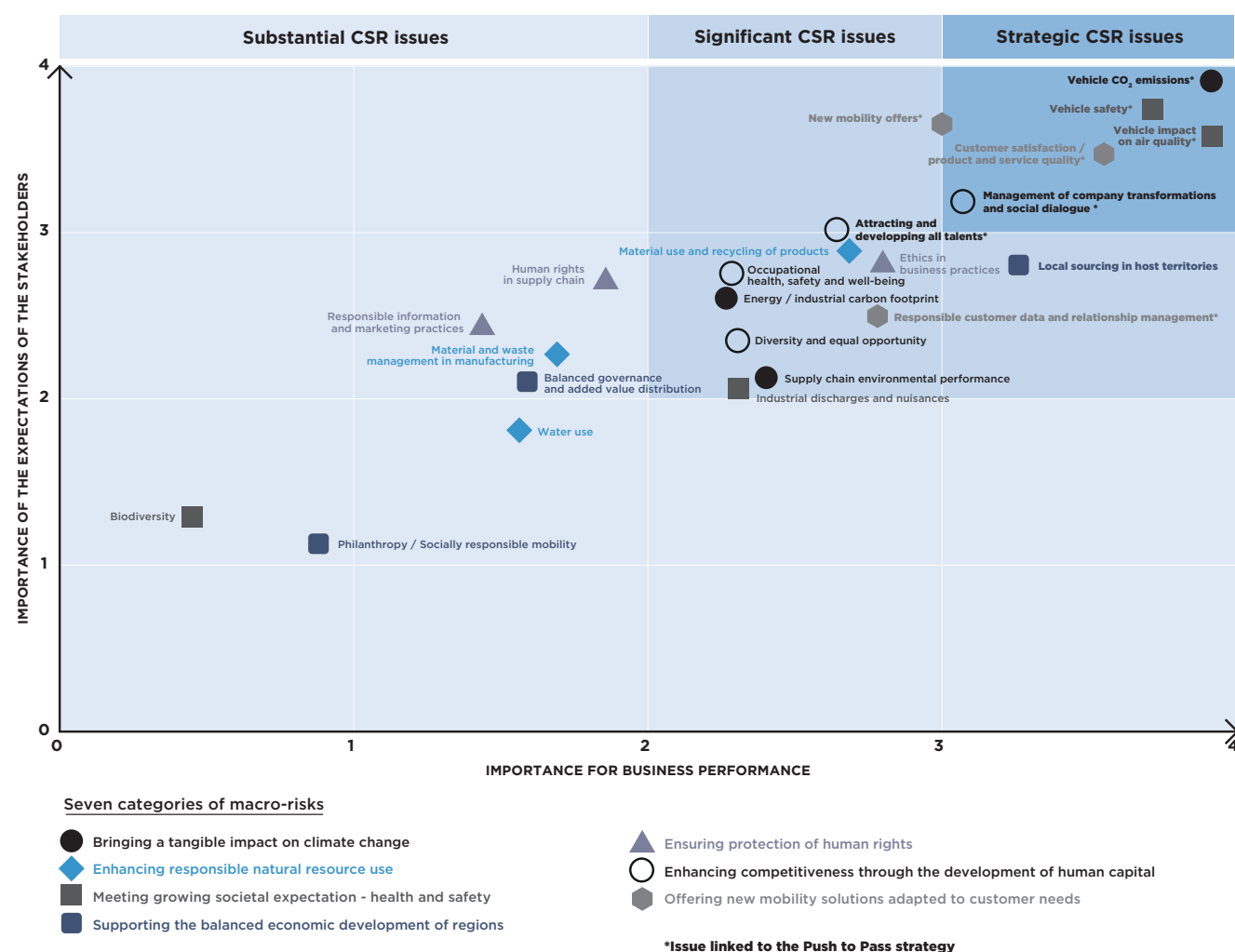
### 2.1.3. Dialogue with the Group's stakeholders DPEF.32

The Group – a player committed to the local communities where it operates – has maintained solid relations with all of its stakeholders for many years: employees, employee representatives, customers and consumer or road user associations, distribution networks, shareholders and investors, suppliers, partners in cooperation projects and joint ventures, government and industry bodies, NGOs, local administrations, residents living near sites, the media, financial and ESG rating agencies, CSR experts as well as teachers and researchers, etc.

These regular discussions with stakeholders enable social, environmental or economic challenges and risks to be better identified and influence the Group's response to sociological and technological changes in society. Stakeholders' dialogue was used to inform the materiality matrix of the CSR issues below.

The 2017 CSR Report introduces the Group's stakeholders (see Section 1.2.1.3.1) and describes instances of dialogue (see Section 8.2). The different sections of the CSR Report include examples of these discussions.

#### Groupe PSA materiality matrix



Chapter 2.1.1. explains how the materiality matrix of CSR issues was compiled.

## 2.2. EMBRACING ENVIRONMENTAL ISSUES

### 2.2.1. Incorporating environmental issues into product and service design

The Group teams (including Faurecia's teams) are proficient in the eco-design process, which helps to shrink a vehicle's environmental footprint to a minimum at every stage in its life cycle, by improving fuel economy, reducing emissions of CO<sub>2</sub> and other pollutants, rationalising the use of natural resources and improving recyclability. In addition to ensuring that its vehicles comply with environmental legislation in the different markets, eco-design also ensures that the Group will stay ahead of the competition in terms of sustainable mobility.

The Group focuses much of its research efforts on clean technologies to address the following four issues:

- combating global warming and adapting to climate change by reducing vehicle CO<sub>2</sub> emissions and fuel consumption;
- reduction of vehicle pollutant emissions to preserve air quality;
- responsible use of material in the vehicle life cycle, from the extraction of raw materials to the recycling of end-of-life vehicles;
- development of new mobility solutions to meet all needs.

#### INCORPORATING ENVIRONMENTAL ISSUES INTO THE GROUP'S ORGANISATION IN THE PRODUCT AND SERVICE DESIGN PHASE

**DPEF.15**

##### Automotive Division (PCD)

Within the Automotive Division, the Quality and Engineering Department (QED) has a seat on the Executive Committee. It leads the Group's work on technological innovation. Groupe PSA has defined three strategic R&D strategic focus areas:

- cars that are ever more environmentally friendly (see Section 4.5.2.1.);
- connected, autonomous cars to assist drivers during the most monotonous moments of driving (see Section 4.5.2.2.);
- attractive, pleasurable cars, that match the DNA of each of the Group's three automotive brands (see Section 4.5.2.3.).

The QED manages and carries out eco-design, in particular, life cycle analysis and monitoring of the use of green or recycled materials: it collects the required data from the engineering business lines and suppliers for each vehicle project.

As these projects develop, the Programmes Department keeps track of the solutions implemented, measuring their efficiency based on the proportion of green materials used and CO<sub>2</sub> emissions. A special unit is responsible for coordinating the Group's CO<sub>2</sub> programme. This monitors and reports on the emissions performance of vehicles developed by the Group.

A dedicated entity oversees the Group's end-of-life vehicle policy.

#### RESOURCES COMMITTED TO PREVENT ENVIRONMENTAL RISKS AND POLLUTION

**DPEF.16**

##### Automotive Division (PCD)

Data (R&D budget, workforce, skills, partnerships) relating to the Automotive Division are presented in Section 4.5.4. of the Registration Document.

### 2.2.1.1. COMBATING GLOBAL WARNING AND ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

#### 2.2.1.1.1. Technological innovation to combat climate risk

**DPEF.16 DPEF.24 DPEF.27**

As an environmental pioneer in CO<sub>2</sub> emissions from passenger cars, the Group is continuing to develop a range of increasingly fuel-efficient, low-carbon cars to constantly meet the growing mobility needs of the individual as well as regulatory standards, identifying the most cost-effective technical solutions for its customers. The technological solutions under consideration for all Group markets (including China) are structured around the following main objectives:

- deploying electric technologies with different-size engines and battery capacity to meet a wide range of types of use and budgets; plug-in and electric hybrids. These technologies will be widely deployed in its vehicle range thanks to multi-energy modular platforms: EMP2 and CMP;
- optimising IC powertrains, with a short hybridisation phase (Mild-Hybrid 48V);
- improving the overall fuel efficiency of its vehicles, in particular by optimising vehicle architecture and equipment (tyres, aerodynamics, mass, power management, etc.).

In November 2015, Groupe PSA decided to take a unique approach to customer transparency by publishing its vehicles' real-world fuel consumption. This initiative is a world first in the automotive industry and was awarded the ECOBEST prize in October 2017 (see also Section 2.2.1.2.3. relating to air quality). Measurements are taken on the road, in accordance with a publicly available test protocol, designed with the NGOs Transport & Environment (T&E) and France Nature Environnement (FNE), audited by Bureau Veritas. The measurements obtained on the 60 models made it possible to estimate the consumption in real-world driving conditions of more than 1,000 versions of Peugeot, Citroën and DS vehicles. Since 2017, the websites of the Group's brands give access to these data and offers a configurator which allows the customer to estimate their own consumption, based on the actual use of their vehicle.

## Electrification: an ambitious plan to roll out hybrid and electric technologies

By 2025, 100% of the models sold by the Group worldwide will be available in electric or plug-in hybrid versions.

To best support the deployment of electric vehicles, in July 2017, Groupe PSA created a department dedicated to electric vehicle programmes, and on 4 December 2017, it announced the creation of a joint venture with the Nidec Leroy-Somer holding company in the field of electric traction motors. As a result of this agreement, the design and production stages of the main components of the electric traction motor are based in France.

### Electric vehicles

Since 2010, the Group has sold 31,200 electric vehicles worldwide. Its range, which covers both the PC and LCV segments (Peugeot iOn and Partner, Citroën C-Zéro and Berlingo) was expanded in 2017 with new versions of electric minivans for individual owners: Peugeot Partner Tepee Electric and Citroën e-Berlingo Multispace.

Groupe PSA is continuing its strategic cooperation with Bolloré, reflecting their common interest in sustainable mobility. Since 2016, the Rennes industrial site has produced the Citroën e-Mehari, a four-seater electric cabriolet equipped with lithium metal polymer technology batteries enabling it to run for 200 kilometres on one charge in urban use. In September 2017, the launch of the limited edition NOUVELLE E-MEHARI "Styled by Courrèges" was awarded the "Origine France Garantie" label and is an introduction to the new generation of E-MEHARI.

To support its ambition to offer 100% of electric models by 2025, the Group is developing a range of electric vehicles with Dongfeng Motor. Based on an electric version of the CMP platform (e-CMP), it will spawn a new generation of versatile and spacious electric vehicles with ion-lithium battery technology, enabling them to run for up to 450km on one charge and offering ultra-rapid charging solutions providing an off-vehicle charge range (OVC) of up to 12km per minute. Five electric versions will be marketed by 2021, the first of which in 2019.

### Plug-in hybrid vehicles

The Group is developing a plug-in hybrid powertrain coupled with a petrol engine to support its global growth. It will emit less than 50g/km of CO<sub>2</sub> (or 2l/100km) in all areas combined, with a range of 50km in urban and suburban areas in full electric mode.

Seven plug-in hybrid vehicles will be launched on a gradual basis between 2019 and 2021. To make them easier to use, hybrid plug-in vehicles will be supplied with a four-hour charging device with the option to quick charge in under two hours.

### Micro-hybrid vehicles: Stop & Start and e-HDI technologies

Stop & Start technology allows the engine to shut down automatically when the vehicle is standing still or in neutral and to start up again instantly and noiselessly when reactivated by the driver. As a result, it helps to reduce carbon emissions by up to 15% in city driving. Introduced by the Group in 2004, this technology is now deployed across almost the entire fleet of Peugeot, Citroën and DS vehicles in Europe and across over 40% of vehicles in China.

## Ongoing optimisation of internal combustion engines

The Group is rolling out innovative high-tech solutions to optimise internal combustion engine performance:

- downsizing (reducing engine size and number of cylinders);
- increasing torque while reducing maximum power, thereby lengthening the power and torque bands and increasing fuel efficiency;
- reducing mechanical friction (oil, piston rings, oil pump, actuators, accessories, permeability, etc.);
- optimising combustion technology.

Groupe PSA is preparing a new phase for the future of internal combustion engines by adding a 48 V mild hybrid linked to a small battery. This new generation of electric internal combustion engines (48 V Mild-Hybrid) facilitates an approximate 15% reduction in CO<sub>2</sub> emissions, for a low cost.

### Reducing petrol engine fuel consumption and exhaust emissions

In less than ten years, Groupe PSA will have upgraded all of its petrol engine ranges, in line with its goal of reducing CO<sub>2</sub> emissions not only in Europe but also in other major markets, including China and Brazil.

In 2017, the EB Turbo PureTech three-cylinder, 1.2 litre petrol engine, launched in 2013, won the International Engine of the Year Award for the third year in a row. It already emitted 18% less CO<sub>2</sub> than the previous generation of four-cylinder atmospheric engines. In 2017, it was significantly improved to boost performance and consumption (by up to 4%): introduction of a particulate filter, performance optimisation, reduced friction and introduction of a new turbocharger.

To meet the growing demand from customers for petrol engines, the Group will double production between now and 2019.

This engine completes the modular family of 3-cylinder PureTech petrol engines (1-litre and 1.2-litre) with many high-tech features unveiled by the Group in 2012, offering petrol vehicles emitting less than 100g/km of CO<sub>2</sub> in the non-turbo version and less than 110g/km with the turbo engine.

Since 2006, Groupe PSA has marketed the EP 1.4 and 1.6 litre range of four-cylinder petrol engines.

### Reducing diesel engine fuel consumption and exhaust emissions

In late 2013, the Group unveiled BlueHDI, a new exhaust line which due to its Selective Catalytic Reduction (SCR) after-treatment system, drastically reduces nitrogen oxide emissions (NO<sub>x</sub>) and further improves the level of CO<sub>2</sub> emissions (by as much as 4% compared with the previous generation of diesel engines).

In September 2017, Groupe PSA launched a new Diesel BlueHDI powertrain with a smaller 1.5l cylinder (compared to 1.6l previously), thus allowing it to reduce consumption. It has been improved to boost performance and power has increased to 130hp.

Thus, Groupe PSA has not abandoned making improvements to the emissions levels of diesel vehicles, despite the reduction in sales of these vehicles. However, it is also preparing for the takeover by new electrified technologies which have less emissions.

## Gearbox trends

In the 2nd half of 2017, the Group launched two new gearboxes:

- a mid-range six-speed manual gearbox (BVM6), which helps to reduce CO<sub>2</sub> (-1.5%) and mass (-10kg);
- an automatic eight-speed gearbox (EAT8) which helps to reduce CO<sub>2</sub> between -4 and 7%.

## Use of alternative fuels

The Group is developing biofuel-compatible engines:

- **compressed natural gas (CNG):** compressed natural gas is used to power Group vehicles in markets where local conditions are conducive to its development, such as Argentina, China and the Middle East. Using CNG also cuts CO<sub>2</sub> emissions by 20% compared with conventional petrol engines, with a tank-to-wheel approach. The incorporation of biogas (as a result of the methanisation of waste), when possible, increases the environmental benefit;
- **ethanol flex-fuel vehicles:** Groupe PSA has developed flex-fuel vehicles that can run on ethanol/petrol blends in variable proportions: from 20 to 100% of ethanol in Brazil, the largest market in the world for fuel and flex-fuel vehicles. In 2016, the new EB2F MA flex-fuel engine, fitted in the Peugeot 208 and the Citroën C3 on the Brazilian market, became a benchmark for fuel consumption;
- **biodiesel:** All of the Group's diesel vehicles are already compatible with B10 and B30, assuming that fuel quality is adequate and that suitable vehicle maintenance is carried out. In 2016, Groupe PSA signed the bioethanol industry's E10 charter: the Group's new vehicles will now have labels inside their fuel filler flaps, telling users about compatibility with various biofuels;
- **advanced biofuels:** they are derived from the conversion of biomass, or the use of microalgae. Groupe PSA is contributing to this process by participating in research projects and real-world trials. For example, Groupe PSA is a partner of the Federal University of Parana in Curitiba for the production of lipid biofuels from micro-algae, and has a long-standing collaboration with the French project Shamash.

## Trends in vehicle architecture and equipment

### Platforms

In late 2013, the Group launched a new-generation platform, the **Efficient Modular Platform 2 (EMP2)**, intended to cover all segment C and D body styles worldwide. The new vehicles based on this EMP2 platform have proven their leadership in Europe on these

segments in terms of CO<sub>2</sub> emissions. From 2019, the ingenious design of this platform will make it possible to roll out the first plug-in petrol hybrid models with the best hybrid performances.

In 2015, Groupe PSA announced the development, together with Dongfeng Motor, of a global platform, the **Common Modular Platform (CMP)**, for Peugeot, Citroën and DS segment B and C vehicles. It will provide effective solutions in terms of modularity and versatility, equipment and reduced CO<sub>2</sub> emissions, from the end of 2018.

In 2016, Groupe PSA and Dongfeng Motor signed a new agreement to develop an **electric version of the CMP platform (e-CMP)** which will make it possible, from 2019, to offer a range of 100% electric, segment B and C vehicles worldwide, with the highest performance.

### Mass

Already a market leader in terms of average vehicle weight, the Group is continuing to develop more lightweight vehicles, making this a major lever in reducing its environmental footprint. This involves optimising vehicle architecture, using lower density materials and innovative techniques that help to lighten the car body, whilst improving shock resistance.

The new Peugeot 3008, named 2017 car of the year, benefits from the new EMP2 platform architecture, combined with genuine optimisation of the weight/size/performance ratio at every level, making it possible to gain an average of 100kg on the previous generation of vehicles.

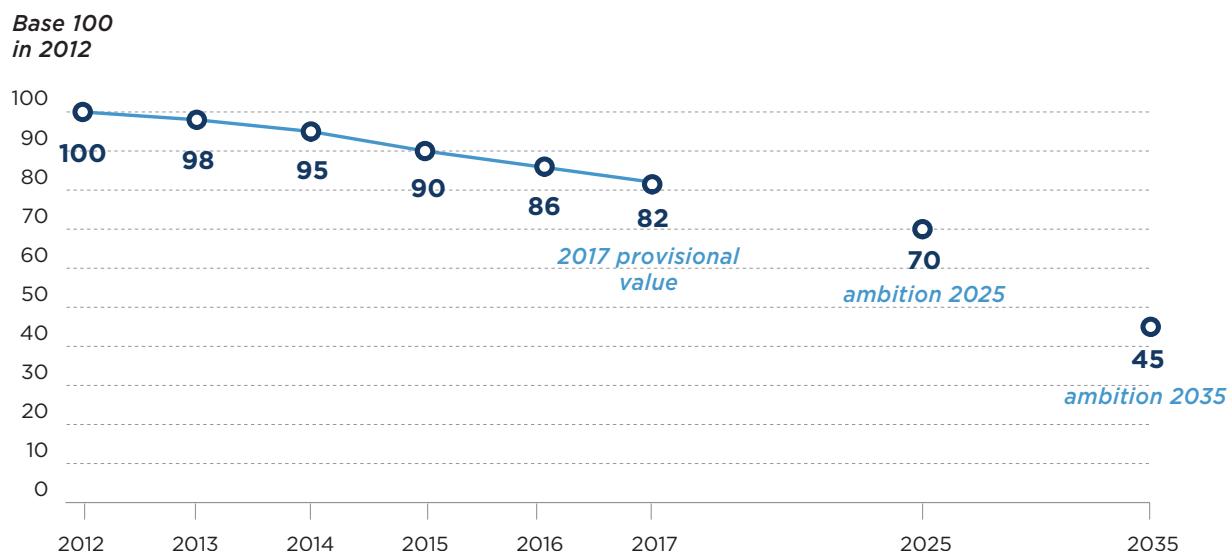
### Equipment, aerodynamics and driver assistance

Overall vehicle energy efficiency also means optimising aerodynamics, as well as components and sub-assemblies: tyre rolling resistance, losses through mechanical friction (brakes, bearings, bushings, etc.), power consumption (sensors, actuators, motors), air-conditioning system. The Group also offers on-board eco-driving assistance to help drivers to optimise the use of their vehicles.

### 2.2.1.1.2. CO<sub>2</sub> performance of vehicles sold by the Group DPEF.26

The Group is committed to reducing by 55% the average emissions level of its vehicles marketed globally between 2012 and 2035.

In 2017, despite a slight increase in average emissions by passenger cars in Europe, due to the reduction in sales of diesel vehicles and upscaling, the Group remains well below the market average. Globally, for all passenger and light commercial vehicles, the Group reduced average emissions by 3.8% compared to 2016.

The Group's CO<sub>2</sub> trend: average CO<sub>2</sub> emissions from vehicles sold worldwide

### 2.2.1.2. PRESERVING AIR QUALITY DPEF.16

DPEF.18 DPEF.36

Being proactive in the debate concerning mobility-related public health and environmental issues, Groupe PSA has incorporated the issue of air quality into its research and development programmes for many years now. This has enabled it to roll out engines and technologies across its ranges that drastically reduce:

- particulate emissions: inventor of the diesel particulate filter (DPF), which Groupe PSA began selling in 2000, more than nine years before Euro 5 standards made it compulsory from September 2009;
- nitrous oxide emissions: Groupe PSA is the first car manufacturer to have opted to roll out the SCR (Selective Catalytic Reduction) solution, reducing nitrogen oxide emissions by up to 95% and marketed since 2013 on Euro 6 vehicles.

The groundbreaking technologies used to reduce the atmospheric pollutants produced by Groupe PSA vehicles are just as well suited to combustion vehicles as to hybrid vehicles.

The range of solutions to improve air quality also include the electrification of vehicles, ranging from micro-hybridisation such as Stop & Start, and mild hybridisation (*48 V mild hybrid: addition of a starter-alternator and a small 48 volt battery*), up to hybrid vehicles that can be recharged by the customer, as well as electric "zero-emission" vehicles (ZEV), using a battery (*Battery Electric Vehicle*) or a fuel cell. In its *Push to Pass strategic plan*, the Group has committed to putting seven plug-in hybrid vehicles and five electric vehicles on the market between 2019 and 2021. By 2023, eight out of ten models proposed by the Group worldwide will be available in electric or plug-in hybrid versions. This represents 27 out of 34 models, including commercial vehicles (see Section 2.2.1.1.1).

### 2017: Entry into force of two new protocols for measuring pollutant emissions, which are more representative of real-world driving conditions

Since 1 September 2017, European Regulation (EU 2017/1151) requires, for the certification of vehicles, two new measurement protocols (new phase of the Euro 6 standard):

- the WLTP (worldwide harmonized light vehicles test procedure) certification procedure, which is performed in a laboratory;
- the RDE (*real driving emissions*) procedure, which is performed on the road under real conditions, measures the pollutants emitted using a PEMS (portable emissions measurement system) and defined the admitted conformity factors (the excursion permitted between real usage and the regulatory limits of the WLTP protocol). The NO<sub>x</sub> conformity factor admitted has been 2.1 since September 2017 and will be changed to 1 in 2020 (excluding measurement dispersion, limited to 0.5).

**For the certification of its new vehicles in Europe, Groupe PSA is committed to respecting in terms of RDE a NO<sub>x</sub> conformity factor of less than 1 (excluding measurement dispersion, limited to 0.5) as of 1 September 2017, i.e. 3 years before the regulatory requirement in 2020.**

These new measuring protocols aim to be more representative of real-world driving conditions to thus reduce the difference in emissions between certification in a laboratory and real-world driving conditions.

The Opel Vauxhall brands will gradually adopt the technologies to reduce pollutant emissions developed by Groupe PSA (approximately 15% of models in 2017 with the Crossland X and Grandland X, 40% in 2019 and 100% by 2024).

The Group's massive R&D investment policy aims to improve air quality and reduce greenhouse gas emissions (€649 million to develop powertrains in 2017). This approach is in synergy with the prevention of climate risks described in Section 2.2.1.1.1.

### 2.2.1.2.1. Groupe PSA's additive particulate Filter: the only effective technology under all driving conditions

The Group identified the need to tackle particulate pollution in the late 1990s, and introduced a new generation of diesel HDi engines into the market. These have cut particulate emissions by 60% compared to the previous generation (to 100mg/km from the new HDi engines, compared to 250mg/km in earlier versions). The Group subsequently equipped this new engine with a high-performance filtration technology, called "diesel particulate filter" (DPF), which it began selling in 2000, more than nine years before Euro 5 standards which made it compulsory from September 2009.

The Group opted for the DPF with additive solution, the most effective solution in terms of regeneration efficiency. Groupe PSA's solution includes an additive tank, a ceramic filter and sensors. Iron-based and captured, in full, by the filter, the additive is automatically added to the fuel (without driver intervention): this reduces the soot combustion temperature and speeds up regeneration in all driving conditions (around town, open road, etc.) unlike catalysed diesel particulate filters.

The additive DPF technology developed by Groupe PSA reduces the percentage of NO<sub>2</sub> in NO<sub>x</sub>, unlike the catalysed diesel particulate filters developed by competitors.

### The question of fine and ultrafine particulates

The DPF effectively screens out both fine and ultra-fine particulate matter: 99.7% by number and more than 95% by mass; source Agency for the Environment and Energy Management (ADEME): particulate and NO<sub>x</sub> emissions by road vehicles - January 2014). By the end of the 1990s, with the introduction of the additive DPF, the number of particulate emissions fell from over 3,500,000 particulates per cm<sup>3</sup> on unfiltered diesel engines to less than 3,500 particulates per cm<sup>3</sup> on diesel engines with DPF. The DPF removes particulates in all driving conditions. The DPF is a mechanical system which is fully operational and effective throughout all phases of engine operation - load/warm engine/cold engine, on the motorway/around town - even when the filter is full.

A diesel engine fitted with a particulate filter emits less particulate matter than a latest generation direct-injection petrol engine, with particulate emission levels significantly lower than the thresholds required under current regulations (20 times less in mass, up to 100 times less in number).

The particulate filter has been fitted as standard across the Group's diesel models since 2010, and has been mandatory in all vehicles sold since the introduction of the Euro 5 regulation for all types (January 2011).

In all its global markets, the vehicles marketed by the Group comply with the regulations in force in the country of sale, and benefit from the advanced technologies developed for Europe.

A pioneer in this field, the Group had sold a total of 12.7 million DPF-equipped diesel vehicles by the end of 2017.

In 2017, vehicles equipped with particulate filters accounted for 97% of the Group's total diesel vehicle sales worldwide, compared to 97% in 2016 and 37% in 2009.

The second stage of Euro 6 (Euro 6d-TEMP) has a tougher limit in terms of number of particulates from direct-injection petrol vehicles (which will have the same limit as diesel engines), and a new constraint consisting of a reduction in Real Driving Emissions (RDE).

To comply with second stage of Euro 6 regulation, in addition to optimising injection systems, as of October 2017, the Group

introduced a particulate filter (GPF - gasoline particulate filter) with passive regeneration to reduce the particulate emissions in terms of number and mass in its direct-injection petrol vehicles. This solution, which will be widely used on all direct-injection petrol engines, is more than 75% effective on all particulate matter (fine and ultra-fine), no matter what the driving conditions.

The Group chose to install the particulate filter under the turbo downstream from the TWC (three-way-catalyst) to ensure sufficient heat in the GPF to regenerate the soot when the foot is lifted. This mode of operation ensures that the filter management is completely transparent for the driver.

Further, the Group decided to install a naked filter in addition to the catalyst volume to ensure the optimum efficiency of the TWC when converting pollutants, in particular to cold (urban issue).

At the end of 2017, the Group sold in total 1,800 direct-injection petrol vehicles equipped with GPF. In 2017, the direct-injection petrol vehicles equipped with a GPF represented 0.3% of the sales of this type of vehicle.

### 2.2.1.2.2. Selective Catalytic Reduction (SCR): the most efficient solution for reducing nitrogen oxides

The SCR after-treatment technology substantially reduces nitrogen oxide (NO<sub>x</sub>) emissions by injecting a reducing agent (AdBlue®: a mixture made up of 32.5% urea and 67.5% water) into the exhaust line upstream of a specific catalyst.

Integrated into an emission control architecture upstream of the particulate filter, SCR helps to optimise fuel efficiency and limits CO<sub>2</sub> emissions in diesel engines.

To comply with the second stage of Euro 6 Regulation, Groupe PSA developed a new emission control line architecture which significantly increases the performance of diesel engines in the treatment of nitrogen oxides upstream of the particulates, carbon monoxide and unburned hydrocarbons. This new BlueHDi line comprises:

- an oxidation catalyst which includes a function that stores NO<sub>x</sub> emissions at a low temperature (as long as the NO<sub>x</sub> emission reduction system is not in operation);
- a NO<sub>x</sub> emissions after-treatment system (*Selective catalytic reduction*), a filter media with an SCR function and a compact reducing agent injection system (Adblue®) which can eliminate up to 95% of NO<sub>x</sub> emissions emitted by the engine;
- additive or non-additive particulate filter (including an SCR phase, see above), which can eliminate 99.7% of particulate numbers, regardless of their size and driving conditions.

This truly reflects the Group's desire to reduce its vehicles' pollutant emissions in real-world driving conditions whilst keeping fuel consumption and CO<sub>2</sub> emissions at optimum levels.

This new BlueHDi line was put into production in October 2017 for all new vehicles with a 1.5l diesel engine.

Launched in November 2013 on the Peugeot 508 and Citroën C4 Picasso (DW 2.0-litre engine), BlueHDi technology was extended to the DV 1.6-litre engine in 2014, before being rolled out across the Peugeot, Citroën and DS Automobiles fleet. It represents 91% of DPF-equipped diesel vehicles sold worldwide in 2017 equivalent to 3.0 millions vehicles in total at the end of 2017.

The BlueHDi line is currently used by all diesel passenger vehicles manufactured by the Group, so as to reduce NO<sub>x</sub> emissions to levels close to those of petrol vehicles, whilst retaining the diesel advantage (15% lower CO<sub>2</sub> emissions).

The BlueHDi technology is the subject of approximately 100 patents filed by Groupe PSA. The Group continues to refine its technologies, notably with the introduction into its commercial vehicles and, in the future (third stage of Euro 6 – Euro 6d), into its passenger vehicles of an ASC (Amonia Slip Catalyst) for treating ammonia leaks (NH<sub>3</sub>) thus increasing its efficiency in eliminating NO<sub>x</sub> emissions treated by the upstream SCR system.

Previously, AdBlue® was scheduled to be replenished in Groupe PSA vehicles during maintenance work at the frequency stated in the service manual. From now on, to improve the performance of the Group's new vehicles, (second stage Euro6 vehicles), filling up with AdBlue® will be made easier through the use of an orifice that is conveniently placed in the fuel tank flap. However, this requires an extensive distribution network in France and Europe for urea (AdBlue®), the reducing agent used to convert NO<sub>x</sub> into nitrogen.

### 2.2.1.2.3. Forging new ground: being transparent with and responsibly informing customers and communities

With groundbreaking technology solutions, Groupe PSA is also unique in terms of its customer information.

Groupe PSA asserts itself as a major player in improving air quality: from the invention of the particulate filter to SCR and GPF, its technological solutions have a reputation for being the most relevant for fighting the environmental impacts of internal combustion engines.

It takes part in public debates (conferences) and fiercely defends industrialists' freedom to devise the most effective solutions, challenged only by the caps set by regulators.

Convinced by the relevance of its technological choices in the light of the challenges posed by climate change and air quality, in November 2015, it announced its partnership with two environmental NGOs, Transport & Environment (T&E) and France Nature Environnement (FNE), and, together, they published fuel consumption figures for more than 1,000 of the Group's vehicles under real-world driving conditions. This information is available on Group brand websites.

The measurement protocol developed with T&E showed its efficiency in terms of the fuel consumption and CO<sub>2</sub> emissions tests actually in use (see Section 2.2.1.1.1). Encouraged by this success, the experiment was replicated for the measurement of NO<sub>x</sub> and particulate emissions. Groupe PSA published the first results of these measurements at the start of March 2018. This new step contributes to further increase the reliability of automotive tests and measurements.

Groupe PSA is, to date, the only car manufacturer to commit to this transparency in respect of its customers.

Aware of the challenge of informing its customers about the gaps between measurements taken in a laboratory and measurements taken in real-world conditions, the Group's actions also include an educational dimension, enabling customers to both access all the information they need to make an informed choice and to measure the impact of their driving mode on their vehicle's emissions.

In addition, Groupe PSA points out that the results of the real driving emissions (RDE) tests performed on its recently-approved vehicles can be accessed on the following website <http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data>.

## 2.2.1.3. ENVIRONMENTAL IMPACT OF MATERIALS: THE CIRCULAR ECONOMY AND SUSTAINABLE MATERIALS MANAGEMENT

### 2.2.1.3.1. Responsible use of materials DPEF.23

In 2017 the Group consumed (excluding Latin America):

- 2,170,000 tonnes of steel (+0.5% compared to 2016), including 660,000 tonnes direct (-3%);
- 320,000 tonnes of non-ferrous metals, including 74,000 tonnes of aluminium direct (+21%);
- 500,000 tonnes of synthetic materials, polymers and elastomers.

These volumes represent the composition of parts in production in the Group's plants, spare parts and parts intended for co-operative assembly plants.

### Proactive use of green materials

Groupe PSA has undertaken to incorporate, on average, 30% natural and recycled materials in the Group's vehicles. Recycled materials are integrated throughout the vehicle. Although metals are some of the most extensively recycled materials, the aim is to promote the recycling of metals in automotive products.

In addition, the Group is continuing its research efforts on recycled polymers (non-metal and non-mineral elements), polymers representing on average 20% of the total mass of a vehicle. Most other materials (metals, fluids, etc.) are in fact already recyclable and, for the most part, recycled.

The Group defines three categories of materials as "green": recycled materials, materials of natural origin (wood, plant fibres, etc.) and bio-sourced materials (polymers not made from petrochemicals but from renewable resources). Their use has several advantages: such as reducing the use of fossil or mined materials, and fostering the development of recycling processes, by boosting demand.

The wider application of green materials requires the development of robust supply chains and more research on new materials. To meet its targets, the Group is actively selecting and certifying materials that offer the best cost/technical trade-offs, to create a portfolio of solutions for future vehicle projects.

Groupe PSA is involved in a large number of scientific partnerships to boost the development of the biomaterials industry and expand the use of these materials in vehicles, such as the BIOMass for the Future/Miscanthus project alongside the INRA (National Institute for Agronomic Research) or the COCCY-BIO (*Tenue aux ChOCs et reCYclage de BIOcomposites multifibres or Shock resistance and recycling of multi-fibre biocomposites*) project, with the following partners: ADDIPLAST SA, who aims to develop thermoplastic compounds comprising a significant fraction of biomass from resources local to the automotive industry.

The use of green materials is now standard in engineering design and in specifications for calls for tender from suppliers of components and parts. The incorporation of green materials is also one of the selection criteria used when choosing suppliers.

The latest vehicles to be marketed show the results obtained:

- the DS 7 contains on average 30% natural and recycled materials throughout the vehicle. Approximately 100 polymer parts incorporate recycled materials and materials of natural origin, including the rear and front mud guards, the boot side trim supports, the use of wood fibres in the rear and front floor mat, or even the use of cotton fibres in the sunshields;
- the new Citroën Jumpy and Peugeot Expert comprise on average 30% recycled and natural materials throughout the entire vehicle. Approximately 100 polymer parts incorporate recycled materials and materials of natural origin, such as; recycled plastics are used in the air deflectors, bumpers, sun shields, air filters, 12V starter battery; cotton fibres are used in the boot trims.

On average, the percentage incorporation of green materials on vehicles sold worldwide in 2016 was over 30% (weighted average on 2016 volumes of vehicle sales in Europe).

### Reducing hazardous substances **DPEF.18** **DPEF.36**

Regulatory requirements, combined with the use of hazardous substances, are factored into all phases of vehicle life, from design and manufacture to use and end-of-life recycling, in close collaboration with suppliers. The Group asks its suppliers to provide a compliance certificate for each part delivered using the IMDS (International Material Data System) with regard to regulations on chemical substances. The integration of these requirements focus on two major issues:

- **the elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium):** for example, circuit board solder has been lead-free in new vehicles since January 2016;
- **compliance with the REACH regulation:** the Group has set up an organisation and a communication system to monitor its partners and suppliers and ensure that they comply with the REACH regulation. The Group has set itself the goal of minimising the use of substances on the REACH candidate list and anticipating the restrictions in Annexes XIV and XVII by working on new materials right from the research and innovation phase. For example, DEHP (Diethyl Hexyl Phthalate), used as a plasticiser in PVC sheaths for wiring harnesses, has been replaced.

Other chemicals regulations (e.g. regulation on persistent organic pollutants, biocides, etc.) with an impact on the design and/or manufacture of parts are also taken into account. Likewise, the use of nanomaterials is traced right from the innovation phase through to use on vehicles.

In addition to monitoring regulatory requirements, the Group has voluntarily introduced technical solutions to ensure the highest levels of customer health and safety. These include filters for air coming into the passenger compartment and limits on volatile organic compounds in materials used.

### Vigilant scrutiny of materials' criticality

Bearing in mind the growing scarcity and increasing cost of raw materials over the long-term, the Purchasing Department and the R&D Department are working together, via a Materials Strategy Committee, to manage and secure the Group's supply of materials over the long term and to direct the focus of its R&D towards replacement materials. This strategy, which was originally applied to source materials is now being extended to synthetic raw materials.

### 2.2.1.3.2. Eco-design for better recycling

#### **DPEF.20** **DPEF.23**

The Group's initiatives in this area come under European Directive 2000/53/EC of 18 September 2000 on end-of-life vehicles (ELVs), which sets out the requirements for vehicle design and the operational requirements for the treatment of end-of-life vehicles. It identifies three types of ELV recovery: reuse of parts, recycling of materials, and energy recovery. Up until 2015, it required vehicles to be overall 85% recoverable by vehicle weight (of which 80% is actually reusable or recyclable) and after that, vehicles had to be 95% recoverable (of which 85% reusable or recyclable).

To fulfil these obligations, Groupe PSA has set up a dedicated network. This highly cross-functional structure pools the expertise necessary for the upstream and downstream treatment processes. The activity is managed at two levels: upstream, which seeks eco-design solutions, and downstream, which involves monitoring the collection and treatment of end of life vehicles. These are handled in close collaboration with our partners, such as suppliers, recycling operators and car manufacturers associations.

### Prevention measures: recyclability commitment

Upstream, the impacts of recycling end-of-life vehicles (ELVs) are taken into account in every new model and component. To ensure that its vehicles are highly recyclable, the Group is committed to:

- **using easily recyclable materials;**
- **reducing the variety of plastics in a car,** to facilitate sorting after shredding, optimise the related recovery processes and ensure their profitability;
- **using a single family of plastics per major function,** so that an entire sub-assembly can be recycled without prior dismantling;
- **marking plastic parts with standardised codes,** to ensure identification, sorting and traceability;
- **introducing green materials, especially recycled materials,** into vehicle design to support the emergence or development of new markets for certain materials;
- **integrating recycling considerations very far upstream, starting with the innovation phases,** with particular attention to new materials or vehicle parts;
- **designing in vehicle depollution or pre-treatment requirements, the first mandatory phase** of end-of-life vehicle disposal which consists of draining all fluids from the vehicle, neutralising pyrotechnical components and dismantling parts considered harmful to the environment so as to prevent any transfer of pollution during end-of-life vehicle disposal. As a participant in the *International dismantling information system (IDIS) project*, the Group provides recycling facilities with disassembly instructions for the Group's vehicle brands.

On 8 November 2017, the Group's UTAC certificate was renewed for three years, demonstrating its ability to implement the processes needed to meet the requirement of 95% recyclability/recoverability (by weight), of which 85% through reuse or material recycling: all PEUGEOT, CITROËN and DS vehicles are now certified to meet this requirement.

### 2.2.1.3.3. Management of end-of-life products: re-use, recycling and recovery DPEF.16

#### Re-use and refurbishment of parts

The Group participates in the circular economy by offering a standard exchange programme (refurbished high-value parts and subassemblies), as well as second-hand spare parts (parts recovered from end-of-life vehicles). It has also introduced a new "repair & return" service. These programmes are described in greater detail in the CSR Report which is available on the Group's website.

#### Recycling of end-of-life vehicles (ELV)

Downstream, the Group has been involved in collecting and processing ELVs from its dealership networks for almost 30 years, through partnerships with vehicle demolition and shredding companies. Demolition companies are in charge of depolluting and partially or entirely dismantling end-of-life vehicles, while shredding companies extract then process scrap aluminium, copper and other important materials for sale in the international marketplace.

Apart from metals and plastics, Groupe PSA aims to recover a wider range of materials. This supplies two sectors of business activity:

- recovery and recycling of materials;
- recovery and recycling of energy.

**In France**, the Group relies on industrial partnerships that are technically and economically efficient. These ensure full traceability of ELVs and guarantee the achievement of the overall recovery rate.

The Group's partners work with networks of certified demolition companies (331 ELV Centres at year-end 2017) that collect end-of-life vehicles, deregister and decontaminate them, and then dismantle them to resell certain parts for reuse.

Between 2009 and 2017, this strategy led to the collection and processing of more than 838,000 ELVs, sold through the Peugeot and Citroën networks, 49% of which were Group brand ELVs.

The Group's performance in France in overall recovery of ELVs collected through its network is compliant with European regulations and better than the national average:

Group performance in 2015 = 95.5%, of which 88.1% reused or recycled<sup>(1)</sup>.

As previously reported, the most recent ADEME data (2015) at the national level reports overall performance in reuse, recycling and recovery to be 95.0% (of which 87.5% recycling and reuse).

Groupe PSA made a major contribution to the drafting of a cross-manufacturer action plan for the re-absorption of historic stocks of ELVs, estimated at 60,000 vehicles in May 2015, in the French overseas territories in which the French Environmental Code applies (Guadeloupe, St Martin, Martinique, French Guiana, La Réunion, Mayotte). The plan, which responds to the health and environmental issue posed by vehicles abandoned by their last owner, will be followed up in 2018 by the signing of an inter-manufacturer framework agreement with a financial commitment for each brand. Groupe PSA aims to launch this Plan in Martinique and Guadeloupe at the start of 2018 and it will be implemented by the local automotive waste treatment associations (TDA Martinique and TDA Guadeloupe).

In advance of the premium conversion that will be introduced by the Department of ecological transition and solidarity in 2018, in October 2017, Peugeot France and Citroën France launched a programme to scrap diesel vehicles older than 16 years and petrol vehicles older than 20 years when buying a new or second-hand vehicle. These end-of-life vehicles will be treated in accordance with Groupe PSA's procedures to ensure 100% traceability and environmental performance exceeding 95%.

**On the European** markets, the Group takes part in ACEA (European Automobile Manufacturers' Association)-defined action plans. By way of example, in 2017, a demolition company certification process designed in Italy in partnership with UNRAE (National Union of Foreign Carmakers in Italy) and the Italian Ministry of the Environment optimised the network of dismantlers working with the brands; in Great Britain, financial incentives have been introduced by Groupe PSA's subsidiary for the scrapping of petrol or diesel vehicles that are older than seven years.

**In China**, the Group is contributing to public debate by raising the awareness of legislators within the context of future end-of-life vehicle regulations. A draft directive on the operational requirements for the disposal of ELVs is in the process of being drafted.

**In Russia**, since 2012, the Group has met the regulatory obligations introduced by the administration which requires an eco-contribution to fund the national ELV disposal network.

#### Battery and tyre recycling

In accordance with Directive 2006/66/EC, the Group has introduced procedures for the collection and treatment of batteries from its hybrid and electric vehicles sold in Europe. Groupe PSA has a contract for the entire European market with a single, efficient partner, whose recycling rates in 2016 reached 67.8% for electric vehicle Li-ion batteries and 84% for hybrid vehicle Ni-MH batteries. These rates are much higher than the regulatory thresholds of 50% materials recycling. This agreement concerns all of the Group's dealership networks and manufacturing plants, for all powertrain battery technologies across all European marketing areas.

Groupe PSA is also involved in studies of technical opportunities to recover residual battery capacity, when their performance is not compatible with the initial automotive usage. This second life in which they are used to store energy, for example stationary, will delay the recycling date by several years. By reconditioning them so that they can be efficiently connected to the grid, the prospect of using these batteries as buffer storage covers part of the electricity storage requirement as a result of the increasing diffusion of renewable energy sources which are, by their nature, intermittent.

In France, based on the principle of greater manufacturer responsibility, the Group's brands introduced collection and treatment procedures for tyres stored at approved ELV centres. The Group is also supporting one of its partners in a new method of tyre material recovery: vapothermolysis.

Groupe PSA participated in the action launched by the Recyvalor association which, over eight years, has collected and recovered more than 80,000 tonnes of abandoned tyres distributed over around 60 illegal dumps throughout France. Since then, the management of end-of-life tyres is regulated and controlled and stock is not allowed to build up.

<sup>(1)</sup> Since ADEME has not released official statements for the end of 2017 concerning ELV operators in France, the Group is not yet able to determine its performance for 2016.

#### 2.2.1.3.4. Vehicle life cycle and carbon footprint analyses **DPEF.18** **DPEF.19** **DPEF.20** **DPEF.27**

##### Life cycle analysis to improve vehicles' environmental footprint

The Group conducts life cycle analyses of its vehicles and components that comply with the framework defined in the ISO 14040/044 standards. These studies analyse the multi-criteria environmental footprint of a vehicle and validate its component and materials design. The entire product life cycle is taken into account from raw material extraction, to manufacture, use and end-of-life recycling.

The Group has set itself the goal of performing a life cycle analysis for each new family of vehicles. In addition, for each major technological change or strategic innovation, a study is carried out, in conjunction with suppliers, to assess changes in the environmental impacts of these modifications. As a result, in 2016, life cycle analyses covered 45.4% of the total fleet sold. The LCA methodology used was certified during a critical review by Bio By Deloitte, a firm specialising in life cycle analysis.

Environmental impacts are taken into consideration in the innovation process and a complete evaluation is made of each critical innovation. The goal is to guarantee that the environmental impacts from a new model are less than for the previous generation. These results were verified with regard to:

- the new petrol version of the Citroën C3 compared to the its previous version;
- the new diesel version of the DS 7 Crossback compared to the old Peugeot 3008.

In 2018, the Group plans to perform a life cycle analyses on the new Citroën Berlingo and Peugeot Partner vehicles and it will perform analyses on its major innovations and on the introduction of green or composite materials.

##### Monitoring the Carbon footprint of a vehicle

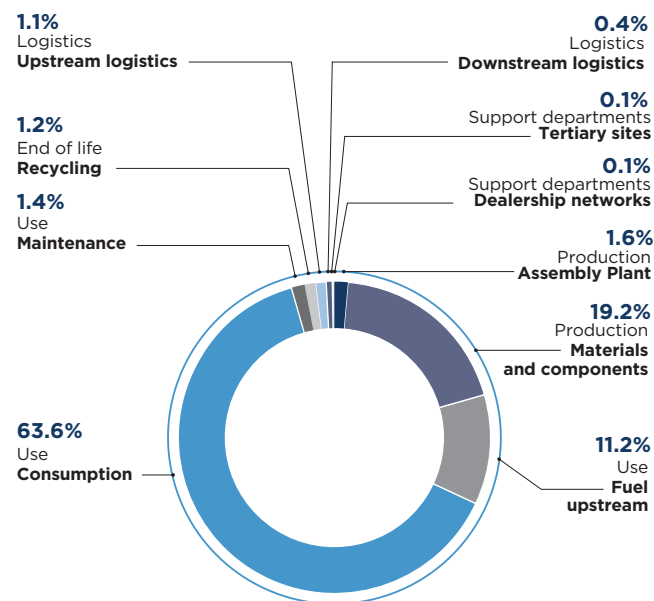
Groupe PSA has begun a process to determine the total CO<sub>2</sub> equivalent of its operations in Europe.

This footprint considers, over a year of activity, emissions from the production of materials and components for the vehicles manufactured, emissions from the Group's production plants, service activities, fuel extraction and production necessary to use

the vehicles manufactured, the use phase of the vehicles manufactured and ELVs.

The method was verified and approved by Eco Act, a firm specialising in environmental analysis and greenhouse gas diagnostics.

##### Distribution of the overall carbon footprint of vehicles manufactured in one year by the Group



The total CO<sub>2</sub> equivalent emissions of vehicles produced by the Group in 2016 amounted to 34.4 million tonnes.

The usage phase of the vehicle represents almost 80% of the vehicle's overall carbon footprint in terms of CO<sub>2</sub> equivalent emissions. Hence Groupe PSA is focusing its R&D efforts on the issues of fuel consumption and vehicle weight (see Section 2.2.1.1).

#### 2.2.1.4. THE DEVELOPMENT OF MOBILITY AND ONBOARD INTELLIGENCE SERVICES **DPEF.27** **DPEF.36**

Groupe PSA reached a new strategic milestone in its role as a mobility service supplier.

In order to rise to new mobility challenges, Groupe PSA is continuing to roll out its "Push to Pass" plan with the construction of an ecosystem of fifteen or so partners and developers.

The Group's strategy, the aim of which is to offer sustainable, smart, safe and shared mobility solutions, guaranteeing freedom of movement for all, is being demonstrated by:

- the creation of a Mobility Services Department which coordinates the cross-functional oversight of all activities described in the "Push to Pass" plan;
- the launch of its new *Free2Move* mobility services brand which will bring together all of its connected and mobility service offerings;
- investment in Communauto, the North American car-sharing pioneer;
- collaboration with Bolloré which adds Citroën C-Zéro electric vehicles to its existing range in Lyon (Blueuly) and Bordeaux (Bluecub);

- the acquisition of equity stakes in two startups specialising in peer-to-peer car-sharing: Koolicar and TravelCar. Groupe PSA earmarked €100 million to invest in these new business and prepare for the future;

- a connected fleet management services partnership with Masternaut, the second-largest supplier of telematic solutions in Europe;

- a partnership with IBM as part of the Smarter cities project currently being rolled out in the Metropolis Nice Côte d'Azur, Gironde and in Wallonia (Belgium).

The launch of the *Free2Move* app, a mobility services platform for sharing cars, scooters or bikes. The app was launched in April 2017 and is now available:

- in Europe: 7 countries (Germany, Italy, United Kingdom, Sweden, Austria, France and Spain) and in 18 cities;
- in the USA: starting with the city of Seattle (October 2017).

The *Free2Move* app allows you to use the services of around 30 operators, including five which operate in partnership with the Group.

## 2.2.2. Industrial ecology of Group sites

### THE GROUP'S ENVIRONMENTAL PROTECTION POLICY AT THE INDUSTRIAL LEVEL

The environmental policy of the Industrial Department applies to all industrial entities of the regional divisions. It aims to be among the best in terms of operational efficiency by 2025. This vision requires all Group plants to embrace the "Excellent Plant" concept, on a par with the world's leading car manufacturers.

The Industrial Department's environmental policy contributes to five issues below:

#### ■ Energy/Industrial carbon footprint:

Reducing the carbon footprint of industrial activities based on two key priorities: reducing plant energy consumption and optimising logistics operations.

Advocating the use of renewable energy wherever feasible.

#### ■ Control of industrial waste and pollutants:

Managing the environmental impacts associated with industrial activities, particularly the use of chemicals (such as emissions from paint shops, and the risks associated with the use of these products), and reducing the impact on local residents.

#### ■ Optimisation of materials cycle in industrial processes (including waste):

Developing the circular economy through research and implementation of waste treatment schemes with the assistance of the Group's partners in this area.

#### ■ Sustainable management of water:

Managing water consumption, usage and treatment in industrial processes.

#### ■ Biodiversity:

Protecting the species identified, with a view to reducing the Group's impacts.

### A solid and proven organisational structure that gives thought to environmental issues in processes **DPEF.15**

#### PCD Automotive Activities

The Group has been engaged in proactive environmental stewardship at its production, research and development sites, with a commitment to ensuring that their operations comply with local regulations, fully safeguarding the surrounding natural environment and the quality of life of host communities.

The Group's industrial strategy combines environmental stewardship with a commitment to continuous improvement based on a disciplined organisation, a methodology structured around environmental management (ISO 14001) and the allocation of significant financial resources. Environmental data reporting has been in use for long time and since 2015, is done with a new tool which supplements and harmonises Group applications used in this area. The history acquired since 1989 is saved, thus enabling the Group to prioritise and effectively tackle the major environmental issues associated with its activities.

In all, some 350 people are directly involved in managing the Group's manufacturing environment.

#### PCD Automotive Trade

PSA Automobiles site environmental policy is also being rolled out at brand dealership networks. The Brand Department encourages its points of sale to manage their environmental indicators (water, energy, waste) so as to improve performance.

The three brands' vehicles are distributed both by points of sale owned by the Group and headed by PSA Retail, as well as by independent dealerships.

After-sales representatives from PSA Retail France points of sale are encouraged to hone their environmental skills within the framework of programmes deployed by the brands: Osmose for Citroën and Odas for Peugeot (see Section 2.2.2.2. and Section 2.2.2.3.2.).

The Group also engages its independent dealership networks in its sustainable development initiative by providing leadership from a network of representatives for each brand subsidiary.

Since 2008, the Group has used an information system to collect, monitor and consolidate environmental data from across its proprietary network. Since 2016, a multi-year capital expenditure budget has been introduced to maintain the assets position, and also to incorporate new technologies such as LED lighting and the energy self-sufficiency of buildings, and thus streamline the energy footprint.

### An active certification policy **DPEF.15**

#### PCD Automotive Division

In place for more than 15 years (1999), the certification process is now fully implemented in the production plants, which are all ISO 14001 certified. Since the release of the new version of the standard in September 2015, the Group has referred to these new guidelines and, at the end of 2017, half of its sites were certified to the 2015 version of the standard. All sites will be certified in 2018. Automotive industry cooperation agreements with Toyota, Dongfeng Motor Corp., Mitsubishi in Russia and Fiat in Italy are also certified.

#### Faurecia

78.1% of the Faurecia business sites are certified to ISO 14001. Taking into account the business sites joining and leaving the Group, this has made for an improvement of some 2%. Approximately 1/3 of these sites are certified according to the new 2015 version of the standard.

### Actions taken to train and inform employees about protection of the environment **DPEF.10**

#### PCD Automotive Division

The Group has identified an environment business within the business lines developed for all its core operations. Certified by PSA University, it allows the training path for every major environmental player to be defined, thus aiding in the full completion of his or her activity. In addition, the Industrial Environment Department assists these players by providing permanent monitoring (regulations and best practice).

In 2017, 4,991 hours of training were provided to improve employees' environmental awareness and practices. This total does not take into account the training provided directly at the work station by the unit manager within the PES (PSA Excellence System) management control, which integrates information on the control of environmental impacts directly related to the work station. Over and above the training of major environmental contributors in the industry, every employee receives information on the environmental situation of his or her site at regular intervals and at least once a year. Finally, as part of the development of a Site Prevention Plan, every contributor outside the Group shall be made aware of the environmental policy of the site on which he is active.

### Measures for the prevention of environmental risk, pollution or effluents at sites **DPEF.18**

With a tried-and-tested organisational structure in which each Group facility has an environmental manager coordinated centrally by a team of experts, and with every employee committed to managing impacts at each stage of the process, the Group's environmental strategy is guaranteed to be effective.

On that basis, the environmental component of the Excellent Plant has led to ambitious targets being set for the five issues listed in the introduction to section 2.2.2 and to the implementation of appropriate resources.

### Resources implemented **DPEF.16**

#### Production plants

The Industrial Department's environmental vision is developed starting with the design of new means of production, so that its environmental impact can be considered. It can thus be estimated that 1% of the amount of investment in manufacturing tools corresponds to taking their environmental impact into consideration. In addition, the Industrial Environment Department manages an annual investment plan that provides for plant compliance operations relating to regulatory changes and the reduction of pollution and environmental risks. A €0.5 million investment plan was launched in 2017 in Europe.

### Provisions for environmental risk **DPEF.17**

#### PCD Automotive Division

In accordance with Decree No. 2012-633 of 3 May 2012, since July 2014 the Group has established financial guarantees of €1 million as security for certain installations of its French facilities classified as environmentally sensitive. By 2019, the Group will have financial guarantees of approximately €5 million.

#### Faurecia

Pursuant to the aforementioned decree, Faurecia identified two French sites obliged to establish financial guarantees. In 2017 the amount of guarantees established was €295,768 for the two sites in question.

Faurecia also set aside provisions for environmental risks amounting to €5,981 thousand. These provisions are mainly related to processing costs for site remediation.

### Compensation paid pursuant to a legal decision for environmental damage

**PSA Automobiles SA** and **Faurecia** did not have to pay any such compensation in 2017.

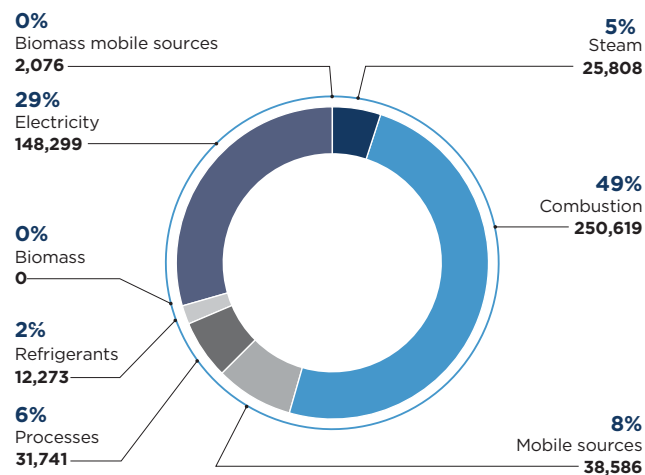
## 2.2.2.1. ENERGY PERFORMANCE AND REDUCTION IN CARBON FOOTPRINT IN THE FACE OF CLIMATE CHANGE

Like the product strategy, where the emphasis is on the development of low-carbon vehicles, the Industrial Department has, through its environmental policy, promised to participate in the Group's efforts to reduce its carbon footprint in relation to energy consumption. Within the Automotive Division, vehicle production uses energy for a wide range of industrial processes, such as casting, machining, paint curing, heat treatment, etc. The Group has developed an energy management plan for all its production plants based on best available techniques that has helped since 1995 to reduce per-vehicle energy consumption by 36% and greenhouse gas (GHG) emissions by 53%.

### Surveys of greenhouse gas (GHG) emissions of French facilities

Pursuant to Article L. 225-25 of the French Environmental Code, derived from the Grenelle environment laws, the companies concerned in the Automotive Division (companies with more than 500 employees) have implemented greenhouse gas (GHG) emission checks (six GHGs from the Kyoto protocol) for their French operations, on the basis of 2014 emissions. These checks were conducted within regulatory scopes 1 and 2. Every company in question has established its report by applying the methodology established at the Group level, and passed it on to the competent regional Prefect in December 2015.

An extremely summarised result of the PCA checks and its affiliates in France is given below:



An action plan covering the period from 2015 to 2017 was attached to each assessment, the total expected gain being estimated at over 41,000 tonnes of CO<sub>2</sub> equivalent. The actions adopted came from either the energy management plan (e.g. reduction of electricity or gas consumption), or specific actions to reduce GHG emissions (e.g. use of refrigerants with a low Global Warming Potential).

This second iteration of the GHG assessment, using the same methodology, provides points of comparison between the two reporting periods. A decline of 80,000 tonnes of CO<sub>2</sub> emissions was observed, showing that the action plans were brought off successfully, since they called for a 60,000 tonne reduction. This represents an 8.5% decline in CO<sub>2</sub> emissions produced per car in France.

## 2.2.2.1.1. Managing energy consumption

## DPEF.24

In 2015, updates of GHG emissions reports performed in France have bolstered the action plans adopted by the Industrial Department to reduce the carbon footprint of plants. These results confirmed that 83% of greenhouse gas emissions emitted by the Group come from primary and secondary energy consumption. Analysis of GHG emission profiles of the Group's other industrial sites outside France shows a similar breakdown, exacerbated by the fact that local electricity production generates higher emissions than French electricity production. It makes sense therefore to tackle energy efficiency in order to reduce the carbon footprint of the Group's industrial activities. On that basis, and in line with COP21 objectives aiming to limit global warming to 2°C, Groupe PSA has compiled projections of its industrial CO<sub>2</sub> emissions to 2025. The areas that need to be worked on were identified, with a view to reducing emissions in accordance with COP 21 commitments based on 2010 figures.

This management plan is essentially based on:

- mapping the energy performance of all industrial sites to optimise their energy use. Today, the Group's commitment to managing

energy consumption has come to maturity. The pilot certification to the ISO 50001 standard at four sites confirmed and improved the robustness of the internal energy-control procedures;

- reducing surface areas and optimising means of production within the framework of plans to make plants more compact;
- increasing the proportion of renewable energy in industrial processes, when an economically viable opportunity occurs;
- logistics-related CO<sub>2</sub> emissions with an action plan extending until 2022, even though this item is not included in the GHG Report.

Reported energy consumption is expressed in MWh NCV (the most common unit of measurement). In terms of method, the use of calorific values is recommended by the French Decree of 31 October 2012, transposing Commission Regulation (EU) No. 601/2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council. The coefficients proposed by these two regulations are derived from the work of the IPCC (Intergovernmental Panel on Climate Change), as are those of the greenhouse gas (GHG) Protocol, used as a reference by the global reporting initiative (GRI). As a result, values expressed in MWh can be converted to TJ simply by applying a multiplying factor of 3.6 (1 Wh = 3.6 kJ).

## Overall energy consumption

## DETAILED ENERGY CONSUMPTION

(unit: MWh NCV)	Year	Combustible energy							
		Non-renewable				Renewable	Non-combustible energy		Total energy consumption
		Heavy fuels	HHO	NG + LPG	Coke		Biomass (wood)	Electricity	
PCD Automotive Activities	2017		794	1,770,364	86,733	15,968	2,226,320	159,603	4,259,782
	2016		2,947	1,758,271	80,430	16,881	2,175,096	154,815	4,188,082
	2015	0	1,383	1,673,163	75,848	15,893	2,209,836	132,146	4,108,269
o/w PSA Automobiles SA	2017		650	1,214,798	86,733	15,968	1,649,394	159,603	3,127,146
	2016		1,045	1,191,827	80,430	16,881	1,591,835	154,815	3,036,834
	2015	0	1,019	1,126,917	75,848	15,893	1,623,546	132,146	2,975,368
PCD Automotive Trade	2017	417	4,383	103,764			85,517	2,485	196,566
	2016	432	7,290	103,540			100,090	2,542	213,893
	2015	436	8,886	111,783	0	0	115,095	3,954	240,154
Faurecia	2017	971	6,546	529,731		5,843	1,392,968	21,973	1,958,031
	2016		9,201	512,978	0	5,499	1,311,402	22,127	1,861,207
	2015	1,423	9,970	736,919	0	5,373	1,572,758	23,067	2,349,510
TOTAL	2017	1,388	11,723	2,403,859	86,733	21,811	3,704,805	184,061	6,414,380
	2016	432	19,078	2,374,789	80430	21,467	3,586,588	179,484	6,263,081
	2015	1,859	20,239	2,521,865	75848	21,266	3,897,689	159,167	6,697,933

Heavy fuels = HSFO + LSFO + VLSFO.

HHO = Home Heating Oil.

HSFO = High-Sulphur Fuel Oil.

LPG = Liquefied Petroleum Gas.

LSFO = Low-Sulphur Fuel Oil.

NG = Natural Gas.

VLSFO = Very Low-Sulphur Fuel Oil.

### PCD Automotive Activities

Energy consumption by the PCD Automotive Activities continued to decline in 2017 on a per car produced basis, down to below 2 MWh per vehicle produced, to 1.95 MWh. Changes by type of energy confirm the trends of previous years. Electricity consumption is under control, thus reflecting the actions carried out to reduce consumption (lighting, use of resources, more energy-efficient engines), and these best practices are enacted at the plants. On the other hand, gas and firewood consumption is much more sensitive to climatic conditions and to the size of the areas to heat. The early results of reducing plant areas are being manifested in the fall in gas consumption per vehicle manufactured. Consumption of Coke is exclusively dedicated to the production of cast iron on the Sept-Fons site.

### PCD Automotive Trade

Since 2016, the move to bulk purchases of energy, and to control of consumption, together with the deployment of new technologies, has enabled PSA Retail to meet the reduction targets set by the "Push to Pass" plan for financial year 2017, with a 9% reduction in energy consumption at constant scope. This reduction was as high as 12% for the electrical component. The main contributors to this progress were Germany and France. As regards electricity, we can highlight the contribution by the LED plan (phase 1: office areas) deployed throughout the sales network. In 2018, a second phase will consist of extending this solution to workshop areas.

Data from the Peugeot and Citroën brands related on average to 100% of plants in 2017 (98% in 2016 and 97% in 2015) for direct energy consumption and 99% of plants in 2017 (98% in 2016 and 94% in 2015) for indirect energy consumption.

### Faurecia

In 2017, 1,958 million MWh of energy was consumed (+5 compared with 2016). Electricity accounted for 71% of the total energy used by Faurecia sites. The implementation of an energy management system commits sites to gaining increased skills in finding sources of potential savings on their site, whether it affects performance of machines and equipment, or day-to-day operating procedures on the site. During the past year, 100 sites (including 74 production plants), or 42% of the sites included in the scope of reporting, have implemented initiatives to improve the efficiency of their buildings and production tools. Total investments represent more than €2.4 million.

Among the best practices implemented at certain sites, can be noted the installation of solar-energy panels, the use of cogeneration heating units, the retrieval of heat energy developed in welding processes and the use of the heat released by compressors to heat production areas.

The data covers 98% of Faurecia sites.

#### 2.2.2.1.2. Reducing industrial greenhouse gas emissions **DPEF.26** **DPEF.27** **DPEF.28**

### PCD Automotive Activities

Since 1990, upgrades of facilities, substitution of fuel oil and coal with natural gas, development of cogeneration and energy consumption control efforts have contributed to improve energy efficiency and reduce greenhouse gas emissions.

### Direct air emissions from combustion plants

*Nota: Direct emissions are calculated based on the direct energy consumption by applying emission factors acknowledged by the greenhouse gas emissions trading system (EU ETS) in compliance with the Decree of 31 October 2012 or European Decision 2012/601 in the case of CO<sub>2</sub> and the circular of 15 April 2002 for all other gases. Changes in emission levels are thus directly related to changes in energy consumption. To make reading easier, the Group used the same emissions factors in 2014 as for the five previous years. These components will next be updated in 2019.*

## DECLARATION ON EXTRA-FINANCIAL PERFORMANCE

Embracing environmental issues

### SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS (GHG)

(unit: tonnes)	Year	CO <sub>2</sub>	N <sub>2</sub> O	CH <sub>4</sub>	Indirect GHG emissions in CO <sub>2</sub> eq. (Scope 1)	GHG emissions from renewable sources (CO <sub>2</sub> eq.)*	Indirect GHG emissions in CO <sub>2</sub> eq. (Scope 2)	Total GHG emissions in CO <sub>2</sub> eq. (Scope 1 + Scope 2)
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>398,201</b>	<b>16.17</b>	<b>27.28</b>	<b>403,786</b>	<b>5,289</b>	<b>160,080</b>	<b>593,866</b>
	2016	394,434	16.08	27.21	399,991	5,591	161,513	561,504
	2015	374,740	15.3	25.87	380,025	5,263	185,312	565,338
<b>o/w PSA Automobiles SA</b>	<b>2017</b>	<b>283,857</b>	<b>11.17</b>	<b>19.33</b>	<b>287,724</b>	<b>5,289</b>	<b>71,059</b>	<b>358,783</b>
	2016	277,471	10.98	19.09	281,274	5,591	68,050	349,325
	2015	262,265	10.38	18.05	265,862	5,263	73,131	338,994
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>22,633</b>	<b>0.96</b>	<b>1.52</b>	<b>22,951</b>		<b>22,468</b>	<b>45,419</b>
	2016	23,375	0.97	1.53	23,697		25,456	49,154
	2015	25,516	1.06	1.65	25,867		29,970	55,836
<b>Faurecia</b>	<b>2017</b>	<b>111,947</b>	<b>4.81</b>	<b>7.20</b>	<b>113,530</b>		<b>567,253</b>	<b>680,783</b>
	2016	108,604	4.66	7.03	110,139		551,124	661,263
	2015	155,223	6.68	10.13	157,427	-	632,905	790,332
<b>TOTAL</b>	<b>2017</b>	<b>532,781</b>	<b>21.94</b>	<b>36.00</b>	<b>540,267</b>	<b>5,289</b>	<b>749,801</b>	<b>1,290,068</b>
	2016	526,413	21.71	35.77	533,827	5,591	738,183	1,272,010
	2015	555,479	23.04	37.65	563,319	5,263	848,187	1,411,506

\* Greenhouse gas emissions from the combustion of biomass (wood at the Vesoul site) are not included in direct emissions in accordance with the GHG Protocol guidelines.  
GHG emissions expressed in tonnes of CO<sub>2</sub> eq. are calculated by applying coefficients (global warming powers) of, respectively, 298 for N<sub>2</sub>O and 21 for CH<sub>4</sub> (source: IPCC Reports, 2006 and 1995 respectively). Indirect emissions are calculated based on the purchase of electricity and steam in compliance with emissions factors obtained from steam suppliers and by using the same factors as the year before for electricity.

**For PCD Automotive Activities**, using the same emission factors since 2014 makes it easier to compare information. It highlights the greenhouse gas emission ratio per car produced settling down at a very low level. This good performance is partly due to the Group's strong industrial presence in France, which enables it to have access to low carbon electricity, and also to the plant's efforts towards better controlling their consumptions. These ongoing management efforts are performed, day after day, and prove to be effective. Greenhouse gas emissions have been cut by more than half over the past 20 years and in 2017 were 259kg in CO<sub>2</sub> eq. per vehicle.

The use of renewable energies, whose share in 2017 was 14.6% of the electricity consumed by the Group throughout the world, is part of the process of contributing to the objectives of the Paris Agreement. Even though this falls behind achievements in 2016, CO<sub>2</sub> emissions from industrial activity have nevertheless been reduced by 6% per vehicle manufactured in 2017, distinctly above the trajectory established in accordance with the Group's commitment to contribute to the Paris Agreement. Control of energy consumption really is the major factor in reducing industrial CO<sub>2</sub> emissions.

**The PCD Automotive Trade data** given in the previous table was reported from the same percentage of sites as for energy consumption (see 2.2.2.1.1.). The share of renewable energy consumed is 24.3%.

### Participation in the CO<sub>2</sub> emission allowance scheme

The Group qualifies for the CO<sub>2</sub> emission allowance scheme set up in application of European Union Directive No. 2003/87/EC, amended, on greenhouse gas emissions trading, due to its combustion activities within its main units (heating and processes) on the one hand and, on the other hand, to its casting activities. As regards the third phase of the CO<sub>2</sub> emission allowance scheme scheduled from 2013 to 2020, ten plants are involved (Sochaux, Mulhouse, Rennes, Poissy, Vesoul, Vélizy, Sevel Nord and Sept Fons in France, Madrid and Vigo in Spain).

During the first years of Phase 3, the scorecard showing quotas for and emissions from the above-mentioned ten sites was as follows:

Year	Allowances (quotas)	Emissions* (tonnes of CO <sub>2</sub> )
2014	292,449	250,174
2015	359,802	257,558
2016	353,181	265,816
<b>2017</b>	<b>361 375</b>	<b>273 664</b>

\* Sum of verified Groupe PSA emissions and theoretical emissions related to purchased steam, for which the Group receives allowances.

From 1 January 2015, pursuant to an EU decision, the Automotive Division has been included in the list of sectors exposed to a carbon leakage risk, which includes a revised allocation of free quotas.

2

## 2.2.2.2. INDUSTRIAL WASTE AND POLLUTANTS: MANAGING THE IMPACTS ON THE ENVIRONMENT AND LOCAL RESIDENTS

### 2.2.2.2.1. Controlling atmospheric emissions

#### DPEF.18

The processes put in place in automotive manufacturing use chemical products, and the Group is seeking to limit their use and impact.

#### Volatile organic compounds

Volatile organic compounds (VOCs) are monitored, and an action plan is created to reduce their emissions.

Within the PCD Automotive Division, even though overall emissions of VOCs from the Group's paintshop facilities are marginal compared with the total VOCs discharged into the atmosphere in France (less than 1% of France; source CITEPA: Emissions inventory of atmospheric pollutants and GHG in France 2014, or 689 kt), they nonetheless constitute the major environmental challenge with regard to emissions on a site-by-site basis.

The strategy for reducing these emissions is being deployed in four areas, using Best Available Technologies:

- optimising paint shops by using equipment with higher application efficiency to reduce the use of conventional paints and related solvents, by selecting low-solvent paints and by recycling used solvents;
- designing low-emission paint shops in the new plants by manufacturing a narrower range of products (reducing the primer stage);
- installing air treatment equipment that incinerates VOCs on site when necessary;
- encouraging the sharing of experience and best practices among Group plants.

This action plan has helped the Automotive Division both to reduce VOC emissions by vehicles in the Group's auto body painting facilities by 66% since 1995 and, for each plant, to comply with the limits set by chapter on VOCs in Directive No. 2010/75/EU on industrial emissions, which was repeated from the VOC Directive that entered into force in 1999.

Continued systematic implementation of the best technologies at cost-effective prices is enabling the Group to steadily improve its performance. VOC emissions per vehicle produced have been below 3kg since 2013.

#### VOC Emissions from paintshop facilities

Nota: VOC emissions from paintwork and presses (emissions attributable mainly to separating agents) are determined by a material balance method compliant with the principles of the 1999/13/EC Directive.

(in tonnes)		Year	VOCs	Ratio (in kg vehicle produced)
<b>PCD Automotive Activities</b>		<b>2017</b>	<b>6,139</b>	<b>2.82</b>
		2016	5,506	2.70
		2015	5,354	2.69
<b>o/w PSA Automobiles SA</b>		<b>2017</b>	<b>1,975</b>	<b>1.98</b>
		2016	1,617	1.78
		2015	1,610	1.77
<b>Faurecia</b>		<b>2017</b>	<b>1,933</b>	
		2016	1,638	
		2015	2,655	
<b>TOTAL</b>		<b>2017</b>	<b>8,072</b>	
		2016	7,144	
		2015	8,009	

**For the PCD Automotive Trade** in 2017, VOC emissions increased as a ratio compared with 2016. The success of commercial vehicles, which have a higher area of sheet metal and paintwork than passenger cars, and the launching of new vehicles with larger areas are among the major reasons for this increase, together with the heavy demand for two-tone vehicles. On the other hand, the deployment of the best technology available, such as the robotisation of interior outfitting, is continuing at Vigo, but the progress achieved in integrating these best practices is masked by trial launches of new models (Berlingo/Partner) generating increased consumption of VOCs during the development phases involved.

#### Other regulated atmospheric pollutants

In addition to limiting CO<sub>2</sub> emissions as described above, the gradual replacement of conventional high-sulphur fuel oil with low-sulphur fuels and natural gas has helped to substantially reduce worldwide sulphur dioxide (SO<sub>2</sub>) emissions from the Group's power plants. Since 2012 and the permanent elimination of fuel oil usage, SO<sub>2</sub> emissions are marginal and lower than 5 tons per year. At the same time, nitrogen oxide (NO<sub>x</sub>) emissions have also declined sharply thanks to improvements in thermal power stations, and the choice of fuels (natural gas as a substitute for fuel oil). VOC consumption remains below 400 tons per year, and the emissions are evenly distributed over all the sites, generating a very limited local impact.

## Other direct emissions

SO<sub>2</sub>/NO<sub>2</sub> emissions have been calculated from fossil fuel energy consumption (fuel oil, coal, coke, natural gas and LPG), using emissions factors as recognised by the regulations.

(in tonnes)

	Year	SO <sub>2</sub>	NO <sub>2</sub>
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>4.42</b>	<b>394.18</b>
	2016	5.05	392.87
	2015	4.42	373.3
<b>o/w PSA Automobiles SA</b>	<b>2017</b>	<b>3.23</b>	<b>274.13</b>
	2016	3.36	269.97
	2015	3.18	255.2
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>2.46</b>	<b>24.25</b>
	2016	3.49	25.25
	2015	4.06	27.6
<b>Faurecia</b>	<b>2017</b>	<b>5.71</b>	<b>117.31</b>
	2016	5.93	114.04
	2015	8.37	163.03
<b>TOTAL</b>	<b>2017</b>	<b>12.59</b>	<b>535.74</b>
	2016	14.47	532.16
	2015	16.85	563.9

The above-mentioned data from brands and Faurecia was reported from the same proportion of sites as for indirect energy consumption (see 2.2.2.1.1.).

### 2.2.2.2.2. Protecting the soil **DPEF.18** **DPEF.25**

#### PCD Automotive Activities and Faurecia

Strict procedures are applied to prevent soil pollution, in particular through the use of retention basins for liquid storage and limiting, to the extent possible, the use of underground pipelines for fluids transport and conducting checks and maintenance on the existing underground pipelines.

In addition, it aims to discover what past pollution may be present in the soils of its sites.

Either at the instigation of public authorities or at the Group's initiative, soil contamination has been assessed at a large number of sites. After extensive investigations, some sites studied are being monitored. Depending on the site, these surveys were supported by a small number of one-time remediation or prevention programmes.

#### PCD Automotive Trade

Since 2016, the Group has chosen to carry out soil studies on the installations identified as potentially the most polluting at the time of sale or transfer. Particular attention is paid to all points of sale with underground structures. The objective is to ensure that the Group's installations are perfectly well-maintained. In case of proven pollution, the Group implements an action plan to treat this pollution, in compliance with regulatory constraints. For France to date, we have a coverage rate of 77%.

In France, as part of the Odas and Osmose programmes, dealers are made aware of the need to encourage their customers to give greater consideration to their impact on the environment, particularly when washing their vehicles at home.

### 2.2.2.2.3. Reducing other disturbances for the local population **DPEF.19**

The measures to be taken to ensure the local population's tranquillity are assessed and adopted during impact studies or additional impact studies whose content is defined by regulations. These studies assess the sensitivity of residential areas located in the immediate vicinity of the sites, using criteria as diverse as sound level, olfactory pollution and traffic flows. They are carried out under new facilities or renewed at each significant stage of development of a site (extension, new installation or new equipment), and are legally subject to public notice and the approval of the administrative authorities.

As a result, about ten impact studies are conducted annually on the Group's sites. In site compacting operations, all of these potential nuisances are systematically classified to determine the most appropriate measures to reduce their impact.

Instances of discussions held at sites enabling local residents to feed back their comments in the event of any pollution. The nature of any grievances is taken into consideration in order to define and implement appropriate solutions.

### 2.2.2.3. WASTE AND MATERIALS CYCLES: PRODUCTION PROCESSES DESIGN TO REDUCE USE OF RESOURCES AND INCREASE WASTE RECOVERY

Out of an eagerness to apply the concepts of responsible development advocated by the Group's policy and to stay in line with a product strategy that promotes better recovery and recyclability for its vehicles, the Group's industrial sites are committed to developing a circular economy wherever they are located. This expresses itself in the desire to avoid any wasting of natural resources and to use only the quantity of raw materials necessary. This strategy also extends into waste management, through the achievement of zero landfill waste and encouragement of recycling and recovery. Locally, the plants are examining potential opportunities to exchange resources and waste as part of industrial ecology experiments.

### 2.2.2.3.1. Reducing material consumption via optimised manufacturing processes **DPEF.23**

Efforts to reduce materials consumption are largely focused on the product design phase (see Section 2.2.1.1.1.). Work on reducing vehicle mass entails an overall reduction of material mass, particularly steel, in the production of the Group's vehicles (see Section 2.2.1.3.1.).

In addition to efforts to reduce product mass, Groupe PSA's stamping business line has developed an approach to the Material Use Coefficient (MUC) which optimises consumption of sheet metal during the process of forming body parts. This action contributes directly to keeping the main source of industrial waste under control, as two thirds of the 450,000 tonnes of waste metal are scraps from stamping. Even though all of these scraps are recycled in foundries, their reduction remains a major issue. The MUC strategy helps people to measure the progress made in stamping design. It quantifies the proportion of stamped material used to produce the cars compared to the amount of sheet metal that was received. As a result, this coefficient increased from 47% for the Peugeot 207 to 55% for the Peugeot 208. It reached 60% for the new 3008, and it is used for all new models.

For the other third of waste metal, which consists essentially of machine shavings, the development of aluminium parts and pressure die casting design have been determining factors in reducing the quantities of machining waste. Pressure die casting, which limits the thickness of materials, is now widely used to produce the Group's engine blocks. Chips, which are dried and compressed into briquettes to recover the cutting fluids reintroduced into the machining process as much as possible, are then returned to the Group's foundries or to steelmakers.

As for production processes, paint solvent regeneration is a process that has been in place for many years. Technical cleaning and purging solvents used by facilities are recovered and regenerated at a service provider before reintegration into the same cleaning process. Accordingly, operations related to the painting of the cars are carried out with solvents following a circular economy process.

### 2.2.2.3.2. Reducing waste production and promoting recycling by introducing circular economy loops **DPEF.20**

**Within the PCD Automotive Activities**, the Group aims to reduce the mass of waste per vehicle manufactured, as well as eliminating landfill waste in favour of recovery and recycling efforts in European plants.

Introduced in 1995, the policies, which exclude metal and demolition waste, have demonstrated their effectiveness:

- the weight of waste per vehicle processed outside of Groupe PSA sites has been reduced by more than 63%;
- analysis and characterisation of waste produced during the different stages of production (casting, foundry work, mechanical parts manufacture, stamping, paint and final assembly) have made it possible to identify processing channels that provide an alternative to landfill. The gradual deployment of new outlets, depending on locally available treatment solutions, is driving a steady increase in the waste recovery and on-site recycling rate, which is now above 91%.

In addition, almost all scrap metal (sheet metal, filings, etc.) is recovered and put to a good alternate use in the steel industry or the Group's foundries.

When waste metal is taken into account, Group plants reclaim or recycle around 96.8% of their industrial waste.

**For PCD Automotive Trade** in Europe, the Group is reinforcing its ambition to sign framework agreements with specialist hazardous and non-hazardous waste management providers. This approach makes it possible to optimise waste monitoring and to ensure its traceability within treatment networks and is one of the performance objectives for personnel responsible for overseeing business and financial performance within PSA Retail Management bodies.

In 2017, the Master Agreement as applying to France has procured a 9% increase in recoverable proportion of hazardous waste.

A constant effort has been maintained in the dealership network since 2016 to identify and define waste-treatment processes in order to match treatment processes with the waste output, in order to reduce the quantity of waste assigned by default to landfill. Even though on this point results have fallen behind, efforts in this area have been maintained, especially in the UK, which contributes at 45% of volumes declared as conveyed to waste dumps.

The above-mentioned data from brands was reported from an average 92% of their sites in 2017 (97% in 2016 and 95% in 2015).

**All Faurecia sites**, especially the production plants, aim to reduce the mass of waste generated during the manufacturing process. In total in 2017:

- 61% of waste was recycled (+2% compared with 2016);
- 13% of waste was recovered with energy recovery (-3% compared with 2016).

In 2017, Group sites produced 230,216 tonnes of waste (+5.5% compared with 2016, due to increased volumes). Non-hazardous waste accounted for 93% of the total. Furthermore, waste metal (scrap iron, castings) which represented 32% of the total, were fully recovered and recycled by the foundries.

## Total weight of waste by type and disposal method

PCD AUTOMOTIVE DIVISION (EXCLUDING WASTE METAL - ALMOST ALL OF WHICH IS RECYCLED)

<i>(in tonnes)</i>	Year	Landfilling	Recovery and recycling	Other disposal methods	Total	On-site recycling
Foundry waste	2017	1,511	52,819	794	55,123	103,320
	2016	4,830	43,671	0	48,501	95,946
	2015	3,325	47,272	32	50,629	85,737
Non-hazardous process waste	2017	4,328	67,386	4,013	75,727	1,744
	2016	4,570	58,962	2,413	65,946	2,240
	2015	4,582	59,792	2,776	67,151	980
Hazardous process waste	2017	278	19,060	11,839	31,177	
	2016	461	16,515	12,652	29,628	
	2015	497	18,092	14,267	32,857	0
TOTAL	2017	6,117	139,265	16,646	162,028	105,064
	2016	9,861	119,148	15,065	144,075	98,186
	2015	8,404	125,156	17,075	150,637	86,717

The table above does not include waste metal (449,697 tonnes in 2017), nearly all of which was recycled, or demolition waste, which is mainly the result of compaction processes within the plants.

Waste recycled internally is not reported in the total. This consists mainly of foundry sand regenerated on site by a thermal process, allowing it to be re-used in the process, and of wood waste that is reused as fuel in our biomass heating equipment.

In 2017, the total quantity of waste output by the Automotive Division increased slightly in quantity and as a ratio, to 123kg/vehicle. As regards the waste processing methods, note that over half of this new waste was processed internally (recycling of casting sand), which remains the shortest processing method. The proportion of hazardous waste generated per vehicle decreased

slightly, reflecting the actions to reduce the use of hazardous products in production processes

Excluding casting, the ratio of waste per car produced stabilized at around 49kg. The proportion of hazardous waste continues its decline, with a new decline of 1.5%. Buried waste also fell, to 2.12kg per car, or 1% of all waste produced by the industrial process, including metals. Sites on which these outlets are developed are mainly outside Europe, due to a lack of alternative channels.

In addition, the industrial sites of Trnava, Sochaux, Mulhouse, Poissy, Hérimoncourt, Valenciennes and Saint Ouen confirmed that they no longer buried any waste at all (except the tiny fraction required by law to be buried).

## O/W PSA AUTOMOBILES SA (NON-WASTE METAL)

<i>(in tonnes)</i>	Year	Landfilling	Recovery and recycling	Other disposal methods	Total	On-site recycling
Foundry waste	2017	1,511	52,819	794	55,123	103,320
	2016	4,830	43,671	0	48,501	95,946
	2015	3,325	47,272	32	50,629	85,737
Non hazardous process waste	2017	1,395	35,259	3,805	40,459	1,697
	2016	1,491	32,162	2,259	35,912	2,184
	2015	1,432	34,921	2,700	39,053	952
Hazardous process waste	2017	174	12,519	9,722	22,416	
	2016	202	11,528	10,333	22,063	
	2015	240	12,671	11,454	24,365	0
TOTAL	2017	3,080	100,597	14,321	117,998	105,017
	2016	6,523	87,361	12,592	106,476	98,130
	2015	4,997	94,864	14,186	114,047	86,689

## O/W PCD AUTOMOTIVE TRADE - OWN BRAND NETWORK SCOPE (EXCLUDING WASTE METAL)

(in tonnes)	Year	Landfilling	Recovery and recycling	Other disposal methods	Total
<b>Non-hazardous process waste</b>	<b>2017</b>	<b>991</b>	<b>6,448</b>	<b>102</b>	<b>7,541</b>
	2016	346	8,892	58	9,296
	2015	5,244	4,856	20	10,119
<b>Hazardous process waste</b>	<b>2017</b>	<b>53</b>	<b>3,242</b>	<b>156</b>	<b>3,450</b>
	2016	24	3,221	201	3,447
	2015	251	3,196	250	3,697
<b>TOTAL</b>	<b>2017</b>	<b>1,043</b>	<b>9,690</b>	<b>258</b>	<b>10,991</b>
	2016	370	12,113	259	12,742
	2015	5,495	8,052	270	13,816

Major efforts to define waste treatment processes were conducted in the dealership network in 2016 in order to assign treatment processes to the waste produced, thus helping to reduce the amount of waste going to landfill by default. Although the data showed a decline in this area, efforts continued in 2017. The above-mentioned data from brands was reported from an average 92% of their sites in 2017 (97% in 2016 and 95% in 2015).

This table does not include waste metal (1,864 tonnes in 2017).

FOR FAURECIA (EXCLUDING WASTE METAL, 100% OF WHICH IS RECYCLED)

(in tonnes)	Year	Landfilling	Recovery and recycling	Other disposal methods	Total	On-site recycling
<b>Non-hazardous process waste</b>	<b>2017</b>	<b>45,591</b>	<b>91,020</b>	<b>4,215</b>	<b>140,826</b>	<b>2,517</b>
	2016	48,073	81,548	4,649	134,270	13,419
	2015	52,232	93,403	2,630	148,265	12,417
<b>Hazardous process waste</b>	<b>2017</b>	<b>1,310</b>	<b>7,586</b>	<b>7,281</b>	<b>16,177</b>	<b>63</b>
	2016	1,444	6,721	7,062	15,227	-
	2015	2,522	9,460	8,874	20,856	555
<b>TOTAL</b>	<b>2017</b>	<b>46,901</b>	<b>98,607</b>	<b>11,496</b>	<b>157,003</b>	<b>2,580</b>
	2016	49,517	88,269	11,711	149,497	13,419
	2015	54,754	102,863	11,504	169,121	12,972

This table does not include waste metal (73,213 tonnes in 2017), 100% of which is recycled.

## 2.2.2.4. CONTROLLING THE WATER CYCLE ON FACILITIES

### 2.2.2.4.1. Reducing water consumption **DPEF.22**

**For PCD Automotive Division**, saving water is a challenge for every manufacturing plant. As with energy, each plant has its own water consumption management plan based on metering systems, the

display of the least water-intensive operating parameters for each workstation and the deployment of recycling systems. Since 1995, these measures have led to a 75% reduction in water consumption per vehicle produced, thereby helping to conserve resources.

Beyond these efforts to save water based on management actions, the Group has long deployed reverse cascade rinsing to its painting activities. As a result, the water can be used for six cycles of successive rinses depending on its cleanliness. Today, to curb consumption of natural water resources, the Group works on solutions for the recycling of wastewater from industrial processes, including implementation of widespread innovative technologies such as evapo-concentration, which separate the oil phase from the water phase of aqueous discharges for reuse in the process.

## DECLARATION ON EXTRA-FINANCIAL PERFORMANCE

Embracing environmental issues

### WATER USE

(in m <sup>3</sup> )	Year	City water	Surface water	Underground water	Total
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>1,870,739</b>	<b>2,914,497</b>	<b>2,711,309</b>	<b>7,496,545</b>
	2016	1,776,519	3,151,690	2,836,853	7,765,061
	2015	1,848,222	3,116,964	2,411,330	7,376,516
<b>o/w PSA Automobiles SA</b>	<b>2017</b>	<b>973,057</b>	<b>1,925,650</b>	<b>2,093,743</b>	<b>4,992,450</b>
	2016	966,990	2,102,673	2,196,372	5,266,035
	2015	989,006	1,833,538	1,859,049	4,681,593
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>404,806</b>		<b>0</b>	<b>404,806</b>
	2016	457,421			457,421
	2015	507,657	0	50	507,707
<b>Faurecia</b>	<b>2017</b>	<b>1,947,167</b>	<b>72,511</b>	<b>1,092,910</b>	<b>3,112,588</b>
	2016	1,905,407	401,170	1,091,899	3,398,476
	2015	2,325,826	452,219	1,140,783	3,918,828
<b>TOTAL</b>	<b>2017</b>	<b>4,222,712</b>	<b>2,987,008</b>	<b>3,804,219</b>	<b>11,013,939</b>
	2016	4,139,347	3,552,860	3,928,752	11,620,959
	2015	4,681,705	3,569,183	3,552,163	11,803,051

For **PCD Automotive Activities**, in 2017, the ratio stood at 3.43m<sup>3</sup>/car, up markedly from 2016. The incidents that had put a strain on performance last year have been handled, and control of water consumption continued.

**Data for the PCD Automotive Trade** showed an 11% drop in consumption compared to 2016, thanks mainly to progress in Spain and Germany.

Data was reported from 90% of sites in 2017 (94% in 2016 and 87% in 2014). Water consumption at dealerships was mainly for sanitary use and vehicle maintenance for points of sale with their own car wash.

### 2.2.2.4.2. Water treatment

Whether connected to the public wastewater treatment network or equipped with their own integrated treatment plant, each facility tracks effluent systematically – sometimes on a daily basis – using indicators, defined in the operating permits. The results of the tracking operations are reported to administrative authorities on a frequent basis. This organisation ensures that aqueous releases are not harmful to the surroundings. In particular, given the nature of effluent from the car plants, the risk of eutrophication and acidification is negligible. Additionally, the continued application of the nickel-free surface treatment process (Green STT) undertaken for several years now in the body factories has made it possible to significantly reduce the quantities of this heavy metal in the factories' end waste.

### GROSS DISCHARGES INTO WATER FROM PLANTS **DPEF.18**

(in kg/year)	Year	COD	DBO5	MES
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>1,498,471</b>	<b>564,996</b>	<b>271,341</b>
	2016	1,467,091	511,104	260,032
	2015	1,469,660	513,618	307,587
<b>o/w PSA Automobiles SA</b>	<b>2017</b>	<b>837,084</b>	<b>258,243</b>	<b>245,623</b>
	2016	856,746	241,452	242,068
	2015	850,133	218,599	189,491
<b>TOTAL</b>	<b>2017</b>	<b>1,498,471</b>	<b>564,996</b>	<b>271,341</b>
	2016	1,467,091	511,104	260,032
	2015	1,469,660	513,618	307,587

BOD5 = biochemical oxygen demand in five days; COD = chemical oxygen demand; SM = suspended matter.

Nota: Data for Faurecia have not been consolidated because the differences in regulatory requirements worldwide mean it is not possible to consolidate indicators in a uniform manner.

**For PCD Automotive Activities**, less than 10% of the effluent presented above is released into the environment after full treatment in an integrated plant. The remainder is channelled to public waste water plants for further treatment. Polluting discharge remains generally constant, thus illustrating the stability and performance of internal treatment facilities.

**At Faurecia**, when water is contaminated during the manufacturing process and must be treated before discharge, the sites most often use the collective network (for 60% of water discharged). Other sites have in-house installations (14% of discharges). Other, uncontaminated water is discharged directly into the natural environment.

## 2.2.2.5. PROTECTION OF NATURAL ENVIRONMENTS AND BIODIVERSITY EFFORTS **DPEF.19** **DPEF.29**

The Group's carmaking operations do not intrinsically pose a high risk to the environment.

### The Peugeot carbon sink project in the Amazon

At end-2015, after 17 years of the project, total carbon sequestration by biomass and soil was estimated at 702,974 tonnes of CO<sub>2</sub> equivalent according to the VCS (verified carbon standard). The corresponding 632,676 carbon credits were marketed according to the VCS protocol. The income from this source is systematically reinvested in the project.

Average annual carbon sequestration (41,351 tonnes) represents 7.34% of the 563,540 tonnes of CO<sub>2</sub> emitted by Group plant in 2017.

## 2.3. CORPORATE SUSTAINABLE DEVELOPMENT COMMITMENT

### 2.3.1. Responsible supply chain management

#### 2.3.1.1. THE SUPPLIERS: VITAL LINKS IN THE VALUE CREATION CHAIN

##### Type of automotive purchases

The Group's purchases include:

- direct material parts: purchases of direct vehicle parts and mechanical subassemblies, direct purchase of materials. Series parts purchased represent more than 75% of a vehicle's production cost;
- spare parts and accessories;
- indirect machinery & equipment: SG&A, services, commercial facilities, competition, information technology and telecoms.

##### WORLDWIDE PURCHASES IN 2017 BY REGION

(in million euros)	Europe	Latin America	Eurasia	Middle East Africa	China	Total
Direct parts	19,111	896	190	70	138	20,406
Spare parts	1,499	32	-	-	-	1,530
Indirect Machinery & Equipment	5,885	249	24	48	8	6,215
<b>TOTAL</b>	<b>26,496</b>	<b>1,177</b>	<b>214</b>	<b>119</b>	<b>146</b>	<b>28,151</b>

Groupe PSA's PCD Automotive Division purchases amount in 2017 reached €28 billion, which corresponds to 43% of the Group's revenue.

In 2015, the Group acquired Mister Auto, an online website selling spare parts. The purchasing policies and processes described in this section also apply to Mister Auto.

Faurecia has a special status – it is a subsidiary, but also a supplier to other car manufacturers which are direct competitors of Groupe PSA. This requires these units to be strictly separated, including the purchasing function. However, the principles of responsibility within the Groupe PSA Purchasing Department also apply to Faurecia's relationship with its own supply chain, as both a part of the Group and a strategic supplier.

### Groupe PSA suppliers

For the Group, long term relationships with its suppliers are essential. The Purchasing Department relies on creating a "win/win" situation. The aim of this approach is that each partner will share its know-how and establish a long-term relationship through an ongoing improvement process.

In taking this approach, the Group aims to surround itself with suppliers who, by virtue of their sound financial structure and capacity for innovation, are capable of supporting the Group's expansion, particularly on the international stage.

Groupe PSA approach is based on individualising supplier relationships as a performance lever. It has introduced a supplier classification system which differentiates between strategic and core suppliers, and suppliers in general, for a given commodity.

## Purchasing as part of the Group's strategy

**DPEF.34**

Purchasing is a key stake for the Group's international development and to its integration in the industrial fabric of the countries it operates in. Chapter 4 of the Group's CSR Report presents the following in details.

## Local sourcing is a key element of the Groupe PSA procurement policy **DPEF.30** **DPEF.34** **DPEF.35**

Given the economic challenges of its presence in host countries, the Group is committed to making supplier relationship management a key element of its strategy. It believes that deploying a responsible purchasing policy means sourcing supplies as close as possible to its production plants. That makes it possible:

- to reduce the Group's carbon footprint by means of environmental optimisation of upstream logistics;
- to enrol suppliers in a forward-thinking approach to technology, logistics and CSR;
- to increase the Group's due diligence by virtue of operational proximity to its partners.

ORIGIN OF PARTS (DIRECT MATERIAL AND SPARE PARTS) PURCHASED FROM TIER 1 SUPPLIERS BY GROUPE PSA PRODUCTION PLANT IN 2017

Origin of the Parts (Tier 1 suppliers)	Groupe PSA PCD plants				
	Europe	France	Rest of Europe	Eurasia	Latin America
<b>Europe</b>	<b>90.14%</b>	89.27%	92.44%	3.17%	19.50%
o/w France		<b>49.18%</b>	17.30%		
o/w Rest of Europe		40.10%	<b>74.95%</b>		
<b>Eurasia</b>	0.11%	0.15%	0.01%	<b>31.40%</b>	0.05%
<b>Latin America</b>	0.20%	0.25%	0.10%	0.25%	<b>59.29%</b>
<b>Rest of the world</b>	9.55%	10.33%	7.65%	65.18%	7.57%

The local sourcing ratio is the value of purchases for a region from Tier 1 suppliers divided by the total value of the purchases for this region. These ratios are in bold in the table above.

As a proactive member of its host communities, Groupe PSA is committed to strengthening its purchasing policy near its production plants, which contributes to maintaining subcontracting activities on-site.

The "Origine France Garantie" label is a guarantee for consumers that the product they are buying is French-made. In total, 15 Group vehicles are currently certified.

Thanks to its deep manufacturing roots in France (1138 048 vehicles produced in France in 2017), the Group has once again made a positive contribution to France's trade balance, with a €5.54 billion surplus and an import-export balance in excess of 397,000 vehicles in 2017.

## A strong commitment: supplier clusters

Focusing on the Moroccan cluster: Groupe PSA is building an engine and vehicle assembly plant at Kenitra (near Rabat) in Morocco. The production plant will have a total surface area of one hundred hectares, 40 of which will house a supplier cluster. The future plant will have an initial capacity of 90,000 vehicles per year and will create 4,500 direct jobs and 20,000 indirect jobs, in particular for equipment manufacturers. Local sourcing is projected to be 60% on start up and then 80% in years to come.

## 2.3.1.2. SUPPLIERS: LINCHPINS OF THE SUSTAINABILITY CHAIN **DPEF.30** **DPEF.34** **DPEF.35**

Groupe PSA believes that there can be no performance without responsibility, also, as a member of the *Global Compact*, it drafted its procurement policy in accordance with the rules laid down by the International Labour Organization (Human Rights, child and forced labour), health and safety standards, environmental practice standards (ISO 14001) and stricter regulations on the use of materials and substance emissions (REACH regulations for example). Procurement of specific materials such as conflict minerals is also the subject of particular attention. This policy is made public and can be accessed on the Group's website.

In view of the limits of its sphere of influence, Groupe PSA encourages its suppliers to share in its due diligence with regard to CSR risks in the supply chain.

### 2.3.1.2.1 Groupe PSA's procurement policy: performance and responsibility

The Purchasing Department determines and oversees procurement policy worldwide and provides an interface between Groupe PSA and its suppliers.

Its role is to build and maintain a supplier database at the best technical, industrial and economic level. It also guarantees the quality and security of the Group's supplies, by ensuring that suppliers comply with Group standards, particularly in terms of quality, logistics and sustainable development. It makes purchases for all Group departments (excluding Faurecia).

The 858 Groupe PSA purchasing professionals, located throughout the world, apply identical processes.

## Procurement policy social, ethical and environmental standards

### DPEF.34 DPEF.35 DPEF.42

CSR is implemented on a global level. It is by bringing all the stakeholders together that the progress already made will be sustained over the long-term and will extend across the entire supply chain. By joining the United Nations Global Compact in 2003, Groupe PSA pledged to uphold and promote, and to encourage its suppliers to uphold and promote, the ten principles, inspired by the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

### Incorporating workforce-related and social criteria into the purchasing process: focusing on Human Rights

Groupe PSA's Human Rights policy is implemented in line with OECD recommendations. For further details, please refer to Chapter 4 of the CSR Report.

For example: Groupe PSA policy on conflict minerals.

A specific clause has been inserted into the general purchasing terms and conditions (Article 14), stipulating that suppliers must provide details of the composition of materials used in the manufacture of the parts supplied as well as of any changes to said composition. In addition, suppliers must provide, in writing, all the information required in order to comply with current legislation, in particular with regard to consumer protection and conflict minerals. The Purchasing Department, with the help of the Research and Development Department responsible for sensitive products, undertook to systematically question the entire panel of approved suppliers in order to identify the suppliers, ask them to complete the EICC-GeSI form and, should it be established that materials have been procured from illegal sources, to set up replacement sourcing. Groupe PSA thus intends to exercise its duty of care and take part in the introduction of sustainable procurement.

### Suppliers make a major Contribution to achievement of the Group's environmental Objectives

For the most part, the Group's suppliers are from industries that are faced with the same environmental challenges as the Group: reducing their carbon footprint and water consumption, curbing their industrial emissions, improving waste recycling, preserving biodiversity. Groupe PSA involves them in initiatives that follow its environmental roadmap.

The Group's environmental objectives for its products are translated into contractual commitments via specifications and purchasing policies targeting two areas, the nature of the materials used and CO<sub>2</sub> emissions generated.

### Groupe PSA's strong Commitment to the adapted Sector

For over 20 years, Groupe PSA has been sourcing direct parts (e.g.: instrument panels, interior trim, pedals etc.) from the sheltered sector. Subcontracting to this sector is one aspect of the Group's agreement for the social and occupational inclusion of people with disabilities. The sixth agreement was signed on 21 February 2017.

Nowadays, suppliers from the sheltered sector are expected to meet the same criteria as the rest of the Group's suppliers in terms of quality, reactivity, economic performance, etc. The Purchasing Department, alongside with all the other Groupe PSA departments, has helped these suppliers to evolve in order to achieve this level of performance. For example, this improved expertise enabled some sheltered workshops to demonstrate their know-how to other clients and other business segments (railways, aeronautics etc.).

The steps taken by Monozukuri with certain sheltered workshops helped further improve this type of partnership (example: integration of an Adapei du Doubs team on the PSA Sochaux site,

decision to integrate workers with disabilities from the supplier Bretagne Ateliers into the La Janais plant at Rennes in 2018 where they will perform all assembly functions.

Key figures:

- services purchased from the adapted and protected sector represent €45,4 million in added value
- the Group works with:
  - 6 key associations: Adapei du Doubs, Adapei de Haute Saône, Bretagne Ateliers, Les Papillons Blancs du Haut Rhin, Les Ateliers de l'Ostrevent and the AMIPI/SLAMI Foundation, Adapei in Doubs, Adapei in Haute-Saône, Bretagne Ateliers, Les Papillons Blancs in the Upper Rhine, Les Ateliers de l'Ostrevent and the AMIPI/SLAMI Foundation, and a Spanish association: ILUNION,
  - 2 329 beneficiaries (FTE disabled workers from companies in the sheltered or adapted work sector) 2 306 of whom are in manufacturing, corresponding to 3,95 employment rate percentage points for disabled individuals at Groupe PSA in France;
  - 100% of cars manufactured by the Group in Europe include at least one part manufactured by the sheltered and adapted sector.

Groupe PSA remained France's number one buyer from the "EA" sector and the "ESAT" sector (companies employing individuals with disabilities, *Établissements et Services d'Aide par le Travail*) in 2017.

### 2.3.1.2.2 Exercising due diligence DPEF.35

Groupe PSA follows OECD Directives on exercising a duty of due diligence within its supply chain.

This is based on analysing risks (mapping) to identify and prioritise the actual, or potential, negative impacts of its suppliers' activities. (Section 4.2.2.1 of the CSR Report). If risks are identified, Groupe PSA has a prevention system which includes implementing and monitoring specific action plans with the suppliers in question, to prevent or mitigate any impacts. In the event of actual incidents, Groupe PSA is set up to contribute to remedial actions in resolving the issue. In full transparency, it publishes the diligence measures taken, and the results obtained, in its annual CSR Report.

### Identifying CSR risks in the supply chain

The numerous crises experienced by the automotive industry over the last few years have enabled the Group to develop its risk analysis process so as to be better able to prevent risks from occurring and be more reactive once the risk has been identified.

In line with the Group's risk policy (see Section 1), purchases can be broken down into 660 different commodities to which the Purchasing Department applies a multi-criteria (quality, logistics, financial, CSR, etc.) risk analysis to define "Technical and Industrial Purchasing Policy" for each commodity. The policy is drawn up by the buyers in collaboration with experts from other divisions of the Group: financial analysts, logistics experts, quality experts, engineers, etc.

### Steps taken to prevent risks: training and systematic CSR Performance evaluation for suppliers

#### Buyer trainings

Every year, the Group's purchasing school organises training sessions for new buyers in Europe and in Latin America. A special CSR module, annually updated, is deployed for this occasion. Since 2008, 495 people have been trained in Europe and 141 in Latin America.

In addition, each operational buyer is trained on an ongoing basis in developments in regulatory constraints, best practices, tools responsible purchasing (including ethics, Human Rights, the environment etc.).

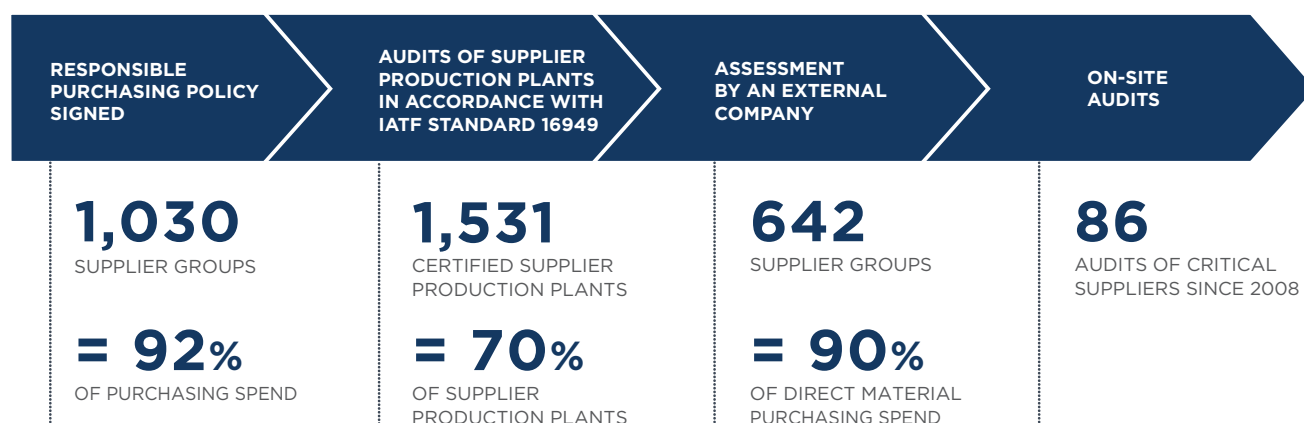
One session was notably set up specifically to train buyers in rolling out the new contracts that the Group is signing with its suppliers. This contract was submitted to the Directorate-General for Competition, Consumer Affairs and Prevention of Fraud (DGCCRF) which described it as being well-balanced. The training aims to stress the importance of negotiating with suppliers in good faith. This includes a section which focuses on the behaviour to be adopted by the buyer in contractual negotiations.

Following the Group's decision to have its entire approved supplier panel assessed by an external provider, EcoVadis, all buyers were trained in the changes to the CSR regulatory framework and the Group's expectations.

### Supplier training

Groupe PSA's ambition is to have trained 90% of its suppliers in the Group's CSR risks and requirements by 2025. To achieve this objective, it supports its suppliers by providing them with lots of information and training tools to enable them to improve their practices.

### Supplier CSR assessment process



### Signature of the Responsible Purchasing Policy

In 2017, charter **"Groupe PSA requirements on social and environmental responsibility with respect to its suppliers"** was revised and renamed. It outlines the Group's CSR policy and sets out the commitments that suppliers working with Groupe PSA must abide by. The policy is available in several languages on the Group's B2B portal.

The Group's CSR requirements:

- are based on a personal commitment to monitoring: since 2010, the Group's Code of Ethics has specifically mentioned the integration of ethical and environmental criteria into the supplier relationship;
- are gathered in an ad hoc reference guide for suppliers: these requirements make explicit reference to the Global Compact, the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and the United Nations Convention against Corruption;
- are distributed to the most important suppliers of the Group and to suppliers associated with high-risk countries or commodities. These suppliers are asked to formally commit to comply with the Groupe PSA guidelines or to demonstrate their compliance with equivalent guidelines. As of end-2017, 1,030 suppliers had made this commitment, accounting for 92% of the purchasing spend managed by the Purchasing Department;
- are incorporated into the fundamental principles of supplier relationship management, in contractual documents such as purchasing contracts and purchasing terms and conditions, and in the Group's purchasing processes.

- Supplier information meetings are organised on a monthly basis to inform suppliers about the latest developments in CSR, to let them know about the Group's expectations in terms of CSR and to inform them of legal and regulatory changes regarding CSR matters.

- An e-learning training course on CSR principles is available on their CSR performance evaluation platform.

- In 2017, a workshop was organised with EcoVadis to share CSR best practices with German suppliers. A total of 165 buyers and suppliers attended this event.

### Formal commitment from suppliers and evaluation of their CSR performance

Evaluation of suppliers' CSR performance is a key factor for the Group when it comes to selecting suppliers during calls for tenders. 94% of supplier selections were made on the basis of the CSR assessment in 2016. This assessment consists comprises suppliers' commitment to comply with Groupe PSA's CSR requirements and the results of assessment questionnaires and audits.

78% of the revenue generated by Mister Auto (equivalent to 0.35% of the annual value of Groupe PSA's purchases) consists of parts purchased from major equipment manufacturers who have signed the "Responsible Purchasing Policy" as tier 1 suppliers.

### Audits of supplier production plants to IATF (International Automotive Task Force) standard 16949

Groupe PSA requires that supplier production plants are certified to IATF 16949. This certification is awarded for three years and the certifying body conducts an annual audit to check compliance. Major non-compliances result in suspension of the certificate and supplementary audits to rectify the non-compliances. 70% of supplier production plants are certified to ISO/TS 16949 or IATF 16949, and the remaining sites have, as a minimum, the ISO 9001 certification.

### External assessment

To supplement the supplier assessment system and make it more robust, the Group undertook to assess its entire supplier base on the basis of environmental, social, ethical and sustainable procurement. Groupe PSA chose to entrust this evaluation to an external provider, EcoVadis. An initial step has helped pinpoint supplier risks to a greater degree.

The Group informed its suppliers that this process is mandatory if they wish to remain on the supplier base and that suppliers failing to achieve the required level would be systematically expected to implement corrective action plans.

In 2017, 642 supplier groups, or 90% of the amount of purchases, were assessed.

### Audits of critical suppliers

In addition, social and environmental audits are conducted at selected suppliers' plants in accordance with the risk level associated with their country, product or process. Since 2008, 86 social and environmental audits have been performed at tier 1,2 or 3 suppliers. Chapter 4 of the CSR Report presents the results of these audits in detail.

### Watching out for weak signals to eliminate causes of risk

A number of mechanisms have been introduced to identify potential risks:

- the discovery report: this report is an internal Groupe PSA tool that can be used by anyone within the Group who is visiting a supplier production plant (buyers, quality auditors, supervisors, analysts, etc.). It can be used to report any observed or suspected shortcomings during a visit to a supplier's

production plant. This questionnaire is forwarded to the CSR coordinator who decides on any follow-up such as a site audit;

- a global external warning system using a whistleblowing website is being set up with phased deployment planned to all countries. Initially intended for Group employees, it may be opened up, based on national regulations and needs, to our external partners: suppliers, NGOs, etc. - wishing to report to Groupe PSA breaches of the law or of international treaties (see 6.1.2.1 of the CSR Report);
- listening to stakeholders: NGOs, journalists, unions. All these alerts are investigated and action is taken against the suppliers in question *i.e.* a letter from the Head of Purchasing, a site audit etc.

### Remedial action in the event of non-compliance

No complaints have been upheld against Groupe PSA for CSR breaches.

### Transparent communication regarding the results of due diligence

2017 RESULTS OF SUPPLIERS' CSR PERFORMANCE ASSESSMENT BY AN EXTERNAL PROVIDER (ECOVADIS)

	Compliant	Minor non-compliances	Major non-compliances
Overall CSR performance	61%	38%	1%
Environmental performance	70%	28%	2%
Labor practices performance	58%	40%	2%
Ethical performance	44%	52%	4%
Sustainable procurement	41%	52%	5%

## 2.3.2. Consumer safety and protection DPEF.36

### 2.3.2.1. COMMITMENT TO ROAD SAFETY

The safety of different road users has always been the primary priority of Groupe PSA.

The Group is focusing on technologies that have shown a proven ability to make automobiles safe, at an affordable cost for the largest number of motorists.

The Group has implemented operating safety measures and is simultaneously promoting three lines of defence: primary, secondary and tertiary. It is also incorporating work that is indispensable to counter new cybersecurity threats.

Response to road safety problems is based not only on the introduction of increasingly sophisticated safety systems onboard vehicles. Roadway infrastructure must also be upgraded, while motorists and other road users must be effectively educated in safe driving and road use practices. The systems described below, as well as the results, are shown in greater detail in the CSR Report.

### Primary safety: avoiding accidents

#### Chassis systems

Suspension, steering, braking and other systems are designed to deliver handling performance, precision steering and braking efficiency that rank among the best in the market.

Groupe PSA anticipated regulatory changes by fitting its vehicles with driving assistance technologies aimed at helping drivers:

- ABS (anti blocking system) prevents the wheels from locking up during emergency braking;
- EBA (emergency brake assist) increases braking power when performing an emergency stop;
- ESC (electronic stability control) helps drivers maintain control even in a skid;
- TPMS (tyre pressure monitoring system) advises the driver of any drops in tyre pressure which could destabilise the stability of the car.

### Controlling trajectory and safety distances

- LDWS (lane departure warning system) warns the driver of unintentional lane departure.
- LKA (lane keeping assist) operates on the steering system to keep the vehicle in lane.
- DA (distance alert) evaluates the time it would take to close with the vehicle in front at the current speed.
- The front collision warning function sounds a signal and lights up to warn the driver of the risk of an imminent impact;
- ACC, or adaptive cruise control, adjusts the speed of the vehicle according to the traffic.
- SLI, or speed limit information, recognises the speed limit and passes the information on to the different ISA (intelligent speed assist) systems.
- AEBS (autonomous emergency braking system) alerts and increases braking if the driver does not react, or brakes automatically if the driver fails to react to the risk of collision with another vehicle or pedestrian.
- DAA (driver attention alert) analyses risky driver behaviour and alerts him if necessary.

### See and be better seen

Beyond the technologies which are already widespread (use of rear camera, panoramic vision, LED projectors), Groupe PSA has developed many innovations in this area which set it apart and that are available on several vehicle lines:

- lighting to support the safety functions (including automatic activation of emergency flasher lights in the event of sudden deceleration, LED daytime running lights and automatic dipped beam/main beam switching);
- a blind spot information system that indicates the presence of a vehicle (particularly a motor bike) in a blind spot zone through a pictogram in the wing mirror; the blind spot information system and LKA can be linked up to warn the driver of the presence of a vehicle in the blind spot when changing lane.

### Ergonomics and Human-Machine Interface (HMI)

The increasing number of driver assistance systems and spread of infotainment technologies demand that Groupe PSA pay close attention when designing HMIs so that it can diagnose the state of alertness of drivers and suggest interactions that will enable them to refocus on driving.

Through a collaborative project called *SCOOP@F* (which succeeded SCOREF) investigating “car to x” applications of ICT, researchers are looking at ways to send drivers targeted information that may either warn them about risks of an accident (suggested speed, weather alerts, traffic, obstacles identified, etc.) or provide a service (service stations, recommended route, etc.). All this information must be delivered to drivers without distracting their attention or disturbing their driving. The project is now entering the “pilot” test phase with customers to measure the potential benefits of the system.

### Secondary safety: protection during an accident

The *Laboratoire d'Accidentologie, de Biomécanique et d'Étude du comportement humain* (LAB) is a road safety association created jointly by Groupe PSA and Renault. As a unique organisation, since 1969, LAB has conducted research projects (27,200 accidents in its database) to enhance understanding of accident mechanisms and their related injury mechanisms.

Groupe PSA is primarily working in two areas:

- **chassis and body structure:** the vehicles are structurally designed to dissipate the energy from an impact in a controlled manner, with effectively positioned impact absorption structures and deformable crash boxes (shock absorbers). The passenger compartment becomes a real survival cell by reducing strain and intrusion;
- **airbags and restraint systems:** the capacity of structures to absorb energy and protect the passenger compartment leads to a reduction in the impact on occupants in crashes through sophisticated restraint systems. The Group's vehicles offer up to eight airbags. They also include seatbelt tensioning devices front and rear and load-limiting retractors. Buckle-up reminders sound a signal and light up to warn the driver when someone has not buckled their belt. Thanks to the ISOFIX attachment points, compatible with the iSize standard, Groupe PSA vehicles ensures the proper use of child safety seats adapted to their morphology.

### Tertiary safety: post-accident emergency response

Groupe PSA has played a pioneering role and remains the European leader in post-accident or tertiary safety, which helps to attenuate the effects of an accident by facilitating emergency rescue in two ways:

- **emergency call system:** implementing the devices before European regulation PE/112 comes into effect on 30 March 2018, the Group is the only mainstream car manufacturer to have deployed since 2003 a wide-scale, location-aware emergency call system, without a subscription or any cut-off date and operational 24/7. In the event of an accident or medical emergency in an ATB-equipped vehicle, occupants can alert a dedicated assistance centre that can accurately locate the vehicle. This saves time and allows for more effective assistance to be provided. According to the European Commission, equipping every vehicle on the road with such a system would save more than 2,500 lives a year in Europe. The emergency call system is particularly useful when accidents occur in isolated areas with no eyewitness.

Confidential information on customer movements is not retained.

	Cumulative total through 2015	Cumulative total through 2016	Cumulative total through 2017
Cumulative total of Peugeot, Citroën and DS vehicles standardly equipped with the Groupe PSA emergency call system	1,055,24	2,300,764	2,902,611
Cumulative total alerts sent to emergency services	16,167	20,184	24,824
Countries in which the Groupe PSA emergency call service is available	17 countries: France, Germany, Italy, Spain, Belgium, Luxembourg, the Netherlands, Portugal, Austria, Switzerland, Denmark, Poland, the United Kingdom, Czech Republic, Slovakia, Norway and Sweden		17 countries: same

Traffic control centres in France are now automatically alerted about incidents on their roads by Peugeot, Citroën and DS vehicles fitted with the eCall (emergency call) service. Drivers can also use eCall from their vehicle to alert the emergency services if they witness an accident. Other drivers can then be warned of potential dangers ahead *via* messages displayed on motorway signal boards.

In future, other vehicles will provide information that will improve environmental awareness. For example, a vehicle will be informed by the vehicle ahead of it that there is a pedestrian on the road, thus enabling it to anticipate automatic braking in full safety;

- **victim removal instructions and rescue manuals:** to facilitate the job of rescue workers after an accident, the Group works with French rescue teams to prepare victim removal instructions for each of its models. Regular training sessions are held with the Public Safety Services of the French Interior Ministry and the zonal victim removal group to update the teams' knowledge of the new vehicles and the new technologies that are about to go on the market. Meanwhile, Groupe PSA steered ISO work on defining an international standard for victim removal instructions. This standard has been applicable since January 2015 and will become an international standard. ISO standardisation work continued in 2017 with the drafting of a safety manual standard (all vehicle types), which is currently being validated: the Group is actively involved in this work which is overseen by the CTIF (international association of firefighters and rescue teams).

## Results of NCAP programmes tests

The Group vehicles tested by the NCAP organisations in the different regions were awarded strong scores, reflecting the high safety standards we offer to the customers of the Peugeot, Citroën and DS brands.

The perimeters of these programmes changes over time to take account of new requirements. In Europe:

- since 2009, a new Euro NCAP rating system has been in place: vehicles tested are now awarded an overall rating that *takes* into account results such as the protection of adults, pedestrians and children (up to now these had been awarded three different scores), as well as the presence of road safety features;
- from 2014, Euro NCAP took into account not only secondary vehicle safety performance but also the performance of primary safety systems, such as the Lane Departure Warning and automatic emergency braking system for vehicles. This more stringent test adversely affected the Euro NCAP rating: a five-star rating is now only awarded to vehicles also fitted with this type of equipment while a four-star rating is awarded to vehicles with a high level of secondary safety;
- from 2016, the Euro NCAP also assessed the performance of the automatic emergency braking systems for pedestrians and the Lane Keeping Assist.

The Euro/China/Australian/Latin/Korean/Asean NCAP performances of the Group's vehicles are set out in Section 2.3.2.6 of the 2017 CSR Report. There are no results for US NCAP and IIHS since no models were sold in the US, nor for Japan NCAP, since no models were tested.

## Cybersecurity: a new threat

Faced with the emergence of new threats linked to malicious attacks on vehicle computer systems (hacking), Groupe PSA has introduced operating safety guidelines and a set of procedures, together with a special operating safety organisation, based on the work of a group of experts who are also working on drafting international standards on operating safety and personal data such as the General Data Protection Regulation (see Section 2.3.2.2). The organisation is tasked with compiling immediate responses for the event that risks are detected at the design stage, or by customers on existing vehicles, and with constructing a secure onboard electronic architecture for future Group vehicles, beginning with the driverless connected vehicle. The Group is in particular involved in research work on transport safety (IRT SystemX) to define security solutions.

## 2.3.2.2. CONSUMER PROTECTION

### Protection of personal data

The new European privacy regulation (general data protection regulation – GDPR) came into force in 2016 and companies have until May 2018 to comply.

For the Group, the main business areas concerned are marketing and sales, services and spare parts, banking, human resources, IT and purchases.

At a very early stage, Groupe PSA committed to an active process with the CNIL (French Data Protection Commission) resulting in the publication of the "Pack de conformité du véhicule connecté" (compliance pack for connected vehicles) in October 2017, which explains the new regulation on connected vehicles.

The Group is also a member of European bodies such as the ACEA (European Automobile Manufacturers' Association) so that it can work with the European authorities to set out the implementing rules of the GDPR for car manufacturers.

The GDPR essentially involves:

- stepping up corporate obligations:
  - appointment of a data protection officer:
    - the Group appointed a Data Protection Officer (DPO) on 1 October 2017. The DPO relies on two networks of internal officers: the Internal and Risk Managers (who represent Business Management and the Regional Departments) and the Privacy Champions (who represent the Group's European subsidiaries),

- incorporation of privacy by design and privacy by default principles into the methods:
  - the Group is adapting its processes for treating personal data (making the opt-in option general for example) and has drafted guidelines for auditing these treatment processes before they are implemented,
  - the Group has introduced specific governance (internal and subcontractor audits) and stipulates in its contracts that its partners and suppliers demonstrate the same level of commitment to data protection,
  - the Group has updated its data protection policy and its guidelines for auditing the treatment processes for personal data,
  - the Group conducted an audit and compliance project on these activities during the second half of 2017 to ensure full compliance in the first quarter of 2018;
- notification of security loopholes;
- strengthening individuals' rights over their data (the right to be forgotten, the right to data portability, strengthening transparency and systematically informing all individuals on their rights, obtaining the informed consent of consumers regarding the use of their data, etc.):
  - the Group is working to ensure a standard approach across the Group for the collection and administration of personal data in the management of relations with customers by centralising all personal data and the related customer consents in one single database so that consumer requests can be dealt with more efficiently in relation to the exercise of their rights. In particular, it is standardizing:
    - all data protection references in its various contracts: purchase orders, after-sales services, connected services, Internet forms, etc,
    - management of consents from prospective customers and customers by establishing a consent policy and acquiring an IT tool to centralise these;

- the Group has also developed the sales methods used to inform customers on how their personal data is processed, in particular when handing over a connected vehicle (explanations of the new communication devices and how they can be disconnected);

- stepping up the controls and sanctions by the regulatory authorities (as a percentage of worldwide revenue).

The Group has also drafted and distributed internal guidelines for best practices. The Group is also running employee training and awareness sessions which are also offered at the points of sale. Once the process of validating the European Regulation started, we updated internal training materials for Group employees. A working group was set up with Group operating units and human resources to identify and train employees exposed to compliance with the Regulation. Thus, a dedicated e-learning training programme for managing personal data was taken by almost 2,500 employees in total by end-2017.

Finally, the Group is constantly improving the security of its data storage and exchange networks and uses the latest cybersecurity techniques to protect itself from malicious intrusion.

### Consumer credit

The distribution of consumer credit, which accounts for nearly 70% of loans distributed by Banque PSA Finance and its subsidiaries and branches (approximately 70% of these loans went to customers and 30% to dealers), has been subject to specific legislation to protect consumer rights, particularly in the European Union since the adoption of the Consumer Credit Directive 2008/48/EC, which has now been transposed into national law by the various EU member states.

This directive creates stricter obligations for advertising, pre-contractual information, solvency studies of borrowers and contractual information, all of which have been implemented by Banque PSA Finance and its affected subsidiaries and/or branches.

## 2.3.3. Partnerships and sponsors to promote regional and/or local community development DPEF.31 DPEF.33

Groupe PSA is often one of the largest private employers in areas where it has an industrial presence. As a core economic player, the Group assumes its social responsibility commitments in its various territories.

The Group is firmly convinced that mobility is a global societal challenge and a fundamental right. Mobility goes hand in hand with economic development. It is a cause of autonomy, progress and innovation. Groupe PSA's commitment is demonstrated through the actions of its Corporate Foundation and deepened by the

discussions that take place within the Laboratoire de la Mobilité inclusive. The mobility access experiments conducted also allow the Group to explore new, more inclusive business models;

The PSA Foundation lends its support to projects putting mobility to work to promote social integration, strengthen social ties and expand access to culture and education. In 2017, it supported 91 projects for a total amount of €2.3 million.

Detailed information is available in Section 7.2 of the Group's CSR Report on the PSA Foundation site: [www.fondation-psa.com](http://www.fondation-psa.com)

## 2.3.4. Ethical practices – anti-corruption DPEF.37

The Group's history has engendered a corporate culture based on respect and responsibility. This ethical outlook is formalised through policies, signing of agreements (Global Framework Agreement) and adhering to international standards (Global Compact). Groupe PSA reaffirms its ambition to be the industry benchmark for responsible development. This ambition implies compliance by leaders and all employees with shared ethical rules of conduct.

### THE GROUP'S ETHICS POLICY AND ITS REFERENCE DOCUMENTS

The Group ethics and compliance organisation policy is set out in its Code of Ethics, organised around the following requirements: respect for the law, respect for people and the environment, respect for customers and respect for the Company.

The Code of Ethics includes detailed information regarding the prohibition of anti-competitive practices and corruption, the prevention of conflicts of interest, gifts and non-interference with political activities. The Code is expanded and includes a foreword on the formal commitment made by the Group's executive managers, which has been signed by the Executive Committee. It was slightly updated in 2017. The Code is accompanied by an illustrative document "Daily ethics", an operational guide comprising examples of situations that might occur in respect to each rule. These documents are available on the Group's intranet and internet site. They form part of the new employee documents given to all new staff. The anti-corruption guide was updated and redistributed in 2016, in anticipation of the Anti-corruption Code of Ethics.

In 2017, Groupe PSA adopted an anti-corruption Code of Ethics annexed to the internal rules and applicable to all employees. The Code sets out the Group's **zero tolerance** policy with regard to corruption in all its forms: active corruption, passive corruption, direct or indirect, influence peddling, corruption in public or private organisations, facilitating payments, favouritism, extortion, collision with a supplier, client or partner, money laundering, misappropriation of funds, excessive gifts or advantages, given or received, which may compromise the impartiality of a supplier, customer or partner.

This Code was the subject of a consultation with employee representatives on 26 June 2017. It includes examples and scenarios and reaffirms Groupe PSA's sanction policy in this regard.

A set of precise educational internal control procedures which deal with the major themes of business ethics and compliance (anti-corruption, compliance with competition law, Data Privacy, export control) are available for the different departments. As part of its internal control measures, the Group's structuring processes are assessed to ensure that they incorporate, in particular, the principles intended to prevent corruption: segregation of tasks, double or triple validation, proper treatment of conflicts of interest, verification of partner integrity, declaration of gifts, etc.

In addition to this general system and the Group's reference documents, other procedures have been introduced in certain corporate departments or subsidiaries depending on the identified risks or particular legislation. In the United Kingdom the conflict of interest and anti-bribery policy was enhanced and updated.

### GOVERNANCE, WHISTLEBLOWING AND MONITORING SYSTEM

In 2010, the Group created an **Ethics and Compliance Committee**, which reports to the Executive Committee. It is chaired by the Group General Secretary and brings together the Head of human resources, the Head of Audit and Risk Management and the Chief Legal Officer. If a case of non-compliance poses a major risk to the Company, this Committee alerts the Managing Board, which then decides whether to inform the Supervisory Board's Finance and Audit Committee.

Since 2017, the Ethics and Compliance Committee relies on **five compliance officers** who are tasked respectively with ensuring compliance with competition law, anti-corruption law, data privacy, vehicle certification compliance and export control. Led by the Chairman of the Ethics and Compliance Committee, to which they report, they have a network of internal control and risk officers (ICRMs) to ensure the rollout of the compliance programme of which they are tasked with verifying.

In 2017, in the desire for convergence with Opel's organisation and methods, the compliance officers teamed up to work on each theme, one officer from Opel and one from PCD taking the role of leader or deputy. The METRIC (Management of Ethics, Risks, Internal Control and Compliance) team overseen by the Corporate Secretary assists the Compliance Officers and supervises the ICRMs.

The 23 internal control and risk officers (one representative per department reporting to the Chairman of the Managing Board) are, **under the leadership of their Head of department**, who is responsible for ethics and compliance in their department, tasked with ensuring deployment, creating and monitoring the corruption risk mapping and the related action plans, and for ensuring compliance of the operations. They are supported by the Fraud Detection Managers, who are responsible for fraud risk mapping (including external fraud), analysing deficiencies, adapting corrective and prevention measures and leading action plans to fight against fraud. The anti-fraud system is structured, under the control of the Ethics and Compliance Committee, around processes for prevention, detection, investigation and treatment, as well as continued improvement.

Finally, the relay network of the Ethics and Compliance Committee is completed by the country Chief Ethics Officers, who are from HR or legal counsels, so that the system can be adapted to the specific legal sanctions of each country.

Group Executive Management are called to evaluate, within their sphere of activity, by means of annual METRIC (Management of Ethics, Risks, Internal Control and Compliance) reviews, the risks of fraud and their own practices with regard to the Company's ethics and compliance. Reporting directly to their Head of department and led by the network of Internal Control and Risk Officers, they are responsible for applying the Anti-corruption Code of Ethics in their area and for implementing suitable prevention systems.

Finally, the Protection, Audit and Risk Management Department checks that the processes have actually been implemented. Each year it conducts several Compliance audits (for example, compliance with competition laws in 2016 and 2017, export control in 2017, and audit of the corruption compliance programme in 2018, etc.) Each audit of a site or subsidiary includes a section focusing on risk analysis.

In total, for 2017, about 103 managers (not including auditors), dispersed across the Group's functions, establishments and geographical areas, ensure optimum networking of the Group and are specifically tasked with alerting and informing the Ethics Committee in the event of fraud and monitoring the implemented action plans.

At the end of 2017, Groupe PSA considerably strengthened its whistleblowing system by implementing, with the help of an external supplier, a global alert system. This will provide all Group employees with a completely secure means, to report their concerns via a website. These reports relate to actions that are contrary to law and could have an impact on the Group's reputation, its business or results.

The system is designed to ensure that procedures are in place and efficient processing of these reports, while ensuring complete confidentiality.

### Asia and Middle East

In 2015, the two Chinese joint ventures (DPCA and CAPSA) signed up to a Code of Ethics focused on preventing corruption. Training has been provided on a special anti-corruption guide compliant with Chinese laws and regulations.

The Group's Anti-corruption Code of Ethics has also been translated into farsi and distributed to partners of the Group's joint venture in Iran.

## IMPLEMENTATION PROCESS AND ACHIEVEMENTS IN 2017

### Adherence

In 2017, adherence to the Code of Ethics continued for new entrants ahead of the renewal of the adherence plan in 2018.

2017 was marked by significant strengthening of the anti-corruption programme, in accordance with the requirements of the Sapin 2 law:

- adoption, implementation of an Anti-corruption Code of Ethics and gradual roll-out in the different countries in which Groupe PSA operates;
- launch of the implementation of the global whistle-blowing system including all subsidiaries and dealing in particular with anti-corruption;
- drafting of detailed corruption risk mapping and action plans to mitigate these risks;
- optimisation of the policy for checking the integrity of third parties;

- creation and implementation of accounting controls aimed at checking that the accounts did not hide any evidence of corruption;

- reinforcement of the anti-corruption training programme (in class training provided by the Compliance Officer and available as distance learning via the e-learning programme);

- reaffirmed sanctions policy;

- introduction into the 2018 audit plan of an audit relating to the compliance and efficiency of the anti-corruption programme.

Twenty METRIC reviews were conducted in 2017 and early 2018 in departments that report to the Chairman of the Managing Board (as well as the IT Department, PSA Retail and the Services and Parts Department), based on a standard format defined by the General Secretary.

Reinforcement of the system implemented in 2016 to prevent anti-competition practices continued in 2017. This was judged to be compliant by the Internal Audit conducted at the end of 2017.

### Situation in 2017 (consolidated Group, excluding Faurecia)

- No major conflicts of interest or cases of non-compliance with competition law were reported in 2017:
  - in July 2015, the Spanish Markets and Competition National Commission ruled that 21 car manufacturers had exchanged sensitive commercial and strategic information. The Spanish subsidiaries of the Peugeot España Group and Citroën España were fined €15.7 million and €14.7 million respectively. The Group exercised its right of appeal before the Spanish courts.
  - in December 2015, the French competition authority handed down overall fines of €672.3 million to courier companies, of which €30.6 million on GEFCO, for breach of competition law. Groupe PSA is involved because GEFCO was a wholly-owned subsidiary at the time of the events. Both companies have appealed this decision.
- In December 2016, the Openbaar Ministerie (the Dutch National Office of the Public Prosecutor) announced that ended the cases of corruption in which Peugeot Netherlands was suspected in a settlement. By agreeing to pay the sum of €2 million, Peugeot Netherlands avoided prosecution for bribery of a Defence official in the 2001-2012 period. The company fully cooperated with investigators and took measures to strengthen its compliance and enforcement systems. The settlement with Peugeot Netherlands is part of a larger investigation concerning calls for tender for official Police and Defence vehicles. This investigation involves a number of car manufacturers.

## 2.4. HUMAN RESOURCES: ENABLER OF PERFORMANCE

The human resources team plays an essential role in ensuring the success of the transformations within Groupe PSA. The Group must have competitive teams throughout the world to challenge its best competitors.

For Groupe PSA, company performance and social performance are bound together. Recognising talent and ensuring equal opportunities are based on merit, to reward individual and collective results. Offering everyone the opportunity to develop and reach their potential provides the Company with major leverage for boosting performance.

To ensure the success of its strategic plan, Groupe PSA also relies on the shared willingness of employee representatives to co-build

the future and support change within the Company. This constructive dialogue with employee representatives is a competitive advantage for the Company.

Groupe PSA's human resources policy aims to offer an employee experience based on well-being at work, by preparing the future with new working methods and giving a creative space to express individual and collective talents. The goal is to foster sharing, agility and cross-functionality. Digitalisation offers in particular an opportunity to boost collaborative work arrangements and flexibility, and to provide solutions to make employees' everyday lives easier.

Groupe PSA is committed to rolling out its human resources policy worldwide, using as its basis of reference Groupe PSA's global framework agreement on social responsibility, which was signed on 7 March 2017.

This policy provides effective responses to the four key CSR issues identified by the Company:

- management of the business transformation and dialogue with the workforce
- appeal to and development of all talents

- health, safety and well-being at work
- diversity and equal opportunity

This policy applies to all companies excluding Faurecia, which has complete management autonomy and specific policies described in Faurecia's Registration Document.

For further information on social achievements at Groupe PSA (Automotive Division and other activities excluding Faurecia), please refer to the Corporate Social Responsibility Report.

## 2.4.1. Social dialogue

Groupe PSA has shown that co-construction by means of social dialogue within the company contributes to performance and protects employees. Based on a responsible relationship built on trust and transparency, quality social dialogue helps balance economic performance with social performance by implementing the most suitable and pragmatic solutions. This approach has become a competitive advantage for the Group, in an increasingly demanding environment.

In France, this co-construction approach was reflected in the signature of the "New Momentum for Growth" agreement in July 2016, which strengthens the role of employee representatives for upstream sharing of the strategy, and thus construct the future together. This approach took on an international dimension when the new global framework agreement was signed with the IndustriALL trade union federations on 7 March, 2017. The aim is to propel this momentum globally and to apply the common principles of the human resources policy, with regulation of workplace relations based on dialogue and co-construction.

The Group acknowledges the central role of unions in the Company's social dialogue and cohesion. It actively supports employee freedom of association and representation and is committed to respecting the independence and pluralism of unions at all its facilities and implements an active collective agreements policy. 98% of the staff is represented by unions or by employee representatives. Employee representation is part of the Group governance (see Section 3.1.2).

### THE GLOBAL FRAMEWORK AGREEMENT ON CORPORATE SOCIAL RESPONSIBILITY

DPEF.8 DPEF.14 DPEF.37 DPEF.38 DPEF39  
DPEF.40 DPEF.41 DPEF.42

Groupe PSA has elected to get a wide range of stakeholders involved in the corporate social responsibility process by signing a global framework agreement on corporate social responsibility in 2006.

On 7 March, 2017, Groupe PSA and the trade union federations IndustriALL Global Union and IndustriALL European Union signed a new agreement in Geneva. This new agreement reflects Groupe PSA's desire to co-construct its future with employee representatives on a global scale and to involve all employees in its global human resources policy. It applies to all facilities and was contractually extended to its partners, suppliers and distributors.

This agreement is made up of two parts. The first part gives a formal framework to Groupe PSA social responsibility policy, enrolls stakeholders and sets forth its social requirements in terms of supply chain. The second part adds the goal of introducing an international human resources policy that develops talent and skills, quality of life and well-being in the workplace, with respect for diversity and equality of treatment. In addition, the agreement reinforces the global dimension of the Group Works Council and its mission to share economic and social issues on a worldwide scale.

Groupe PSA thus has an adapted framework to efficiently and transparently implement the United Nations Guiding Principles on Business and Human Rights ("Ruggie Principles") and the OECD Guidelines for Multinational Enterprises.

Since 2006, the application of this global framework agreement is monitored and assessed on an ongoing basis using a structured system. IndustriALL and all unions exercise continuous vigilance and can report non-compliance, and their opinion is regularly sought on the application of the agreement's commitments. Groupe PSA is committed to handling claims and complaints expressed in application of this agreement and ensuring due diligence with suppliers in the supply chain.

The agreement has been translated into 14 languages. Employees are kept regularly informed of progress. The text of the agreement is public and available on the Internet.

This global framework agreement applies to all Group companies controlled by the Group, excluding Faurecia, and promotes compliance with social and environmental requirements through action plans, exhaustive monitoring and support on a wide scale.

### GLOBAL WORKS COUNCIL

Set up in 1996, the Group's European Works Council is a body for dialogue and discussion between management and employee representatives. Dealing with the Group's strategy, results and outlook, this body allows Executive Management to understand the concerns, expectations and suggestions of employees, and to build the partnerships necessary to carry out large cross-functional projects. During its annual plenary meeting, the Group's European Works Council is expanded into a Global Works Council, with delegates from Argentina, Brazil, Russia and China.

In 2017, the Group's European Works Council and its Liaison Committee of officers met 11 times.

### THE JOINT UNION-MANAGEMENT STRATEGY COMMITTEE

A body for dialogue and discussion, this Committee allows for more and earlier involvement of the employee representatives in Group strategy. It was launched as a result of commitments established in the company agreements. The Group has stepped up communication with the Committee with a view to increasing sharing, exchanges and transparency upstream in relation to strategic topics such as the product plan, the guidelines of the three-year medium-term plan and the industrial strategy.

The French representative organisations and the main unions of the non-French European companies are represented on the Committee. The Joint Union-Management Strategy Committee met twice in 2017.

COMPANY AGREEMENTS **DPEF.8** **DPEF.9**

Groupe PSA is committed to driving a collective agreements policy based on a sound understanding of the Company, which looks for innovative solutions and shows its capacity to conciliate the Company's economic and social priorities. In 2017, 122 company agreements were concluded, 92 of which were outside France.

Worldwide, 95% of Group employees are covered by a collective bargaining agreement at sectorial and/or company level.

In July 2016, Groupe PSA and five unions that together represent 80% of employees signed an agreement called the "New Momentum for Growth" in France. The goal of this agreement is to endorse the enactment of the *Push to Pass* strategic plan and as such support the Group's growth and bolster its performance, helping the Company get ahead in its employees' interest.

With this agreement, Groupe PSA is aligning itself with a policy of responsible employment that anticipates transformation, enhances workers' employability and secures careers both internally and externally. A voluntary policy of employing young people is in place, resulting in the inclusion of 2,000 young people per year (work-study students, interns, CIFRE [industrial training agreements by research] PhDs students and international corporate volunteering contracts (VIE)). It is projected that 1,000 permanent contract hirings are scheduled during the term of the agreement, and the Group has committed to awarding 50% of its junior positions to recruits benefiting from the policy to hire young people. One year later, the commitments given in this agreement have

come to fruition. For example, as a result of the co-construction practised following this agreement, the discretionary profit-sharing agreement was renegotiated and an additional profit-sharing payment was granted in 2017 to link the two systems. A new form of health and personal property insurance was created. A learning booster event was organised on 17 October 2017. The innovative remote working system was implemented and almost 20,000 employees have used it. The action plans drafted as a result of the agreement are implemented and monitored over the 2016-2019 period.

The agreements concluded with unions in other countries also helped support Company transformation and manage employment in a responsible and concerted fashion, adapted to the local economic and social context.

## LISTENING TO EMPLOYEES

Groupe PSA is committed to informing and listening to employees and to implementing participatory initiatives. The Group has a set of tools for measuring the satisfaction of employees and better assessing their aspirations. Regular surveys conducted by a market research institute assess employee satisfaction and confidence levels.

The Workplace Stress Measuring and Monitoring Programme (see Section 2.4.4 on Well-being, health and safety at work) provides a regular assessment of a motivation index and illustrates the factors effecting motivation.

## 2.4.2 A responsible employment policy

To achieve its transformation plans, the Groupe PSA engages in ongoing dialogue with employee representatives and promotes a contractual approach. The Group operates according to a policy of

responsible employment, with a will to anticipate transformations and boost its workers' employability by safeguarding careers.

## Workforce

NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS **DPEF.1.A**  
(at 31 December)

	2015	2016	2017
PCD Automotive Division	95,669	89,927	85,797
<i>o/w PSA Automobiles SA</i>	54,340	55,525	50,774
Faurecia	85,218	79,818	86,319
Other Businesses	1,270	411	811
<b>TOTAL</b>	<b>182,157</b>	<b>170,156</b>	<b>172,927</b>

For information purposes, the workforce of Opel Vauxhall, which was acquired on 1 August 2017, accounts for 37,544 employees.

The abbreviations CDI and CDD stand for, respectively "permanent employment contract" and "fixed-term employment contract". The fixed-term contracts include apprenticeships, skill-acquisition contracts and CIFRE contracts for PhDs students.

The workforce is assessed on 31 December of each year and is not adjusted to reflect any changes to the scope.

Numbers employed in the Automotive Division comprise the companies within the PCD scope (Peugeot, Citroën and DS). Employment data for OV (Opel Vauxhall) are not included in this report and will be consolidated as from January 2018.

The decrease in the Faurecia workforce in 2016 is due to the disposal of the Faurecia Automotive Exteriors activity on 29 July 2016. The appreciable increase in Faurecia's workforce in 2017 arises from sustained activity and numerous programme launches, and from the integration of new legal entities in China and South America, particularly in Brazil with the consolidation of a joint venture formed with Magneti Marelli.

The decrease in workforce in the "Other businesses" category in 2016 is linked to the completion of the implementation of the partnership between Banque PSA Finance and Santander Consumer Finance, which resulted in the creation of five new joint ventures. The increase in 2017 is mainly due to the reassignment of employees to the PSA holding company when it settled its headquarters in Rueil-Malmaison in September 2017.

NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS BY REGION **DEPF.1D**  
(at 31 December)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>57,355</b>	<b>21,125</b>	<b>7,317</b>	<b>85,797</b>
	2016	62,036	20,509	7,382	89,927
	2015	65,809	21,977	7,883	95,669
<b><i>o/w PSA Automobiles SA</i></b>	<b>2017</b>	<b>50,774</b>	<b>0</b>	<b>0</b>	<b>50,774</b>
	2016	55,525	0	0	55,525
	2015	54,340	0	0	54,340
<b>Faurecia</b>	<b>2017</b>	<b>10,464</b>	<b>33,981</b>	<b>41,874</b>	<b>86,319</b>
	2016	10,411	32,570	36,837	79,818
	2015	12,137	36,060	37,021	85,218
<b>Other Businesses</b>	<b>2017</b>	<b>707</b>	<b>93</b>	<b>11</b>	<b>811</b>
	2016	298	102	11	411
	2015	328	910	32	1,270
<b>TOTAL</b>	<b>2017</b>	<b>68,526</b>	<b>55,199</b>	<b>49,202</b>	<b>172,927</b>
	2016	72,745	53,181	44,230	170,156
	2015	78,274	58,947	44,936	182,157

At 31 December 2017, there were 172,927 employees within the Group of which 158,976 were on permanent contracts (92% of the workforce). 60% of employees work outside France, of which 32% in other European countries and 28% in the rest of the world.

The headcount was broken down into 21% managers, 18% technicians and administrative employees and 61% operators.

EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY REGION AND GENDER **DPEF.1B DPEF.1D**  
(at 31 December)

	France		Rest of Europe		Rest of the world		Total	
	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	9,770	47,585	4,932	16,193	1,336	5,981	16,038	69,759
<i>o/w PSA Automobiles SA</i>	8,553	42,221	0	0	0	0	8,553	42,221
Faurecia	2,411	8,053	11,345	22,636	12,298	29,576	26,054	60,265
Other Businesses	320	387	52	41	1	10	373	438
<b>TOTAL</b>	<b>12,501</b>	<b>56,025</b>	<b>16,329</b>	<b>38,870</b>	<b>13,635</b>	<b>35,567</b>	<b>42,465</b>	<b>130,462</b>

EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP AND GENDER **DPEF.1B DPEF.1C**  
(at 31 December)

	< 30 years old		30-39 years old		40-49 years old		50 years and +		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	2,101	6,241	4,285	15,398	5,246	23,999	4,406	24,121	16,038	69,759
<i>o/w PSA Automobiles SA</i>	679	1,859	1,625	7,159	2,975	15,118	3,274	18,085	8,553	42,221
Faurecia	8,357	19,274	7,681	17,299	6,483	13,707	3,533	9,985	26,054	60,265
Other Businesses	48	40	86	97	139	170	100	131	373	438
<b>TOTAL</b>	<b>10,506</b>	<b>25,555</b>	<b>12,052</b>	<b>32,794</b>	<b>11,868</b>	<b>37,876</b>	<b>8,039</b>	<b>34,237</b>	<b>42,465</b>	<b>130,462</b>

## 2.4.2.1 HIRINGS DPEF.2A

The Group is enjoying a global boost in hirings, with more than 3,500 fixed term contract hirings and 4,800 young people hired in the Automotive Division. Work-study recruitments (apprenticeship, other forms of skill-acquisition training) feature among the recruitments on fixed-term contracts.

In 2017, the Group hired 21,866 employees on permanent contracts. 84% of these hirings took place at Faurecia. 91% of these hirings were related to the Group's international development and involved all sectors (R&D, Industrial, Commerce/Marketing, Purchasing, IT, Digital, etc.) for plants whose activity was increasing. They also

involved junior positions as well as more experienced positions and fell within all socio-professional categories: engineers, technicians, operators.

In order to attract the best talent, a new recruitment website was launched in September 2017. It is more global, modern and responsive and has been awarded the AccessiWeb label in association with BrailleNet, thus increasing digital access for workers with disabilities.

Integration processes have been deployed within the Group across different countries to support the arrival and integration of these new talents.

## PERMANENT CONTRACT HIRINGS BY REGION

(at 31 December) - Includes transfers from fixed-term to permanent contracts

		France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	2017	1,331	1,707	490	3,528
	2016	623	939	208	1,770
	2015	387	601	476	1,464
o/w PSA Automobiles SA		447	0	0	447
	2016	133	0	0	133
	2015	79	0	0	79
Faurecia	2017	622	5,546	12,137	18,305
	2016	452	3,049	7,639	11,140
	2015	450	2,830	6,023	9,303
Other Businesses	2017	15	16	2	33
	2016	5	15	1	21
	2015	2	22	2	26
TOTAL	2017	1,968	7,269	12,629	21,866
	2016	1,080	4,003	7,848	12,931
	2015	839	3,453	6,501	10,793

## FIXED TERM CONTRACT HIRINGS BY REGION

(at 31 December)

	France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	1,469	3,058	592	5,119
o/w PSA Automobiles SA	1,045	0	0	1,045
Faurecia	508	2,537	8,923	11,968
Other Businesses	32	14	0	46
TOTAL	2,009	5,609	9,515	17,133

## A youth employment policy to foster integration into the labour market

Groupe PSA implements a voluntary youth employment policy based on a responsible commitment. The aim is to develop young people's employability through training and facilitate their hiring at the end of an apprenticeship.

Groupe PSA is committed to prioritising young people in its hiring: more than 50% of permanent junior contracts gained by young employees of the Group in 2017.

Being a "young employee" in PSA Group means total immersion within the teams with personalised mentoring from a tutor.

More specific actions in favour of young people from more disadvantaged areas are also in place, in particular through partnerships with a number of associations to support integration into the labour market or the Group's attendance at forums to advise on drafting CVs or interview technique.

## INTERNSHIPS AND WORK-STUDY CONTRACTS

	Interns (Cumulative Total 2017)		Work-study contracts (A 31 December 2017)		o/w skill-acquisition contracts		o/w apprenticeship contracts	
	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women
PCD Automotive Division	2,421	37%	2,474	29%	526	29%	1,948	29%
o/w PSA Automobiles SA	1,346	27%	1,736	31%	273	27%	1,463	32%
Faurecia	2,741	35%	1,346	30%	172	44%	228	33%
Other Businesses	40	50%	51	55%	1	100	50	54%
<b>TOTAL</b>	<b>5,202</b>	<b>36%</b>	<b>3,871</b>	<b>30%</b>	<b>639</b>	<b>33%</b>	<b>2,226</b>	<b>30%</b>

The Group's employment policy for young people also includes contracts for PhDs students (CIFRE) and international corporate volunteering contracts (VIE).

To attract a diverse range of talents, PSA University currently partners thirty scientific and management schools and universities in Europe, China, Brazil, the United States and Morocco.

In France, the partnership which was set up 15 years ago between Groupe PSA and the Ministry of Education sets priority on young employment and workplace integration within Groupe PSA. With expert support from the French vocational educational system, the Group helps to pass on its professional know-how with 55 academic institutions in France. In 2017, 649 young people benefitted from the training offered by the partnership to earn a vocational secondary school degree, advanced technician's certificate (BTS) or a professional degree with the aim of working in the Group's industrial and economic realm, and more broadly in the automotive industry. In 10 years, almost 3,600 young people have been recruited into Groupe PSA's brands points of sale.

#### 2.4.2.2 ADAPTING RESOURCES TO THE COMPANY'S NEEDS DPEF.2B

Groupe PSA wants to secure its sustainability and the employment of its employees based on operational excellence, performance and agility. The Group leads a policy of responsible employment, with a will to anticipate transformations and demands for skills, and to boost its workers' employability. As such, the Group offers employees secure careers internally, such as through retraining, and externally.

#### The professions and skills observatory, to anticipate changes

A joint body implemented by the Group, the Professions and Skills Observatory, helps develop a prospective vision of the evolution of Group professions and establish shared analyses of professions in high demand (unmet needs) and at-risk professions (downsizing and retraining needs). Meeting once annually at the corporate level and twice per year locally, the Observatory implements ongoing action plans to restore balance among the business lines.

The Professions and Skills Observatory is a key Group tool to anticipate employment developments, communicate with transparency and responsibility, trigger professional mobility, identify talent that should be retained or hired and prevent overstaffing. This transparency and access to information mean that each employee is master of their own professional career.

#### Safeguarding career paths

Internal career paths are safeguarded through the global internal reconversion programme "Top Competences". Since 2012, more than 3700 employees have had the opportunity to train in a new Group profession, through courses lasting 80 hours on average, over periods of 18 to 24 months.

Safeguarding career paths also means promoting external professional mobility accompanied by schemes to help employees find new employment, retrain for a new activity or set up a business.

Mobility support centres were set up in Spain to support employees in their career development.

In France, the safeguarding of career paths is based on the innovative solutions included in the agreement "New Momentum for Growth": probationary mobility periods, secure mobility periods allowing outplacement candidates to return to Groupe PSA for up to two years after starting a new job, career transition passports under the territorial career mobility and transition platforms (PTMTP) based on joint arrangements forged with companies that are hiring and settled in the same regions as the Group.

## DECLARATION ON EXTRA-FINANCIAL PERFORMANCE

Human Resources: Enabler of Performance

### LEAVERS UNDER PERMANENT CONTRACTS BY REGION (at 31 December)

<b>PCD Automotive Division</b>	<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the World</b>	<b>Total</b>
Resignations	590	1,085	679	2,354
<i>of which PSA Automobiles SA</i>	<i>257</i>			257
Dismissals	354	282	23	659
<i>of which PSA Automobiles SA</i>	<i>183</i>			183
Redundancies and transfer of activity	2,058	412	0	2,470
<i>of which PSA Automobiles SA</i>	<i>1,985</i>			1,985
Other Departures: expiration of fixed-term contract, retirement, death, etc.	2,105	491	34	2,630
<i>of which PSA Automobiles SA</i>	<i>1,741</i>			1,741
<b>TOTAL</b>	<b>5,107</b>	<b>2,270</b>	<b>736</b>	<b>8,113</b>

<b>Faurecia</b>	<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the World</b>	<b>Total</b>
Resignations	200	2,633	3,577	6,410
Dismissals	166	1,263	3,878	5,307
Redundancies and transfer of activity	109	132	101	342
Other Departures: expiration of fixed-term contract, retirement, death, etc.	168	125	396	689
<b>TOTAL</b>	<b>643</b>	<b>4,153</b>	<b>7,952</b>	<b>12,748</b>

<b>Other Businesses</b>				<b>Total</b>
Resignations	9	11	1	21
Dismissals	0		1	1
Redundancies and transfer of activity				0
Other Departures: expiration of fixed-term contract, retirement, death, etc.	3			3
<b>TOTAL</b>	<b>12</b>	<b>11</b>	<b>2</b>	<b>25</b>

<b>Grand Total</b>	<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the World</b>	<b>Total</b>
Resignations	799	3,729	4,257	8,785
Dismissals	520	1,545	3,902	5,967
Redundancies and transfer of activity	2,167	544	101	2,812
Other Departures: expiration of fixed-term contract, retirement, death, etc.	2,276	616	430	3,322
<b>GRAND TOTAL</b>	<b>5,762</b>	<b>6,434</b>	<b>8,690</b>	<b>20,886</b>

## 2.4.2.3. ORGANISATION OF WORKING HOURS

In every host country, working hours are equal to or less than the legal work week or industry practices.

**Short-time work** DPEF.4

Short-time work provides leverage for the Group to avoid job losses during a period of recession in the automotive markets that calls for significant and rapid adjustment of activity.

The Group has set up schemes for modulating working hours, also called banks of hours, in most countries where it has industrial or logistics facilities. Thus, in these countries, working hours are determined on an annual or multi-year basis.

SHORT-TIME WORKING HOURS  
(at 31 December)

		Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>368,828</b>
	2016	1,200,679
	2015	1,178,152
<i>of which PSA Automobiles SA</i>	<b>2017</b>	<b>96,114</b>
	2016	700,235
	2015	645,763
<b>Faurecia</b>	<b>2017</b>	<b>968,248</b>
	2016	1,311,788
	2015	602,566
<b>Other Businesses</b>	<b>2017</b>	<b>0</b>
	2016	0
	2015	3,061
<b>TOTAL</b>	<b>2017</b>	<b>1,337,076</b>
	2016	2,512,467
	2015	1,783,779

**Absenteeism** DPEF.5

In 2017, based on 277 million hours worked, absenteeism for sickness stood at 2.3%. Moreover, 359,879 hours of maternity leave and 291,332 hours of absences related to accidents were recorded.

PAID ABSENCES FOR SICKNESS  
(at 31 December)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>2,058,069</b>	<b>1,088,331</b>	<b>184,847</b>	<b>3,331,247</b>
	2016	2,268,972	1,134,074	205,484	3,608,530
	2015	2,537,776	1,261,847	228,209	4,027,832
<i>of which PSA Automobiles SA</i>	<b>2017</b>	<b>1,956,983</b>	-	-	<b>1,956,983</b>
	2016	2,169,856	-	-	2,169,856
	2015	2,217,362	-	-	2,217,362
<b>Faurecia</b>	<b>2017</b>	<b>471,196</b>	<b>1,798,074</b>	<b>784,477</b>	<b>3,053,747</b>
	2016	486,797	1,733,197	816,251	3,036,245
	2015	581,593	1,958,574	620,056	3,160,223
<b>Other Businesses</b>	<b>2017</b>	<b>3,230</b>	<b>712</b>	-	<b>3,942</b>
	2016	3,080	1,714	128	4,922
	2015	2,618	41,387	119	44,124
<b>TOTAL</b>	<b>2017</b>	<b>2,532,495</b>	<b>2,887,117</b>	<b>969,324</b>	<b>6,388,936</b>
	2016	2,758,849	2,868,985	1,021,863	6,649,697
	2015	3,121,987	3,261,808	848,384	7,232,179

## 2.4.3 Developing human capital

Groupe PSA aims to offer the best opportunities for development and employability to all its employees and intends to build talent. The success of the Push to Pass plan is due to the management of talent at each level of the organisation.

The aim is to allow each individual to express their talent on an individual and collective basis. The human resources ambition is summed up in the slogan: “pool energies and unleash talent to ensure the success of the company”. The talent development programmes aim to constantly encourage initiative and creativity and to reward performance based on concrete results.

The human resources policy is based on Groupe PSA values. These values are based on fundamental values and aspirational values. The first are the basis of the Group’s resilience and the second provide new agility to enable rapid implementation of the strategy.

- Team spirit
- Respect
- Drive
- Dare
- Agility
- Demand

### 2.4.3.1. CROSS-FUNCTIONAL OVERSIGHT OF THE GROUP’S JOB FAMILIES AND BUSINESS LINES

The job family and profession strategy developed by Groupe PSA is central to the Group’s human resources development policy to manage talent and skills, today and tomorrow. This skills management at global level is based on 20 job families and 102 business lines throughout all of the Group’s organisations.

Each of the Group’s 20 job families creates the forward-looking vision of the business lines by anticipating strategic changes and identifying the skills that the business line will need in the future. This approach is used to prepare transitions and draw up compelling skills development programmes and training plans. It provides employees with guidelines to help them navigate their career and professional paths. It also provides recognition by experts, who are responsible for maintaining the highest level of expertise in their field.

### 2.4.3.2. DETECTING AND DEVELOPING TALENT DPEF.10

Contributing directly to the Company’s strategy, the talent management implemented by Groupe PSA aims to diversify profiles and experiences, identify talent more extensively within the organisation, assign young talent to key positions, protect expertise and know-how, promote and develop local skills, globalise corporate function, set targets and reward performance.

At global level, the Group performs the Talent Review every year as a proactive exercise to manage individuals’ careers, and to identify and develop talent to serve the corporate strategy. The aim of the review is to examine all employees and come up with growth scenarios and career projections that are explicitly linked to replacement plans. Dialogue is consolidated in a bottom-up

cascading structure in order to introduce talent all the way up to the highest level.

Priority is given to identifying emerging talent, high potential employees, identifying successors for key or critical positions, developing diversity by increasing the percentage of women and using local talent for key positions.

Individual and collective assessment and career support schemes are implemented worldwide: 360° Assessment Center, a development programme exclusively aimed at high-potential managers and backed up by mentoring, coaching or collaboration initiatives on top of the Leadership Academy offering.

### 2.4.3.3. PROFESSIONAL TRAINING DPEF.10

Launched to support employees as the Group’s dynamic changes, PSA University is a powerful lever for performance and the development of human capital within the Group. The purpose of PSA University is to pass on expertise and know-how to all the women and men working for Groupe PSA worldwide. The University is committed to developing the employability of employees and contributing to cultural change, both of which are essential to ensuring success.

PSA University is structured into four academies: Research & Development Academy, Industrial Academy, Sales & Marketing Academy and Corporate Academy. These academies work to implement job families guidelines and achieve the business lines’ targets by offering adequate learning opportunities and organising the rollout of these opportunities based on the priorities of the relevant business lines.

### Becoming a “self-learning” organisation: a technological and cultural wager

To support change, PSA University seeks to transform the Group into a “learning organisation” and give employees ownership of their own development. As part of the ongoing update of knowledge and skills, employees have access to new educational resources, in particular through digital training.

To promote the digital culture within the Group, PSA University has developed a programme called “Do you speak digital”. It is based on digital “passports” and “trips”, “Happy digital conferences” and workshops on social networks. The training offering changes regularly thanks to thematic modules or gamification to develop new ways of gaining skills and to integrate more countries. The aim is that 25% of training hours will be dedicated to digital learning in 2019.

### A new Management Culture to serve the Group’s strategic challenges

The Leadership Academy, which is affiliated to the PSA University, runs programmes that are specially designed for managers. The “Leadership In Action” programme, which works on leadership concepts and is based on collective intelligence, was designed to help managers become motivating leaders for their teams who can keep up with the cultural changes under way by adopting new values and behaviours. This programme was also deployed in Latin America and Asia.

NUMBER OF TRAINING HOURS BY REGION **DPEF.11**

(at 31 December)

	Total hours of training (in thousands of hours)				Average hours of training per employee*		
	France	Rest of Europe	Rest of the world	Total	France	Rest of Europe	Rest of the world
PCD Automotive Division	1,128	335	181	1,644	19.5	19.6	22.1
of which PSA Automobiles SA	1,072	0	0	1,072	20.4		
Faurecia	155	521	1,242	1,918	16.0	17.8	28.3
Other Businesses	1	2	0	3	12.0	17.9	8.6
<b>TOTAL</b>	<b>1,284</b>	<b>858</b>	<b>1,423</b>	<b>3,565</b>	<b>18.9</b>	<b>18.4</b>	<b>27.3</b>

\* Employees present (excluding reclassification leave and job retention leave for seniors).

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY SOCIO-PROFESSIONAL CATEGORY AND GENDER **DPEF.11**

(at 31 December) - Number of training hours based on present employees\* on fixed-term contracts and permanent contracts

	Operators and Administrative Employees			Technicians and Supervisors			Managers			TOTAL (all occupational categories taken together)		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
PCD Automotive Division	20.4	22.2	21.9	18.3	20.5	20.0	24.8	22.2	22.7	20.8	21.8	21.6
of which PSA Automobiles SA	22.4	26.9	26.2	17.7	22.0	21.3	27.2	22.3	23.2	22.9	24.8	24.5
Faurecia	18.0	18.5	18.3	26.3	26.5	26.4	34.0	31.1	31.8	21.7	22.5	22.2
Other Businesses	0.7	0.2	0.5	5.4	8.3	6.3	5.7	3.1	4.2	5.2	3.3	4.2
<b>AVERAGE</b>	<b>18.5</b>	<b>20.2</b>	<b>19.8</b>	<b>21.5</b>	<b>22.5</b>	<b>22.3</b>	<b>29.4</b>	<b>26.5</b>	<b>27.1</b>	<b>21.2</b>	<b>22.1</b>	<b>21.8</b>

\* Employees present (excluding reclassification leave and job retention leave for seniors).

Each employee received an average of 21.4 hours of training in 2017. More than 3.5 million hours of training were delivered throughout the Group, representing an investment of €146 million.

#### 2.4.3.4. MANAGING PERFORMANCE AND DEVELOPMENT

The annual appraisal is a fundamental management strategy for assessing team performance and development. The annual appraisal was updated to characterise individual performance more globally and take better account of professional development.

In 2017, 83% of employees worldwide undertook an annual appraisal.

#### 2.4.3.5. COMPENSATION POLICY

Groupe PSA's compensation policy aims to be coherent, competitive and fair in relation to the reference markets of the different countries in which it operates.

It therefore meets the requirements set out in the Group's new "HR commitment" launched from September 2017: My advantages. The aim is to communicate the different human resources services offered to all employees in all countries in a way that is more modern and visual. These services include compensation, social benefits, health, personal development and work environment.

The aim is to design a global compensation policy that comprises a variety of components and brings together wage costs and recognition of individual and collective performance.

The compensation policy has three main objectives: recognise performance, support professional changes and promote

professional equality based on equal opportunities and fair treatment for all. As evidence of the capacity of employee representatives to balance between cost control, competitiveness and recognition, salary agreements were concluded in France on 21 February 2017, and in most of the countries where the Group operates.

Variable collective compensation forms part of the global compensation offered by Groupe PSA to its employees. Variable compensation policies apply to all categories of employees and aims to compensate collective performance and make employees more involved in the creation of value within the company. The variable collective compensation schemes may be specific to certain countries, as is the case in France with discretionary and non-discretionary profit-sharing plans. In other countries, the Group has introduced a collective local performance incentive (CLPI). In 2017, the CLPI was extended to new countries: Argentina, Chile, Mexico, China, Russia and Ukraine. Its calculation formula was improved to allow an increase in thresholds based on the economic results of the Group and in each country.

This fixed and variable compensation is supplemented by a variable individual policy. The Group's desire to promote meritocracy was reflected by extending bonus schemes. In 2017, the Group extended the variable compensation schemes to all executive managers globally. This made it possible to motivate employees around individual and collective targets that contribute to the Company's performance. In 2017, around 19,800 Group employees were eligible to receive bonuses.

#### Employee savings schemes

Employee saving schemes enable employees in several countries to invest in the Group's shares or in various vehicles (shares, bonds, monetary) with a varied risk/return ratio based on the vehicles.

## Employee shareholding operation: Accelerate

In order to get employees more involved with the Group's strategy for profitable growth and the resulting value creation, between September and October 2017, Groupe PSA completed a shareholding operation reserved for employees: Accelerate 2017. This operation follows up on the success of the first capital increase Accelerate performed in 2015.

As a result of this operation which covered 15 countries, employees had the opportunity to acquire Peugeot S.A. shares under preferential conditions, benefiting from a discount on the reference price, a contribution and a guaranteed investment offering, as part of a settlement filed with the Financial Markets Authority.

A sum of €25 million was dedicated to this operation, contribution included, and it was fully subscribed. A total of 11,200 Group employees participated and benefited from preferential conditions linked to this investment.

## Healthcare, death & disability coverage

The Group is committed to covering core risks such as life insurance for all employees (on fixed-term contracts or permanent contracts) worldwide.

The Group initiated a partnership with an international insurance broker several years ago. The Company is thus able to run its health and welfare schemes worldwide throughout the year and optimises the cost/services ratio for the benefit of the Company and the employees who make partial contributions. Several calls for tender were issued in 2017 in order to keep premium increases down and improve insurers' service quality, which is the case in the Netherlands, Russia and Turkey. Life/disability insurance was improved in Japan.

## Pension

The Group has set up defined-contribution pension schemes in all countries where necessary according to market practices and available resources. Such plans are in place in Germany, Belgium, Spain, France, Japan, the Netherlands, the Czech Republic, Slovakia, the United Kingdom and Turkey. Managed by local joint labour management committees, these plans are designed to provide beneficiaries with supplemental retirement income in addition to their statutory retirement benefit. There are also specific pension plans in addition to the statutory requirements in Brazil and Argentina.

## Payroll costs DPEF.3

TOTAL PAYROLL BY REGION  
(at 31 December)

(in million euros)					
	Year	France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>3,183</b>	<b>1,025</b>	<b>329</b>	<b>4,537</b>
	2016	3,284	1,041	317	4,642
	2015	3,510	1,119	400	5,029
<b>of which PSA Automobiles SA</b>	<b>2017</b>	<b>2,842</b>	<b>-</b>	<b>-</b>	<b>2,842</b>
	2016	2,958	-	-	2,958
	2015	2,944	-	-	2,944
<b>Other Businesses</b>	<b>2017</b>	<b>94</b>	<b>6</b>	<b>5</b>	<b>105</b>
	2016	66	7	4	77
	2015	99	71	13	183
<b>Faurecia</b>	<b>2017</b>	<b>749</b>	<b>1,100</b>	<b>1,328</b>	<b>3,177</b>
	2016	797	1,194	1,293	3,284
	2015	807	1,262	1,319	3,388
<b>TOTAL</b>	<b>2017</b>	<b>4,027</b>	<b>2,131</b>	<b>1,662</b>	<b>7,820</b>
	2016	4,147	2,242	1,614	8,003
	2015	4,416	2,452	1,732	8,600

In 2017, total payroll costs came to €6,165 million, while related payroll taxes amounted to €1,665 million. Annual median salary in France is €36,867.

GROUP MINIMUM WAGE VERSUS LOCAL STATUTORY MINIMUM WAGE BY COUNTRY **DPEF.30**

(Scope excluding Faurecia, at 31 December, base 100)

Country	Ratio	Regional legal minimum wage
Germany	115	Local legal minimum wage
Argentina	198	Local legal minimum wage (Ratio = 112 compared with the minimum salary under the UOM collective bargaining agreement)
Austria	103	Collective bargaining agreements
Belgium	125	Guaranteed average minimum monthly income
Brazil	152	Local legal minimum wage
China	Wuhan: 436 Shanghai: 377	Regional minimum wage
Spain	129	Local legal minimum wage
France	121	Guaranteed local legal minimum wage
Italy	103	Local legal minimum wage
Portugal	102	Local legal minimum wage
United Kingdom	106	Local legal minimum wage > 21 years old
Russian Federation	258	Regional minimum wage (Kaluga)
Slovakia	160	Local legal minimum wage
Switzerland	N/A	No legal minimum wage; no industry agreements

Information is reported for countries representative of the Group's organisation (excluding Faurecia), where there are more than 300 employees.

The ratio is calculated based on each country's statutory minimum wage (when one exists), without considering any regional variations.

2.4.4. Well-being, health and safety at work **DPEF.6**

Groupe PSA's results in health and safety are up to the highest levels in the manufacturing sector, the result of a policy that makes health and safety a top priority.

The Group is committed to doing everything to ensure the health and safety of all persons who contribute to the Group's activity worldwide. This commitment is embodied in a structured and managed programme to reduce risks and manage safety in each working environment. The Group is stepping up its efforts to boost employee health throughout their professional life and well-being in the workplace.

The Company applies a system-based method: occupational health and safety management system (OSHMS).

Four performance indicators guide these actions:

- the total lost-time incident frequency rate (expressed in terms of 1,000,000 hours worked worldwide). It reached the excellent score of 1 point in 2017
- the occupational illness frequency rate (expressed in terms of 1,000,000 hours worked worldwide). In 2017 it was 2.8 points

- the work-related stress frequency rate (MSP 25 methodology). The average rate measured in 2017 was 7.6%

- the average motivation rate (SP 52 methodology)

The Group aims to be the leader in the automotive industry on safety, where the target is to achieve a total lost-time incident frequency rate of 1 point over the medium term; health, where the target is to achieve an occupational illness frequency rate of 2 points; and well-being, where the target is to achieve a work-related stress frequency rate of 7%.

2.4.4.1. OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM **DPEF.6**

The Group's Workplace Health and Safety Management System (OSHMS) is based on the principle that safety can be designed for, planned for and implemented everyday. Management at all levels of the Company ensures that fundamentals are respected at all times and that the principles set out in the health and safety policy are rolled out in a rationale of continuous improvement.

## THE HEALTH AND SAFETY MANAGEMENT SYSTEM – 6 PRINCIPLES AND 22 STANDARDS

6 principles	22 standards
1. Executive management involvement	Executive management involvement
2. Structured leadership	Safety communication Health and Safety Committee
3. Clearly established and applied standards	Incorporation of safety and ergonomics into work standards Protective equipment Safety during the design and engineering of manufacturing facilities
4. Defined roles	Work authorisations and clearances Contractors Temporary work Reception of visitors Assessment of individual performance
5. Effective alert systems	Work-related alerts Staff representative bodies
6. Effective monitoring and improvement resources	Field visit and examination Survey and announcement after incidents or accidents Health and safety scoreboard and reporting
+ Controlled risks	Risk assessment Control of risk families, identification and management of high-priority risks Preventing chemical risks Preventing psychosocial risks Preventing musculoskeletal disorders (MSD) Road safety prevention, work-related travel risk prevention

With the OSHMS, Groupe PSA is in compliance with the occupational health and safety recommendations of the International Labour Organization (ILO) and performs its obligations in all countries. This management system was designed and rolled out in 2009, with the roadmap being applied methodically to ensure step-by-step acquisition and control of its requirements.

The OSHMS is now operational at all Group facilities. The five essential steps to maturity included in this roadmap (raise awareness, change mind-sets, change behaviours, change habits and align the corporate culture) are essential to bringing about lasting change.

The Health and Safety Management System includes ongoing progress mechanisms that help produce such strong results. An internal control and audit system has been implemented in order to ensure that the OSHMS is enforced and that improvement is constant.

In 2017, the Group's Occupational Health and Safety Department performed 16 checks. Cross audits were also performed on Group plants in the same region. In 2017, 17 operations of this type were organised in addition to safety standard compliance checks performed by each site.

The OSHMS, which has taken over all OHSAS 18001 areas, supports evaluation, monitoring and risk control. The OSHMS goes even further and also includes specific requirements regarding policy, commitment and the role of the Health and Safety Committee. These requirements are in effect at all sites and at all levels. The OSHMS also includes a description of personal protection gear, the *modus operandi* for handling external visitors and external companies. It also outlines various risks (psycho-social risks,

chemical risks, musculoskeletal disorders, commuting risks, etc.). Thus, with regard to the principles described in OHSAS 18001, the OSHMS puts these into perspective according to six maturity steps, facilitating support and control of their progression. The Group's best practices are also incorporated into the reference guide before being shared with other entities and becoming a standard.

## Results in terms of workplace accidents and occupational illnesses **DPEF.7**

The Group achieved a lost-time occupational accident frequency rate of 1 for the first time. This 1-point target rate was set in 2010 with the launching of the Occupational Health and Safety Management System. Over this period the number of lost-time incidents was divided by 9 in our Company.

As a result of the Group's Health and Safety Policy and its Health and Safety Management system, the great progress made over several years held steady in 2017, with a management lost-time rate of 1, as compared to 1.2 in 2016 and 1.2 in 2015 and 1.4 in 2014. This rate translates as 143 lost-time incidents in 2017.

The Group performance is among the best in industry. These results reflect safe practices by both permanent and temporary employees.

Since 2009, with a view to ensuring the protection of all employees, the Group decided to manage this indicator (TF1 Management) by using the total lost-time incident frequency rate including Group employees and temporary employees. With emphasis on training from the first day on the job and to the attention paid to all categories of workers, the lost-time accident frequency rate for temporary workers is now as low as for Group employees.

TOTAL MANAGEMENT LOST-TIME ACCIDENT FREQUENCY RATE (TF1 MANAGEMENT)  
(Scope excluding Faurecia, at 31 December)

	2016	2017
PCD Automotive Division	1.2	1
<i>of which PSA Automobiles SA</i>	1.5	1.2
Other Businesses	0.3	0
<b>TOTAL</b>	<b>1.2</b>	<b>1</b>

Management lost-time accident frequency rate includes Group employees and temporary employees. It corresponds to the “number of lost-time occupational accidents multiplied by one million divided by the number of hours worked”.

Concerning Faurecia, in 2017, it reached a FROt rate of 1 point (number of workplace accidents involving a Faurecia employee or

an interim employee and resulting in a stoppage of work for one million hours worked), an indicator that has been divided by three since 2009 through the application of 13 HSE (Health, Safety, Environment) rules for personal safety that are mandatory and deployed at all Faurecia sites. The results show that Faurecia enacts best practices worldwide.

SEVERITY RATE  
(Scope excluding Faurecia, at 31 December)

Severity rate	France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	0.19	0.05	0.01	0.13
<i>of which PSA Automobiles SA</i>	0.19	-	-	0.19
Other Businesses	0	0	0	0
<b>TOTAL</b>	<b>0.19</b>	<b>0.05</b>	<b>0.01</b>	<b>0.13</b>

The severity rate corresponds to the number of consecutive days lost to accidents multiplied by 1,000 divided by the number of hours worked.

## Occupational illnesses

Groupe PSA stands out in that it publishes its occupational illness indicators and accident reduction objectives. Good health is essential to sustaining the performance of human resources and business operations.

Ergonomists, doctors, safety engineers and health and safety experts work together with management to set specific operational action plans toward preventing occupational illnesses and controlling the frequency rate of occupational illnesses (including musculoskeletal disorders).

In 2017, this rate was 2.80, compared to 2.79 in 2016, solidifying the improvement over 2015 (3.46) and 2014 (3.89). (Rate calculation: number of recognised occupational illnesses divided by the number of hours worked × 1,000,000).

**Musculoskeletal disorders** (MSD), which account for most of the Group's occupational illnesses, are a priority for the workplace health and safety policy, and in particular involve setting up rating tools for workstations and analysing why musculoskeletal disorders occur and finding solutions for preventing them. Manufacturing sites thus focus on alleviating physical and postural stress by reducing the number of workstations rated as “heavy”. This is taken into account from the design stage for products and processes. From 2005 to the end of 2017, the proportion of “heavy” work stations fell

from 18% to 9%, while “light” work stations rose from 37% to 58%. It is the Group's ambition to make further progress in this area and reach a level of 60% “light” workstations in 2018.

**Preventing psychosocial risks** (PSR) and, more generally, promoting well-being in the workplace are not only critical to keeping employees healthy and safe at work but also have a direct impact on the Company's performance. With support from the medical community, Groupe PSA has, since 2007, developed expertise in detecting stress and motivation factors, evaluating and conducting multidisciplinary actions to help prevent situations where psychosocial risks can arise. Using these evaluation tools, the Company reports publicly on stress frequency rates it measures and the improvement objectives it adopts. This method of measuring stress rates has now been extended to Latin America (Brazil, Argentina) and Europe (Spain, Portugal, Germany, the United Kingdom, Belgium, the Netherlands, Italy, Switzerland, Austria).

The last survey conducted within the Group in 2017 among 15,299 employees revealed that 7.6% of employees are experiencing excess stress. This monitoring initiative also incorporates a business support structure based on a network of correspondents (human resources, occupational physician, social worker, safety engineer). This network provides support for managers in the prevention initiative. There are presently responses for each risk factor identified within the Group.

### Joint Management-Worker Health and Safety Agreements and Committees **DPEF.9**

In most host countries, joint management-worker organisations are in charge of monitoring the application of employee health and safety practices.

More than 96% of Group employees (excluding Faurecia) are represented by Joint Management-Worker Health and Safety Committees.

The Group is also committed to implementing the best workplace health and safety standards and practices. In contractual terms, Group policy as regards working conditions comes under the company agreements which set out the applicable provisions. 19 health and safety agreements were signed in 2017.

- a continuous improvement approach for the health of Groupe PSA employees as partner in the "Healthy Workplaces" programme led by the European Agency for Safety and Health at Work
- implementation of field testing for prevention (actions to prepare before the post is taken up, BEST approach to take into account difficulties in terms of independence, etc.)

In addition, social services in the workplace are provided to all staff in France, through a network of 22 social workers. Social services have also been set up in other countries with the same roles.

Community life is encouraged: there are more than 80 active athletic, cultural and charity organisations.

### 2.4.4.2. IMPROVING WELL-BEING AND QUALITY OF LIFE AT WORK **DPEF.4**

When it comes to quality of life and well-being at work, Groupe PSA is an expert in workstation ergonomics and the assessment of work-related stress. In 2016, Groupe PSA stated a new ambition to offer an employee experience based on well-being at work by laying the groundwork for the future with new work methods and consequently providing a space for individual and group talent to blossom.

#### Occupational health

Groupe PSA's policy aims to preserve and improve employee health based on social dialogue and a structured coordination of occupational physicians. It is based on an individual and collective approach with five priority goals:

- ergonomic study of workstations, their design and their management in daily life
- a structured approach to reporting difficulties experienced in the workplace, the work-related alerts
- a multidisciplinary approach (involving ergonomists, occupational physicians, OHS consultants and managers) guiding operational improvements and addressing reported issues
- monitoring of overall health based on a detailed understanding of health criteria by the Group's health services

### 3,788 teleworkers in the Group

The positive impact of teleworking on working conditions and quality of life, particularly by reducing commuting time, has been proven within the Group. A labour agreement made teleworking one of the possible work arrangements within Groupe PSA in 2014. At end-2017, 3,028 employees in France opted for teleworking, representing 14% of those eligible for this new way of working.

The Group has further expanded its teleworking offer with the creation of an annual account of 25 remote working days. This system offers new flexibility to employees, technicians, administrative employees and managers who do not work in production, and the option to perform their jobs on occasion from their primary residence or another personal residence in France, or a third-party location.

The Group makes a point of applying teleworking worldwide on a voluntary basis and as flexible work arrangements improving working conditions. Under this momentum, Teleworking is now in use in Spain (72 teleworkers), Belgium (53), Brazil (163), Argentina (146), Slovakia (105), Italy (95) and Turkey (9). In early 2018, the Group launched a pilot telework programme for its employees in China.

### Part-time employees **DPEF.4**

Employees' requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. Part-time contracts are chosen by employees and not dictated by the Group.

NUMBER OF PART-TIME EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS  
(at 31 December)

		France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	2017	1,896	6,338	0	8,234
	2016	2,038	6,788	0	8,826
	2015	2,465	6,062	0	8,527
of which PSA Automobiles SA	2017	1,734	0	0	1,734
	2016	1,877	0	0	1,877
	2015	2,047	0	0	2,047
Faurecia	2017	442	938	0	1,380
	2016	426	1,090	0	1,516
	2015	554	1,038	0	1,592
Other Businesses	2017	33	13	0	46
	2016	14	13	0	27
	2015	23	238	0	261
TOTAL	2017	2,371	7,289	0	9,660
	2016	2,478	7,891	0	10,369
	2015	3,042	7,338	0	10,380

At 31 December 2017, the Group had 10,380 part-time employees worldwide (3,731 half-time): 38% of these were women and 62% were men.

### Maternity, paternity and parental leaves **DPEF.4** **DPEF.12**

Maternity and paternity leaves are recognised in accordance with local legislation and comply with legally prescribed length-of-leave

periods. Parental leave enables employees in certain countries to take time off work to raise their young children. The Group's policy is to encourage employees to return to work after taking maternity leave and to inform employees on the various parental leave options to encourage both fathers and mothers to take advantage of it.

NUMBER OF EMPLOYEES ON MATERNITY, PATERNITY AND PARENTAL LEAVE BY SOCIO-PROFESSIONAL CATEGORY  
(at 31 December)

	Maternity leave				Paternity leave				Parental leave			
	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total
PCD Automotive Division	341	266	221	828	891	254	287	1,432	215	474	68	757
of which PSA Automobiles SA	104	50	138	292	488	139	216	843	92	16	43	151
Faurecia	1,000	200	335	1,535	949	182	390	1,521	476	141	151	768
Other Businesses	0	5	9	14	0	0	4	4	0	2	3	5
<b>TOTAL</b>	<b>1,341</b>	<b>471</b>	<b>565</b>	<b>2,377</b>	<b>1,840</b>	<b>436</b>	<b>681</b>	<b>2,957</b>	<b>691</b>	<b>617</b>	<b>222</b>	<b>1,530</b>

## 2.4.5. Diversity and equal opportunity

For Groupe PSA, cultural and employee diversity is a source of added value and economic performance provided equal opportunity is ensured. By encouraging equal opportunity and founding its practices on objective criteria based on skills and results, the Group is encouraging the commitment and motivation of each employee and developing a culture of performance and economic efficiency.

This societal challenge concerns all the Group's host countries. Stakeholders were included in this commitment through the signing of a global framework agreement on corporate social responsibility which sets out non-discrimination and equal treatment rules. All stakeholders are thus involved in practising inclusive management, taking skills into account in hiring and career development, recognising merit and preventing all forms of discrimination and intolerance towards differences.

In signing up to the Women's Empowerment Principles in 2016, a UN and UN Women's initiative, the Group is pursuing this responsible approach worldwide to adopt better standards and promote best practices in terms of gender equality and equal opportunities between men and women.

### 2.4.5.1. PROMOTING DIVERSITY FOR SOCIAL COHESION AND PERFORMANCE

**DPEF.14**

Groupe PSA voluntarily formalised its actions in favour of diversity in its social dialogue. On an international scale, the global framework agreement on social responsibility is committed to exceeding local legal requirements in applying and promoting the fight against racism, sexism, xenophobia and homophobia and, more generally, against intolerance of differences and ensuring respect for privacy.

An agreement on diversity and social cohesion signed on 8 September 2004 was renewed on 21 May 2015. It reasserts the Company's intention to ensure equal treatment of all, based on objective criteria such as skills and results, combating prejudice and preventing discrimination, direct or indirect, conscious or not, in particular as regards the actual or presumed origins of persons. The agreement associates employee representatives through shared principles and ensures that commitments are fulfilled.

The hiring channels are diversified, in particular in building partnerships with academic organisations and state employment services, developing online job offers and using social networks to reach a wider public. The Group strives to ensure that no stages in the hiring process are discriminatory. A best practice guide is given to recruiters and a service agreement concluded with line managers involved in recruitment, setting out the assessment procedures. Candidates are selected objectively using tools such as the simulation recruitment method (MRS).

The Group contributes to the formulation of public policies put in place in various countries to promote diversity and prevent workplace discrimination. In France, in 2009, the Group was one of the first French companies to obtain the Diversity label in recognition of the Group's human resources policy and best practice in promoting diversity, equal opportunity and preventing discrimination. This label is awarded after a demanding certification process conducted by AFNOR Certification via an on-site audit. It was re-issued in 2012 and again in February 2018. Similarly, in Spain, the Group was awarded the *Diversidad* label in 2009 and again in 2012 and 2015.

### Preventing all forms of discrimination, bullying and violence in the workplace

The Group condemns all infringements of respect for individual rights and dignity, verbal or physical abuse, harassment, workplace violence and discrimination. This type of behaviour is liable to sanctions and specific measures have been set in every country to prevent it. Employees are regularly informed about these policies and a large number of managers have participated in awareness raising campaigns.

Whistleblowing schemes are in place for employees who experience or witness bullying, discrimination or violence in the workplace. They can thus alert a specific person in charge of diversity and/or harassment issues. A centralised system offering guarantees of confidentiality and neutrality, based on two email addresses, [harcelement@mpsa.com](mailto:harcelement@mpsa.com) and [diversite@mpsa.com](mailto:diversite@mpsa.com), provides another means for remedying and handling situations involving bullying or discrimination.

A standard handling and tracking procedure aligned with the local legal framework has been introduced in every host country. When a problem is identified, the information is reported to the Human Resources Department and a review is conducted. In 2017, 44 cases of harassment, discrimination and violence in the workplace were handled via this procedure.

### 2.4.5.2. GENDER EQUALITY **DPEF.12**

For 15 years, Groupe PSA has taken a proactive approach to promoting diversity and gender equality in its workplace, making it a source of added value and economic performance.

Subscribing to the Women's Empowerment Principles offers an internationally recognised standard and applies to all Group companies in all countries. Achievement is measured in various countries to identify new actions for progress and promote best practices.

The Group has analysed issues with regard to its traditionally male industry and has made employing more women in its business lines and key positions a decisive objective of its responsible and sustainable development strategy. From this work, the Group has formulated structured action plans centred on three topics:

- gender equality in the professions
- human resources processes to guarantee equal opportunities
- access of women to higher levels of responsibility

Groupe PSA has been committed to stamping out sexism and violence against women for a long time.

On an international scale, the global framework agreement on social responsibility has been applying best practices in this area since 2006 and declares that the Group does not tolerate sexism. In France, the agreement on equal opportunities introduced a whistleblowing system for harassment, in particular by means of a dedicated e-mail address [harcelement@mpsa.com](mailto:harcelement@mpsa.com). It also includes provisions relating to the support of employees who are victims of domestic abuse. In Spain, a specific company agreement was signed on this subject.

In March 2017, Groupe PSA launched a mobilisation campaign to "install a company culture free of sexism while preserving good working relations between men and women, well-being and collective performance".

### A recognised commitment

Groupe PSA was the first company to receive "Workplace Equality" certification in France in 2005. The renewal of this label on 8 December 2017 marks the Group's long-term commitment and ongoing progress.

The agreement of 5 October 2017 on greater employment of women and equality in the workplace, signed with all six trade unions is the fifth such agreement in France since the first one which was signed in November 2003. This demonstrates that social dialogue is still fruitful and attests to a renewed commitment.

In Spain, Groupe PSA was awarded the Equality label from the Ministry for Social Affairs and equality in 2013 and for its commercial subsidiaries for the first time in 2015.

NUMBER OF FEMALE EMPLOYEES ON PERMANENT OR FIXED-TERM CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY  
(at 31 December)

	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total
PCD Automotive Division	7,729	4,871	3,438	16,038
<i>of which PSA Automobiles SA</i>	4,549	1,776	2,228	8,553
Faurecia	18,616	2,974	4,464	26,054
Other Businesses	27	68	278	373
<b>TOTAL</b>	<b>26,372</b>	<b>7,913</b>	<b>8,180</b>	<b>42,465</b>

CHANGE IN THE PERCENTAGE OF WOMEN EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS  
(at 31 December)

% women in the workforce	2015	2016	2017
PCD Automotive Division	18.4%	18.5%	18.7%
<i>of which PSA Automobiles SA</i>	17.9%	17.2%	16.8%
Faurecia	28.1%	29.6%	30.2%
Other Businesses	52.8%	47.7%	46.0%
<b>TOTAL</b>	<b>23.2%</b>	<b>23.8%</b>	<b>24.6%</b>

Women account for 22.4% of engineers and managers, 25.7% of technicians and administrative employees and 25.0% of operators and administrative employees.

DIVERSITY IN SENIOR AND EXECUTIVE MANAGERS BY AGE GROUP  
(Scope excluding Faurecia, at 31 December)

	30-39 years old		40-49 years old		50 years and +		Total	
	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	5	2	37	174	25	301	67	477
<i>of which PSA Automobiles SA</i>	5	0	28	133	21	246	54	379
Autres activités	2	1	15	17	9	44	26	62
<b>TOTAL</b>	<b>7</b>	<b>3</b>	<b>52</b>	<b>191</b>	<b>34</b>	<b>345</b>	<b>93</b>	<b>539</b>

The table above includes "executive managers" in charge of adapting and implementing the Group's strategy, policies and programmes and "senior managers" in charge of rolling them out. It does not include members of the Executive Committee. In 2017, the proportion of female senior and executive managers was 14.7%.

### 2.4.5.3. ENCOURAGING PROFESSIONAL INSERTION **DPEF.10** **DPEF.14**

#### Employing seniors

Keeping older employees (24% of the Group's workforce over 50 years old) in work and motivated is one of the corporate social responsibility commitments. The aim is to ensure equal opportunity and fair treatment for all, including seniors.

The measures included in the Groupe PSA Generation Contract seek to consolidate the place of older employees in the Company and to better consider their experience as an advantage for the Group's success. The coexistence of the generations and knowledge transfer is an asset for social cohesion and economic efficiency.

#### Community initiatives

Aware that the location of residence can be a cause of isolation, lack of equal opportunity or even discrimination, the Group is a major player in social responsibility in its host communities and is committed to promoting equal opportunity and diversity within the Company. In liaison with public and academic authorities, the Group implements targeted career guidance and professional insertion measures, through youth employment contracts and work-study contracts, specifically aimed at people having difficulty finding work.

In signing the *Entreprises et Quartiers* Charter in France, Groupe PSA demonstrated its commitment to work alongside public authorities to support local economic and social development in neighbourhoods designated as disadvantaged in France's Urban Planning Policy.

- taking action to integrate and retain disabled employees by supporting them and providing adjusted work solutions or specially adapted workstations
- mobilising all those involved in coordinated management by improving awareness of the agreement and of measures in favour of the workers concerned (local disability correspondent, social service, medical service, human resources function, management, employee representatives and employees) and by setting up preventive measures

"Disability Week" and occasional events related to disability provide a forum for discussing acknowledgement as a disabled worker no matter what the work entity (office facilities, R&D, manufacturing).

Subcontracting with sheltered workshops is one aspect of the Group's agreement for the social and occupational inclusion of the disabled. This commitment by the Group with sheltered workshops for direct material parts is a policy that Groupe PSA has implemented for over 20 years, and it has made Groupe PSA the number one purchaser from sheltered workshops in France, with 2017 revenue of €45.5 million. This represents 2,334 people employed, mainly in the manufacturing industry (see Section 2.3.1.2.1.). Thus, 100% of cars manufactured by Groupe PSA in Europe include at least one part manufactured by the sheltered sector.

### 2.4.6. RESPECTING HUMAN RIGHTS

**DPEF.37** **DPEF.38** **DPEF.39** **DPEF.40** **DPEF.41**

### 2.4.5.4. HIRING DISABLED WORKERS

**DPEF.13** **DPEF.33**

The Group has 5,136 employees with disabilities worldwide. Disability recognition is specified by various local laws. 81% of employees with disabilities are manual workers, 13% are technicians and administrative employees and 6% are managers.

#### 5,136 disabled employees within the Group

Six successive agreements have been signed since 2000 to support the Group's actions in favour of the social and professional integration of people with disabilities. This policy is deployed globally through the global framework agreement with the aim of helping disabled employees remain at work, implementing preventative actions and fostering their integration into the labour market. Such actions are also actions for the collective and help boost company performance.

Today, thanks to the various initiatives conducted, and taking as an example France in its Automotive Division, Groupe PSA has achieved a rate of employment of disabled persons of 7.3%, above the 6% legal requirement. This employment rate increases to 10.3% when taking into account sheltered workshops.

In France, the 6th agreement on employment for handicapped within the Group was signed on 21 February 2017, confirming Groupe PSA's strong determination to step up its existing efforts in that direction.

This agreement is structured around four main areas of application:

- changing how we look at disability by raising awareness among employees throughout the year and by reinforcing the training of managers and trainers
- promoting recognition of the status of disabled workers, by offering subsidies and guarantees to agreement beneficiaries in their personal and professional lives

Groupe PSA's global framework agreement on social responsibility of 7 March 2017 formalises its commitments to its stakeholders in a detailed and public manner, and shares its social requirements with suppliers, industrial partners and dealer networks.

In this agreement, Groupe PSA undertakes to go beyond simply complying with local and national standards and to work within a framework for fundamental Human Rights. The agreement refers to conventions 87, 135 and 98 of the International Labour Organization on freedom of association and protection of the right to organise, on workers' representatives, on the right to organise and to bargain collectively, conventions 29 and 105 on the abolition of forced labour, convention 138 and 182 on the abolition of child labour and the minimum age for admission to employment, convention 111 on preventing discrimination, convention 100 on equal compensation and convention 155 on occupational safety and health.

The Group promotes the respect of Human Rights in every host country, even in regions where such respect is not always forthcoming. In becoming a party to the United Nations' Global Compact in 2003, the Group committed to respecting and promoting its ten principles, which are based on the Universal Declaration of human rights, the ILO Declaration on Fundamental Rights and Principles at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption, the United Nations Guiding Principles on Business and Human Rights ("Ruggie Principles") and the OECD Guidelines for Multinational Enterprises.

Groupe PSA is committed to ensuring that respect of human rights is a determining factor in selecting its suppliers and has implemented a due diligence plan with regard to respect of human rights in accordance with the recommendations of the OECD. By signing Groupe PSA's "Responsible Purchasing Policy" the Group's suppliers agree in particular not to use forced or obligatory labour or child labour. This practice has been applicable since 2006, well before the entry into force of regulations such as the UK Modern Slavery Act.

Groupe PSA examined and addressed claims sent by its stakeholders in accordance with Groupe PSA global framework agreement on social responsibility. In 2017, just one claim was submitted as part of the monitoring of the application of the global framework agreement. It was filed by a trade union in Spain which contests the conditions for application of a company agreement which it has not signed and which it maintains is discriminatory. While awaiting a definitive legal decision, the Company has put in place a provisional arrangement. A ruling of the Regional Superior court delivered on 6 March 2018 has conclusively validated the provisions of the company agreement.

Groupe PSA is dedicated to abiding by laws and regulations and to preventing disputes. In 2016, 576 employment grievances were filed: 515 before an official external body (court, employment tribunal, public mediation body, etc.) and 61 according to an internal procedure; 687 grievances were settled during the year. In 2017, the Group did not receive any citation for non-respect of basic Human Rights.

#### TRAINING ON HUMAN RIGHTS POLICIES AND PROCEDURES (Scope excluding Faurecia, at 31 December)

Areas	Number of hours	Number of employees
Equal opportunity, diversity, anti-discrimination training	4,921	1,656
Observance of the Internal Rules, global agreement, ethics, IT policy and procedure	10,811	5,337
Corruption, conflicts of interest	1,775	1,987
<b>TOTAL</b>	<b>17,507</b>	<b>8,980</b>

In 2017, 8,980 employees participated in dedicated training in Human Rights policies and procedures.

Some of the courses focus on issues related to employee's duties, such as anti-corruption rules, combating fraud, money laundering rules and compliance with competition law. A training course on "Managing diversity - Preventing discrimination" is provided to a

large number of managers and human resources employees. Almost 4,000 people have completed this course since 2009. 19 training sessions were provided in France in 2017. Diversity and non-discrimination training is also provided in other countries such as Germany and Russia. These training sessions include a presentation of remedies.

## 2.5. GROUPE PSA'S CSR PERFORMANCE

The Group has demonstrated its sustainability by being included in various specialised socially responsible investment indices. The Group's performance as scored by non-financial ratings agencies is presented in the table below.

Index	Rating agency	Latest evaluation of the Groupe PSA
 <b>FTSE4Good</b>	<b>FTSE RUSSELL:</b> The FTSE4Good index is designed to measure the performance of companies with solid ESG practices.	Groupe PSA has <b>remained in the FTSE4Good index</b> (in the "Automobiles & Parts" category).
 <b>World 120 Europe 120 Eurozone 120 France 20</b>	<b>VIGEO-EIRIS:</b> The Vigeo-Eiris indices group together companies with the best ESG ratings. It includes four indices: Vigeo World 120 (the 120 most advanced companies in the world); Vigeo Eurozone 120 (the 120 most advanced companies in the eurozone); Vigeo Europe 120 (the 120 most advanced companies in Europe); Vigeo France 20 (the 20 most advanced companies in France).	Groupe PSA <b>continues to feature in the four indices World 120, Eurozone 120, Europe 120 and France 20.</b> Groupe PSA was the <b>only car manufacturer in the Vigeo World 120</b> in December 2017.
 <b>Low Carbon Europe 100</b>	<b>CARBONE 4:</b> Carbone 4's unique methodology identifies the businesses that make a positive contribution to the climate transition, not only through their operational performance, but through the products sold to their customers. The selection of companies in the index also takes into account emissions avoided through their innovative products and services.	Groupe PSA <b>continues to feature in the Low Carbon Europe 100 index.</b>
 <b>2017 Climate A-</b>	<b>CARBON DISCLOSURE PROJECT:</b> The CDP assigns companies a rating for their action on climate change based on a publicly disclosed methodology updated each year.	Groupe PSA has a rating of A1 in 2017. The <b>Leadership</b> category groups together <b>19% of the leading companies in the sector</b> ; the average rating is C. NB: The 2018 CDP questionnaire is aligned with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).
 <b>ETHIBEL/VIGEO FORUM:</b> To compile the Ethibel Sustainability Index (ESI) Excellence Europe, Forum Ethibel uses analyses carried out by Vigeo to select companies from the Russell Global Index that play a leading role in their industry in terms of CSR.	<b>ETHIBEL/VIGEO FORUM:</b> To compile the Ethibel Sustainability Index (ESI) Excellence Europe, Forum Ethibel uses analyses carried out by Vigeo to select companies from the Russell Global Index that play a leading role in their industry in terms of CSR.	Groupe PSA <b>continues to feature in the Ethibel Sustainability Index (ESI) Excellence Europe.</b>
 <b>MEMBER OF Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM	<b>ROBECOSAM/STANDARD &amp; POOR'S:</b> RobecoSAM and S&P jointly compile the Dow Jones Sustainability Index (DJSI) for the New York Stock Exchange. This index selects 10% of the most successful companies in each sector on the basis of economic, environmental and social criteria.	Groupe PSA is <b>a member of the DJSI and is the leader for the automotive industry.</b>
 <b>STOXX</b> ESG LEADERS INDICES	<b>SUSTAINALITICS:</b> The STOXX Global ESG index includes a representative sample of leading global companies in terms of environmental, social and governance criteria. It is made up of the following sub-indices: the STOXX Global ESG Environmental Leaders, the STOXX Global ESG Social Leaders and the STOXX Global ESG Governance Leaders.	Groupe PSA <b>continues to feature in the STOXX Global ESG Leaders index.</b>
 <b>OEKOM RESEARCH</b>	<b>OEKOM RESEARCH,</b> a German sustainable development rating agency, awards Prime status to those companies that, according to the Oekom corporate rating, are among the leaders in their industry and that meet industry-specific minimum requirements.	Groupe PSA has retained <b>Prime status and its top position in the automotive industry</b> in the ratings compiled by Oekom Research.

Lastly, in accordance with its **United Nations Global Compact** commitments, the Group reports on improvements made during the year with respect to each of the Global Compact's ten principles. This year, the Group's 2016 CSR Report was awarded "**Advanced**" level, which is the highest assessment for the Global Compact.

## 2.6. REPORT BY AN INDEPENDENT THIRD-PARTY BODY ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

The Company has decided to seek an independent expert's opinion on the fair presentation of consolidated social, environmental and societal indicators included in the Management Report, in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code. The firm Grant Thornton was appointed as an independent third party by Carlos TAVARES, Chairman of the Managing Board, on 5 October 2017. Grant Thornton submitted its expert report to the Company's Managing Board on 12 March 2018. The conclusions of this report are presented below.

### Report by an independent third-party body on the consolidated human resources, environmental and social information included in the management report

*This is a free English translation of the independent third-party body's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

#### Peugeot S.A.

#### For the year ended 31 December 2017

To the Shareholders,

In our capacity as professional accountants identified, appointed as independent third party and certified by COFRAC under number n° 3-1080<sup>(1)</sup>, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

#### Company's responsibility

The Executive Board is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

#### Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- express a reasonable assurance conclusion that the information selected<sup>(2)</sup> by company has been established, in all material aspects, in compliance with the Guidelines.

Our work involved six persons and was conducted between September 2017 and February 2018 during a twelve-week period. We were assisted in our work by our CSR experts.

(1) Whose scope is available at [www.cofrac.fr](http://www.cofrac.fr).

(2) See footnote (1) in page 92.

We performed our work in accordance with professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000<sup>(1)</sup> concerning our conclusions on the fairness of CSR Information and the reasonable assurance.

## 1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the management report.

### Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

## 2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

### Nature and scope of our work

We conducted around twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important<sup>(2)</sup> :

- at parent entity, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us<sup>(3)</sup> on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 25% of headcount and between 18% and 100% of quantitative environmental data disclosed.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

(2) **Social quantitative information:** number of employees under permanent or fixed-term contract by region, gender and age group; hiring for open-end contracts; breakdown of leavers under permanent contracts and dismissals; total management lost-time accident frequency rate (TFI Management); severity rate; occupational illnesses; hours of training.

**Environmental quantitative information:** water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; gross discharges into water from plants (COD, DBO5, MES); total weight of waste by type (foundry waste, non-hazardous waste, hazardous waste) and disposal method.

**Qualitative information:** "Purchasing: responsible purchasing policies for the entire supply chain"; "Combating global warming and adapting to the consequences of climate change"; "Preserving air quality"; "Measures taken by the Group to improve the efficient use of materials"; "Eco-design and life cycle analysis"; "Development of mobility and on board intelligence services"; "Consumer safety and protection"; "Ethical practices – anti-corruption"; "Partnerships and sponsors to promote regional and/or local community development".

(3) **For social and environmental information:** Caen; Poissy; Rennes; Sept Fons; Valenciennes; Vélizy; Vigo.

**For environmental information only:** Porriño import subsidiary; Peugeot Citroën Retail Chantepie; Peugeot Citroën Retail Rennes; Peugeot Citroën Retail Vigo..

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

### Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

## 3. REASONABLE ASSURANCE ON A SELECTION OF ENVIRONMENTAL INFORMATION

### Nature and scope of work

Regarding the information selected<sup>(1)</sup> by the company, we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

The sample selected<sup>(2)</sup> represents 26% of headcount between 31% and 46% of quantitative environmental information selected.

We consider that this work allows us to express a reasonable assurance opinion on the information selected by company.

### Conclusion

In our opinion, the information selected by the company has been established, in all material aspects, in compliance with the Guidelines.

Neuilly-sur-Seine, March 12, 2018

*Original French report signed by:*

L'Organisme ATiers Indépendant

Grant Thornton

Membre français de Grant Thornton International

Gilles Hengoat  
Associé

(1) **Environmental quantitative information:** water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; total weight of waste by type (non-hazardous waste and hazardous waste).

**Social quantitative information:** number of employees under permanent or fixed-term contract ; total management lost-time accident frequency rate (TFI Management); severity rate.

**Qualitative information:** supplier self-assessment results; number of suppliers evaluated by an external body (ECOVADIS); CSR supplier performance evaluated by an external body (ECOVADIS).

(2) **For social and environmental information:** Caen; Mangualde; Poissy; Rennes; Sept Fons; Valenciennes; Vélizy; Vigo.

**For environmental information only:** Porriño import subsidiary; Peugeot Citroën Retail Chantepie; Peugeot Citroën Retail Rennes; Peugeot Citroën Retail Vigo.

## 2.7. REPORTING SCOPE, METHODOLOGY AND CROSS-REFERENCE TABLES

### 2.7.1. Reporting scope

#### REGULATORY REFERENCES AND INTERNATIONAL STANDARDS

The social, environmental and societal information contained in this section fall within the remit of the provisions of Article R. 225-105-1 of the French Commercial Code, as amended by Decree No. 2012-557 of 24 April 2012 in application of Law No. 2010-778 of 12 July 2010 on the national environmental commitment (the "Grenelle 2" Law) which is still applicable, from Article L. 225-102-1 of **Order No. 2017-1180 of 19 July 2017** relating to the publication of ESG information by certain large companies and certain groups of companies and Articles R. 225-105 *et seq.* of the French Commercial Code as amended by **Decree No. 2017-1265 of 9 August 2017 in application** of the aforementioned Order, as well as the recommendations of the Global Reporting Initiative (GRI).

A cross-reference ratio with GRI indicators may be found at the end of the 2017 CSR Report, published by the Group for its Automotive Division. The reported data concern the production plants, the R&D centres, the main office sites, the Peugeot, Citroën and DS proprietary dealership networks and the logistics platforms of companies fully consolidated within the Group.

These data have been consolidated and relate to the parent company Peugeot S.A., and all of its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and its controlled companies within the meaning of Article L. 233-3 of the French Commercial Code, with the exception of the subsidiaries Faurecia, Crédipar, PSA Automobiles SA, Opel and Vauxhall for reasons which are explained in Section 2.1 of the present document.

#### ACTIVITIES INCLUDED IN REPORTING AND DEVELOPMENTS

Detailed social, environmental and societal data as well as information on sustainable development initiatives also covers:

##### ■ PCD Automotive Activities (production, research and development and tertiary facilities):

The "automotive" segment now includes the subsidiaries PSA Automobiles SA, AP/AC, Française de Mécanique, SevelNord, manufacturing sites outside France, R&D facilities and tertiary facilities in France.

Among the automotive subsidiaries, only PSA Automobiles SA has the obligation to publish its detailed environmental and social data. They are available in this Registration Document.

Unless otherwise stated, Group policy applies to PSA Automobiles SA. This relates to the following topics in particular: workplace health and safety conditions, organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel, and agreements signed with unions or employee representatives, the training policies implemented, anti-discrimination policy, measures taken in relation to the Group's local impact, partnerships and philanthropy initiatives, taking social and environmental issues into account in procurement policies.

PCMA Automotiv RUS, located in Kaluga in Russia, a joint venture with Mitsubishi Motors Corp., is also included in the scope for societal and environmental reporting, under "automotive".

##### ■ PCD Automotive Trade Activities:

These include proprietary dealership network, training centres for network personnel, spare parts warehouses, regional offices and import subsidiary registered offices.

The "PCD Automotive Trade Activities" scope is included under the "PCD Automotive Division" heading with respect to HR but are stated separately with respect to the environment.

In 2015, the Group acquired Mister Auto, an online website selling spare parts, for which the measurement of CSR impacts deemed significant at Groupe PSA level is progressively included in extra-financial reporting.

##### NOTA - PCD Automotive Division:

PCD Automotive Division gathers PCD Automotive Activities (including PSA Automobiles SA) and PCD automotive trade activities.

##### ■ the equipment subsidiary:

Faurecia, a listed company in which Groupe PSA has a 46.3% stake remains fully consolidated because Peugeot S.A. has retained control (63.1% of theoretical voting rights). In accordance with the legal provisions, Faurecia manages its business independently and therefore prepares and publishes its social, environmental and societal indicators in its own Registration Document.

##### ■ "other activities":

These now comprise the Peugeot S.A. holding company and Banque PSA Finance (BPF).

The social and societal information published in the BPF Registration Document consolidates entities wholly owned by BPF at 31 December 2017. This methodology linked to the BPF consolidation rules, excludes the joint ventures created with Santander from the CSR reporting scope. These joint ventures are listed in the BPF Management Report.

In compliance with regulations, quantitative data were reported using cross-functional, comparable indicators when relevant.

## THE EXCLUSIONS FROM THE CSR REPORTING VERSUS THE FINANCIAL REPORTING

The scope of reporting does not include joint ventures with other car manufacturers accounted for using the equity method, due to the lack of exclusive control:

- TPCA (Toyota Peugeot Citroën Automobile), located at Kolin in the Czech Republic, in a joint venture with Toyota;
- DPCA (Dongfeng Peugeot-Citroën Automobile), at Wuhan in China, in a joint venture with Dongfeng Motor Corp.;
- CAPSA (Changan PSA Automobiles), at Shenzhen in China, in a joint venture with China Changan Automobiles;
- Sevelsud, at Val Di Sangro in Italy, in a joint venture with Fiat;
- IKAP (Iran Khodro Automobiles Peugeot), at Tehran in Iran, in a joint venture with Iran Khodro;
- SCCO (SAIPA Citroën Automobiles Company), at Kashan, in a joint venture with Saipa Kashan;
- Uzbekistan Peugeot Citroën Automotive, at Jizzakh, in a joint venture with SC Uzavtosanoat;

In these joint ventures, the Group exercises its role as shareholder and industrial partner in a commitment to supporting each venture's long-term development.

The joint ventures report their CSR data at different levels, depending on the management structure in place with the industrial partner.

In 2007, at the Group's initiative and with the agreement of co-shareholder Dongfeng Motor Corp., DPCA published its first Sustainable Development Report – the first such report ever prepared by a car manufacturer in China.

Other items, including examples of actions undertaken, are described in greater detail in the CSR publications for each of the entities. The Group's CSR Report and Faurecia's Registration Document notably describe the policy, commitments and results of the automotive, banking and equipment supply divisions.

The Opel and Vauxhall companies are also not included in this 2017 Registration Document, for the reasons explained in Section 2.1.

## 2.7.2. Reporting methodology

The reporting standards are presented in Section 8.4 of the Group's 2017 CSR Report.

## 2.7.3. Cross-reference table with regulatory requirements

The cross-reference table below presents the items required by the Grenelle 2 legislation, which is still applicable to the 2017 financial year, and those required by Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code having transposed Directive 2014/95/EU, which is applicable as of financial year 2018 but which Groupe PSA has voluntarily chosen to apply early.

The items required by Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code are identified in the present report by:





















- an icon **DPEF.A<sup>(1)</sup>** for the presentation of the Groupe PSA business model;
- an icon **DPEF.B<sup>(1)</sup>** for the description of the main risks linked to Groupe PSA's business in terms of social and environmental responsibility;
- icons **DPEF.X<sup>(1)</sup>** for the other indicators.

Expected	Coding of DPEF indicators	Previous coding of the Grenelle 2 indicators	2017 Registration Document (relevant sections)	Degree of response*
Company business model	DPEF.A	-	2.1.1.	
Main CSR risks linked to the company's business	DPEF.B	-	2.1.1.	
<b>1° SOCIAL INFORMATION</b>				
<b>a) Employment</b>				
Total workforce	DPEF.1.a	G.1.a	2.4.2	
Employees by gender	DPEF.1.b	G.1.b	2.4.2	
Employees by age	DPEF.1.c	G.1.c	2.4.2	
Employees by region	DPEF.1.d	G.1.d	2.4.2	
Hirings	DPEF.2.a	G.2.a	2.4.2.1	
Dismissals	DPEF.2.b	G.2.b	2.4.2.2	
Compensation and changes therein	DPEF.3	G.3	2.4.3.5	
<b>b) Work arrangements</b>				
Organisation of working hours	DPEF.4	G.4	2.4.2.3 / 2.4.4 / 2.4.4.1 / 2.4.4.2	
Absenteeism	DPEF.5	G.5	2.4.2.3	


















(1) Déclaration de Performance Extra Financière (DPEF).

## DECLARATION ON EXTRA-FINANCIAL PERFORMANCE




Reporting Scope, Methodology and cross-reference Tables

Expected	Coding of DPEF indicators	Previous coding of the Grenelle 2 indicators	2017 Registration Document (relevant sections)	Degree of response*
<b>c) Health and Safety</b>				
Workplace health and safety conditions	DPEF.6	G.8	2.4.4 / 2.4.4.1	
Workplace accidents, particularly their frequency and severity, along with occupational illnesses	DPEF.7	G.10	2.4.41	
<b>d) Employee relations</b>				
Organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel	DPEF.8	G.6	2.4.1.	
Summary of labour agreements, particularly relating to occupational health and safety	DPEF.9	G.9	2.4.1 / 2.4.4.1	
<b>e) Training</b>				
Policies put into practice with regard to training, particularly relating to protection of the environment	DPEF.10	G.11	2.2.2 / 2.4.3.2 / 2.4.3.3 / 2.4.5.3	
Total number of hours of training	DPEF.11	G.12	2.4.3.3	
<b>f) Non-discrimination</b>				
Measures taken to ensure equality between men and women	DPEF.12	G.13	2.4.4.2 / 2.4.5.2	
Measures taken to ensure the hiring and integration of handicapped persons	DPEF.13	G.14	2.4.5.4.	
Anti-discrimination policy	DPEF.14	G.15	2.4.1 / 2.4.5.1 / 2.4.5.3	
<b>2° ENVIRONMENTAL INFORMATION</b>				
<b>a) General environmental policy</b>				
The organisation of the Company so as to take environmental questions into consideration and, where appropriate, environmental assessment or certification initiatives	DPEF.15		2.1.1 / 2.1.2 / 2.2.1 / 2.2.2	
Resources committed to prevent environmental risks and pollution	DPEF.16	G.22	2.2.1 / 2.2.1.1.1 / 2.2.1.2 / 2.2.1.3.3 / 2.2.2	
The amount of the provisions and warranties made for environmental risks, provided this information is not of a nature that might be seriously adverse to the Company in a current legal dispute.	DPEF.17	G.23	2.2.2.	
<b>b) Pollution</b>				
Measures to prevent, reduce or repair emissions into the air, water or ground that seriously affect the environment	DPEF.18	G.24	2.2.1.2 / 2.2.1.3.1 / 2.2.1.3.4 / 2.2.2 / 2.2.2.2.1 / 2.2.2.2.2 / 2.2.2.4.2	
The handling of any other form of pollution specific to an activity, in particular sound and light pollution	DPEF.19	G.25	2.2.1.3.4 / 2.2.2.2.3 / 2.2.2.5	
<b>c) The circular economy</b>				
<b>I) Waste prevention and management</b>				
Measures to prevent, recycle, reuse waste, and other forms of waste recovery and elimination	DPEF.20	G.26	2.2.1.3.2 / 2.2.1.3.4 / 2.2.2.3.2	
Actions to combat food waste	DPEF.21	G.27	Not applicable	
<b>II) Sustainable use of resources</b>				
Water consumption and sourcing in light of local constraints	DPEF.22	G.28	2.2.2.4.1.	
Consumption of raw materials and measures taken to use them more efficiently	DPEF.23	G.29	2.2.1.3.1 / 2.2.1.3.2 / 2.2.2.3.1	
Consumption of energy, measures taken to improve energy efficiency and use of renewable energy	DPEF.24	G.30	2.2.1.1.1 / 2.2.2.1.1	
Use of land	DPEF.25	G.31	2.2.2.2.2.	



Expected	Coding of DPEF indicators	Previous coding of the Grenelle 2 indicators	2017 Registration Document (relevant sections)	Degree of response*
<b>d) Climate change</b>				
Significant greenhouse gas emissions due to the Company's activity, notably through the use of goods and services it produces	DPEF.26	G.32	2.2.1.2 / 2.2.2.1.2	
Measures taken to adapt to the consequences of climate change	DPEF.27	G.33	2.2.1.1 / 2.2.1.3.4 / 2.2.1.4 / 2.2.2.1.2	
The reduction targets fixed voluntarily for the medium and long term to reduce greenhouse gas emissions and the methods implemented for this purpose	DPEF.28		2.2.2.1.2	
<b>(e) Protection of biodiversity</b>				
Measures taken to preserve or develop biodiversity	DPEF.29	G.34	2.2.2.1.5	
<b>3° SOCIETAL INFORMATION</b>				
<b>a) Corporate sustainable development commitment</b>				
Impact of the Company's activity on employment and regional development	DEPF30	G.35	2.3.1.1 / 2.3.1.2 / 2.4.3.5	
Impact of the Company's activity on neighbouring or local residents	DEPF.31	G.36	2.3.3.	
Relations with stakeholders and means of dialogue with them	DEPF.32	G.37	2.1.3	
Support, partnerships and philanthropy provided	DEPF33	G.38	2.3.3 / 2.4.5.4	
<b>b) Sub-contractors and suppliers</b>				
Consideration given to social and environmental issues in procurement policies	DEPF34	G.39	2.3.1.1 / 2.3.1.2 / 2.3.1.2.1	
The importance of subcontracting and the inclusion in subcontractor and supplier relationships of their social and environmental responsibility	DPEF.35	G.40	2.3.1.1 / 2.3.1.2 / 2.3.1.2.1 / 2.3.1.2.2	
<b>c) Fair operating practices</b>				
Measures taken benefiting the health and safety of consumers	DEPF.36	G.42	2.2.1.2 / 2.2.1.3.1 / 2.2.1.4 / 2.3.2	
Anti-corruption actions	DPEF.37	G.41	2.3.4 / 2.4.1 / 2.4.6	
<b>4° INFORMATION RELATING TO ACTIONS TO PROMOTE HUMAN RIGHTS</b>				
<b>a) Promotion and observance of the core conventions of the International Labour Organization relative</b>				
To respect for freedom of association and the right to collective bargaining	DPEF.38	G.16	2.4 / 2.4.6	
To the elimination of discrimination in terms of hiring and occupation	DPEF.39	G.17	2.4 / 2.4.6	
To the elimination of forced or obligatory labour	DPEF.40	G.18	2.4.1 / 2.4.6	
To the effective abolition of child labour	DPEF.41	G.19	2.4.1 / 2.4.6	
<b>b) Other actions to promote human rights</b>				
	DPEF.42	G.43	2.4.1 / 2.3.1.2.1	

\* The reporting status indicates a response by the Group to each of the 42 Grenelle topics and 43 DPEF topics and the coverage rate for this response among the relevant subsidiaries :

-  = the Group has responded to the Grenelle and the DPEF topic and the response covers 100% of the subsidiaries required to publish detailed information.
-  = the Group has responded but it does not cover the entire scope subject to this requirement. (OPEL and VAUXHALL not consolidated with respect to this financial year).
-  = the Group has not responded to the Grenelle and DPEF topic and has explained why not.

# CORPORATE GOVERNANCE



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## Governance principles

For many years, Peugeot S.A. has complied with recommendations contained in the AFEP-MEDEF Corporate Governance Code, after adapting it for a joint stock company with a Managing Board and a Supervisory Board, and with its application guide. This Code can be viewed on the Internet in its version revised in November 2016: <http://www.medef.com>

A table summarising the departures from the AFEP-MEDEF Code with the related explanations can be found in [Section 3.2.1.6].

## Report of the Supervisory Board on corporate governance

This section on corporate governance reports on:

- the membership of the Managing Board and the Supervisory Board, and it presents the corporate officers, listing their directorships and positions;
- the diversity policy implemented on the Board, with particular reference to the balanced representation of women and men;
- the methods and procedures for preparing and organising the work of the Supervisory Board, and its operating procedures;

- the principles and standards set by the Supervisory Board to determine the policy for compensation of corporate officers, and the total compensation, the benefits of all kinds awarded to the corporate officers in respect of the elapsed financial year, and the commitments of all kinds made by the Company in favour of the corporate officers.

This information forms part of the Report of the Supervisory Board on Corporate Governance pursuant to Article L.225-68 of the French Commercial Code.

For information, the Report on Corporate Governance was approved by the Supervisory Board at its meeting on 28 February 2018.

For all detailed information concerning the share capital and financial matters with a likely incidence in the event of a public offer for purchase or exchange, please refer to Section 7 of this Registration Document.

For any information concerning related-party agreements, please refer to section 6.7; for the Supervisory Board's observations on the activity for the past financial year, the financial statements and the management report of the Management Board, please refer to section 5.6 of this Registration Document.

# 3.1. MANAGEMENT AND SUPERVISORY BODIES

Since 1972, Peugeot S.A. has had a two-tier management structure comprising a Managing Board, responsible for strategic and operational management, and a Supervisory Board, responsible for oversight and control. This separation is especially effective in

addressing the concern for a balance of power between the executive and oversight functions, as reflected in the principles of good corporate governance.

## 3.1.1. The Executive Committee of Groupe PSA and the Managing Board

### EXECUTIVE COMMITTEE

The Executive Committee (COMEX) is responsible for the Group's executive management.

Its members are detailed in the Group functional organisation chart in Section 1.2 of this Registration Document.

### THE MANAGING BOARD

Managing Board members are appointed by the Supervisory Board for four-year terms. They may be removed from office by the

Supervisory Board pursuant to the Company by-laws, or by shareholders in a Shareholders' Meeting, in accordance with French company law.

The term of office of the serving members of the Managing Board was renewed by the Supervisory Board at its meeting on 22 February 2017, for a four-year term, until 2021.

### CHANGES IN 2017

No term of office of the members of the Managing Board expired during the financial year 2017.

## INFORMATION ABOUT CURRENT MANAGING BOARD MEMBERS

### CARLOS TAVARES



Portuguese national  
Born 14 August 1958  
Business address:  
Groupe PSA,  
7, rue Henri Sainte  
Claire Deville,  
92500 Rueil-Malmaison,  
France

**First appointed  
to the Managing Board:**  
1 January 2014

**Date of most recent  
renewal of term:**  
22 February 2017

**Current term expires:**  
2021 (4-year term)

#### Chairman of the Peugeot S.A. Managing Board

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of Banque PSA Finance S.A.		√
Director of Faurecia S.A.	√	√
Chairman of the Board of Directors, PSA AUTOMOBILES S.A.		√
Director of AIRBUS Group S.E.	√	
Director of TOTAL S.A.	√	
President of ACEA (European Automobile Manufacturers' Association)		
Chairman of the Supervisory Board of Opel Automobiles GmbH		√

#### Other directorships and positions in the past five years:

- › Chief Operating Officer of RENAULT and member of the Managing Board of the RENAULT-NISSAN Alliance
- › Director of RENAULT NISSAN B.V.
- › Director of PCMA Holding B.V.
- › Director of AVTOVAZ
- › Director of ALPINE-CATERHAM
- › Chairman of the Management Committee of NISSAN AMERICAS
- › Manager of a Bed & Breakfast micro-enterprise in Lisbon

#### Relevant expertise and professional experience:

After graduating from *École Centrale de Paris*, Carlos TAVARES held various management positions within the Renault Group between 1981 and 2004 before joining the Nissan Group. He headed that Group's operations in the Americas region, after which in 2011, he was appointed Chief Operating Officer of the Renault Group, a position he held until 2013. He joined the Peugeot S.A. Managing Board on 1 January 2014, becoming the Board's Chairman on 31 March 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 131,000 shares.**



## JEAN-BAPTISTE CHASSELOUP DE CHATILLON



French national  
Born 19 March 1965  
Business address:  
Groupe PSA,  
7, rue Henri Sainte  
Claire Deville,  
92500 Rueil-Malmaison,  
France

**First appointed  
to the Managing Board:**  
13 March 2012

**Date of most recent  
renewal of term:**  
22 February 2017

**Current term expires:**  
2021 (4-year term)

### Member of the Managing Board of Peugeot S.A.

**Chief Financial Officer**  
**Information Systems Executive Director**

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of AUTOMOBILES CITROËN S.A.		√
Permanent Representative of Peugeot S.A. on the Board of Directors of AUTOMOBILES PEUGEOT S.A.		√
Director of Faurecia S.A.	√	√
Permanent Representative of AUTOMOBILES PEUGEOT on the Board of Directors of Banque PSA Finance S.A.		√
Vice-Chairman and Chief Executive Officer of PSA INTERNATIONAL S.A.		√
Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD.		√
Director of CHANGAN PSA AUTOMOBILES CO. LTD.		√
Supervisory Director of PSA (Wuhan) MANAGEMENT COMPANY LTD.		√
Supervisory Director of Dongfeng Peugeot Citroën Automobiles SALES COMPANY LTD.		√
Vice-Chairman of the supervisory board of GEFCO S.A. (Affiliate of Groupe PSA)		
Chairman of MISTER AUTO S.A.		√
Chairman of CARONWAY S.A.S.		√
Director of IKAP PJSC		√
Director of Saipa Citroën Compagny PJSC		√
Member of the Supervisory Board of Opel Automobiles GmbH		√

### Other directorships and positions in the past five years:

- › Chairman of the Board of Directors, Banque PSA Finance S.A.
- › Chairman of A.S.M. Auto Sud Marché SAS
- › Director of PEUGEOT CITROËN AUTOMOBILES S.A.
- › Director of PCMA HOLDING B.V.
- › Director of GEFCO S.A.
- › Director of CCFA
- › Permanent Representative of CCFA on the Board of Directors of AUTO MOTO CYCLE PROMOTION
- › Chairman of the supervisory board of PEUGEOT FINANCE INTERNATIONAL N.V.

### Relevant expertise and professional experience:

A graduate of *Université Paris Dauphine* and Lancaster University (United Kingdom), Jean-Baptiste CHASSELOUP de CHATILLON held various management positions within the Groupe PSA before becoming Group Financial Controller in 2007. He has been a member of the Peugeot S.A. Managing Board since 2012. He is currently Chief Financial Officer of Groupe PSA and Executive Vice-President, Information Systems, with additional responsibility for Replacement Parts & Services.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 66,943 shares and 1,005 equity warrants.**

**Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2017: 788 units.**

## MAXIME PICAT



French national  
Born 26 March 1974  
Business address:  
Groupe PSA,  
7, rue Henri Sainte  
Claire Deville,  
92500 Rueil-Malmaison,  
France  
**First appointed  
to the Managing Board:**  
1 September 2016  
**Date of most recent  
renewal of term:**  
22 February 2017  
**Current term expires:**  
2021 (4-year term)

### Member of the Managing Board of Peugeot S.A.

Executive Vice-President, Europe

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of PSA AUTOMOBILES S.A.		√
Chief Executive Officer of PEUGEOT CITROËN AUTOMOBILE COMPANY LTD.		√
Director and Chief Executive Officer of Director of PEUGEOT CITROËN AUTOMOBILES ESPAÑA S.A.		√
Chairman of the Board of Directors and Director of PEUGEOT CITROËN AUTOMOVEIS S.A.(Portugal)		√
Member of the supervisory board of Opel Automobiles GmbH		

### Other directorships and positions in the past five years:

- › Chairman and Chief Executive Officer of AUTOMOBILES PEUGEOT S.A.
- › Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE SALES COMPANY LTD
- › Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD
- › Director of PEUGEOT ESPAÑA S.A.
- › Director of BERI ITALIA SRL
- › Chairman of the Board of Directors and Director of PEUGEOT MOTOR COMPANY PLC
- › Permanent Representative of AUTOMOBILES PEUGEOT on the Board of Directors of Banque PSA Finance S.A.
- › Chairman of the Board of Directors and subsequently Member of the Supervisory Board of PEUGEOT MOTOCYCLE S.A.S.
- › Chief Executive Officer of PEUGEOT CITROËN AUTOMOBILE COMPANY LTD
- › Director of the PSA Corporate Foundation

### Relevant expertise and professional experience:

A graduate of *École des Mines de Paris* engineering school, Maxime PICAT joined the Group in 1998. He has extensive experience in manufacturing: having held several positions in Mulhouse, France, he became manufacturing manager of the Sochaux plant before being appointed as Plant Manager of the Wuhan production plant in November 2007. In January 2011, Maxime PICAT was appointed Chief Executive Officer of Dongfeng Peugeot Citroën Automobiles (DPCA), after serving as Chief Operating Officer from August 2008 to January 2011. On 1 October 2012, he was appointed Chief Executive Officer of the Peugeot brand. Since 1 September 2016, he is Executive Vice-President, Europe, and a member of the Managing Board.

**Number of Peugeot S.A. securities owned by Maxime PICAT as of 31 December 2017: 41,000 shares.**

**Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2017: 2,366 units.**



## JEAN-CHRISTOPHE QUÉMARD



French national

Born 30 September 1960

Business address:

Groupe PSA,  
7, rue Henri Sainte  
Claire Deville,  
92500 Rueil-Malmaison,  
France

**First appointed  
to the Managing Board:**  
13 March 2012

**Date of most recent  
renewal of term:**  
22 February 2017

**Current term expires:**  
2021 (4-year term)

**Member of the Managing Board of Peugeot S.A.****Executive Vice-President, Africa-Middle East****Other directorships and positions as of 31 December 2017:**

	Listed company	Group Company
Permanent Representative of AUTOMOBILES PEUGEOT on the Board of Directors of TUNISIENNE AUTOMOBILE FINANCIÈRE IMMOBILIÈRE ET MARITIME (STAFIM)		✓
Director of PEUGEOT CITROËN AUTOMOBILES MAROC S.A.		✓
Director of IKAP PJSC		✓
Director of SOPRIAM S.A.		✓
Director of PEUGEOT CITROËN DS MAROC S.à.r.l.		✓

**Other directorships and positions in the past five years:**

- › Director of BMW PEUGEOT CITROËN ÉLECTRIFICATION
- › Director of PCMA HOLDING B.V.
- › Director of IFPEN (IFP Energies Nouvelles)
- › Director of Dongfeng Peugeot Citroën Automobiles COMPANY LTD.
- › Chairman of the Board of Directors of GM PSA PURCHASING SERVICES S.A.
- › Executive Vice-President of Programs, PSA

**Relevant expertise and professional experience:**

Jean-Christophe QUÉMARD is a graduate of the *École des Mines* at Saint-Étienne and of the *École du Pétrole et des Moteurs*. He joined Groupe PSA in 1986. He held various positions, particularly in the Automotive Platforms and Technologies Department, where he was named Director. Appointed to the Expanded Executive Committee and named Vice-President, Purchasing, in 2008, he became a member of the Executive Committee in 2009. He was appointed Executive Vice-President, Programmes detailed in September 2010. Since 1 September 2014, he has been Executive Vice-President, Africa-Middle East.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 66,781 shares.****Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2017: 1,338 units.**

In accordance with the recommendation set out in paragraph 18 of the AFEP-MEDEF Corporate Governance Code, Managing Board members systematically consult the Supervisory Board before agreeing to become a corporate officer of any listed company outside the Group.

## 3.1.2. The Supervisory Board

### 3.1.2.1. CURRENT MEMBERSHIP

The Supervisory Board's size and membership reflect the capital structure of Peugeot S.A., which is set out in greater detail in Section 7.3 of this Registration Document.

In accordance with the shareholders' agreement signed on 28 April 2014 between the three main shareholders and the Company, each of the three main shareholders (namely, the Peugeot family group (*Établissements Peugeot Frères* - hereafter "EPF" - and FFP), Dongfeng (*via* Dongfeng Motor (Hong Kong) International Co. Ltd, - hereafter "DMHK") and Bpifrance (Lion Participations and Bpifrance Participations) - which in June 2017 bought out the whole of SOGEPA's interest in the Company's share capital - proposed the appointment of two members of the Board. One of the two members proposed by the main shareholders has been appointed Vice-Chairman.

At 28 February 2018, the Supervisory Board comprised the following fourteen members, of whom:

- six members proposed by the three main shareholders;
- six independent members;
- one employee representative and one employee shareholder representative.

The mandates and functions of Chairman and Vice-Chairman are undertaken by two independent members.

The members of the Supervisory Board are appointed for four-year terms and, as recommended in the AFEP-MEDEF Code (paragraph 13.2), those terms are staggered, making for harmonious renewal of the Board's membership and allowing detailed examination of candidatures to cater for the expertise required.

### 3.1.2.2. DEVELOPMENTS IN 2017

On 19 June 2017, SOGEPA, one of the main shareholders in Peugeot S.A., sold the whole of its shares in that company to Bpifrance (*via* its holding company, Lion Participations) which, at the time of that sale, took over all the vendor company's rights and obligations and acceded to the terms of the shareholders' agreement.

Following the sale of those shares, the members of the Supervisory Board whose appointment had been proposed by the State, namely Mr Jack AZOULAY, Mrs Florence VERZELEN, and the non-voting member of the Supervisory Board, Mr Aymeric DUCROCQ, resigned from the Board. Their resignation was formally noted by the Supervisory Board on 25 July 2017.

The Supervisory Board meeting of 25 July 2017 appointed the members whom Bpifrance proposed, pursuant to the Shareholders' Agreement between the three main shareholders, those members being Lion Participations (represented by Mr Daniel BERNARD), and Bpifrance Participations (represented by Mrs Anne GUÉRIN).

At the same date, the Supervisory Board stated the DMHK' appointment, as its new permanent representative, of Mr LIU Weidong, who thereupon resigned from his membership of the Board in his personal capacity. Consequently, at its meeting on 25 July 2017, the Board appointed for the remainder of the term Mr AN Tiecheng, in replacement of Mr LIU Weidong.

At that meeting on 25 July 2017, the Board also appointed Mr Geoffroy ROUX de BÉZIEUX as Vice-Chairman, combining that office with the position as Senior Independent Member in which he had sat for many years.

Also at that meeting on 25 July 2017, the Board appointed two new non-voting members of the Supervisory Board, Mr Alexandre OSSOLA and Mr LV Haitao, following the resignations of Mr Aymeric DUCROCQ and Mr WEI Wenqing.

Furthermore, following the expiry of the term of office of Mrs Anne VALLERON, a member representing employee shareholders on the Supervisory Board, and having noted that the share of employee shareholders in the company's share capital had fallen below 3% of the registered capital, on a proposal by the Managing Board and the Supervisory Board, the Company's by-laws were amended by the Shareholders' General Meeting on 10 May 2017 in order for employee shareholders to continue to be represented on the Supervisory Board. Mrs Bénédicte JUYAUX, appointed by the same Shareholder's General Meeting on 10 May 2017, sits as a member representing the employee shareholders.

<b>Date of effect</b>	<b>Change occurred</b>
19 June 2017	Resignation of Mr Jack AZOULAY as member of the Supervisory Board
23 June 2017	Resignation of Mr WEI Wenqing as non-voting member of the Supervisory Board
24 June 2017	Resignation of Mrs Florence VERZELEN as member of the Supervisory Board
24 June 2017	Resignation of Mr LIU Weidong as member of the Supervisory Board
24 June 2017	Resignation of Mr Aymeric DUCROCQ as non-voting member of the Supervisory Board
25 July 2017	Interim-appointment of the company Lion Participations, represented by Mr Daniel BERNARD, as member of the Supervisory Board, in replacement of Mrs Florence VERZELEN
25 July 2017	Interim-appointment of the company BPIfrance Participations, represented by Mrs Anne GUERIN, as member of the Supervisory Board, in replacement of M. Jack AZOULAY
25 July 2017	Interim-appointment of Mr AN Tiecheng, as member of the Supervisory Board in replacement of Mr LIU Weidong
25 July 2017	Statement of the appointment by DMHK of M. LIU Weidong as permanent representative
25 July 2017	Appointment of Mr LV Haitao as non-voting member of the Supervisory Board
25 July 2017	Appointment of Mr Alexandre OSSOLA as non-voting member of the Supervisory Board



### 3.1.2.3. TABLE OF THE SUPERVISORY BOARD MEMBERSHIP

This table summarises the membership of the Supervisory Board and of its committees at the date of this report.

Also shown are the overall length of tenure of office by each of the members, reckoned at the date of this report, the percentage of

independent members on the Board and the gender equality ratio between men and women and the attendance rate of members at the Board and committees meetings.

Members of the Supervisory Board	Date of first appointment	Date of most recent renewal of term	Overall length of tenure <sup>(1)</sup>	Term of office expiry date	Age	Independent according to the AFEP-MEDEF Code	Equality between Men & Women	Main function	Membership of a committee	Attendance to the Supervisory Board meeting	Attendance to the meetings of committees
Louis GALLOIS Chairman	12 February 2013	SGM 2014	5	SGM 2018	74	√	M	Chairman of the Supervisory Board of Peugeot S.A.	Strat. Comm., ACGC	100%	100%
Geoffroy ROUX de BEZIEUX Vice-Chairman	23 May 2007	SGM 2017	10	SGM 2021	55	√	M	Chairman of Notus Technologies	ACGC (Chmn.), FAC	100%	100%
Marie-Hélène PEUGEOT RONCORONI (Permanent Representative of EPF)	2 June 1999	SGM 2014	18	SGM 2018	57		W	Chief Operating Officer of EPF	ACGC, Asia BD Committee	100%	100%
LIU Weidong (Permanent Representative of DMHK)	4 June 2015	-	2	SGM 2018	51		M	Deputy General Manager of Dongfeng Motor Corporation	Strat. Comm., ACGC	75%	100%
Anne GUERIN (Permanent Representative of Bpifrance Participations)	25 July 2017	-	-	SGM 2018	49		W	Executive Vice-President in charge of Financing and Network and of Bpifrance	ACGC FAC	100%	100%
Daniel BERNARD (Permanent Representative of Lion Participations)	25 July 2017	-	-	SGM 2021	72		M	Vice-Chairman of the Board of Directors of CAPGEMINI	Strat. Comm., Asia BD Committee	100%	100%
Catherine BRADLEY	23 February 2016	SGM 2016	2	SGM 2020	58	√	W	Independent Director (FCA)	FAC (Chmn.), ACGC	100%	100%
Pamela KNAPP	31 May 2011	SGM 2017	6	SGM 2021	59	√	W	Independent Director	ACGC, FAC	87%	100%
Jean-François KONDRATIUK Employee representative (appointed pursuant to Article L. 225-79-2 of the French Commercial Code)	24 April 2013	Group European Works Council 2014	5	Group European Works Council 2018	67		M	Groupe PSA employee	Strat. Comm., Asia BD Committee	100%	100%
Helle KRISTOFFERSEN	27 April 2016	SGM 2017	2	SGM 2021	53	√	W	Vice-President, Strategy and Head of "low-carbon" business lines of Total	Strat. Comm., Asia BD Committee	100%	83%
AN Tiecheng	25 July 2017	-	-	SGM 2018	51		M	Chairman of the Board of Dongfeng Peugeot Citroën Automobile Company Ltd. (DPCA)	Asia BD Committee (Chmn.), FAC	75%	100%
Robert PEUGEOT (Permanent representative of FFP)	6 February 2007	SGM 2014	11	SGM 2018	67		M	Chairman and Chief Executive Officer of FFP	Strat. Comm. (Chmn.), FAC	100%	100%
Henri Philippe REICHSTUL	23 May 2007	SGM 2017	10	SGM 2021	68	√	M	Director at several companies	Strat. Comm., Asia BD Committee	100%	100%
Bénédicte JUYAUX Member representing employee-shareholders (appointed pursuant to Article L. 225-71-71 of the French Commercial Code)	10 May 2017	-	-	SGM 2021	57		W	Groupe PSA employee	ACGC FAC	100%	100%
Corporate governance indicators								50% <sup>(2)</sup>	46% <sup>(3)</sup>	97% <sup>(4)</sup>	96% <sup>(4)</sup>

SGM: Shareholders' General Meeting; Asia BD Committee: Asia Business Development Committee; GEWC: Group European Works Council; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Strategic Committee

(1) The date of drafting this Report by the Supervisory Board on Corporate Governance is also used in determining the overall length of tenure.

(2) Employee representatives and employee shareholders are not included in this percentage (AFEP-MEDEF Code, Article 8.3).

(3) Employee representatives are not included in this percentage.

(4) Attendance rate calculated taking into account the attendance rates of Mr. Jack AZOULAY (100% at Board and committee meetings), M. LIU Weidong (100% at Board meetings and 75% at committee meetings), Ms. Anne VALLERON (100% at Board meetings and 100% at committee meetings), and Ms. Florence VERZELEN (100% at Board meetings and 100% at Board meetings) % at committee meetings).

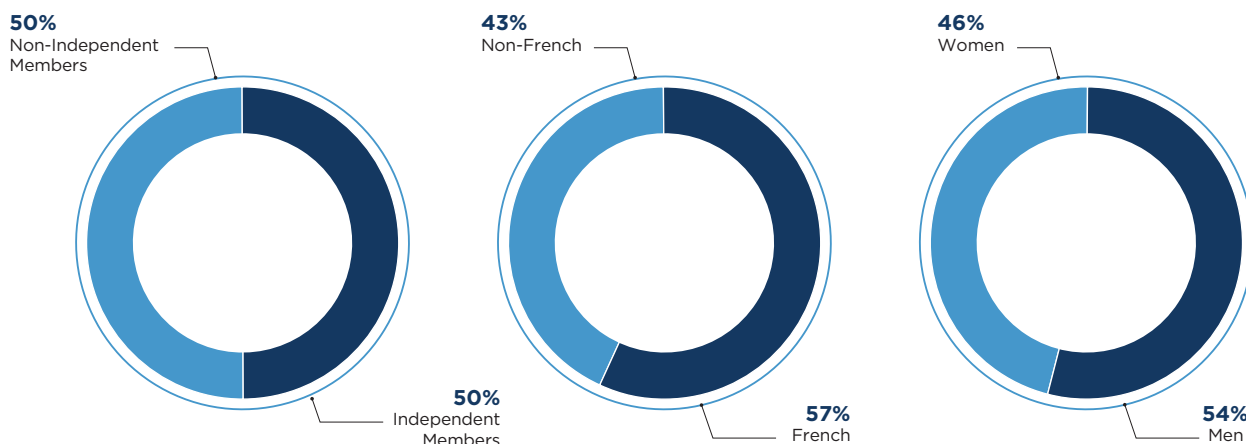
### 3.1.2.4. THE DIVERSITY POLICY IMPLEMENTED ON THE BOARDS AND THE BALANCED REPRESENTATION OF WOMEN AND MEN

In accordance with the recommendation of the AFEP-MEDEF Code, paragraph 6.2, the Board regularly examines whether the desired balance is struck in its membership and that of its committees, having regard to the composition of and changes to the ownership structure of the Company and the representation of diversity on the Board. Pursuant to Article L.225-69 of the French Commercial Code, the Board currently comprises six female and eight male members. The rate of feminization of 46% is unchanged from 2014

and is calculated according to the law, without taking into account the member representing employees.

The Board currently includes six independent members, representing 50%.

The Board also has six members of foreign nationality (Mrs Pamela KNAPP, Mrs Helle KRISTOFFERSEN, who has dual French/Danish nationality, Mrs Catherine BRADLEY, who has dual French/British nationality, Mr AN Tiecheng, Mr LIU Weidong and Mr Henri Philippe REICHSTUL), and all non-employee members have experience within an international business environment. The Board's objective is to continue the internationalisation of its members through the presence of foreign members or members with extensive international experience.



### 3.1.2.5. THE INDEPENDENT MEMBERS

The Appointments, Compensation and Governance Committee ensures the maintenance of the proportion of the independent members of the Supervisory Board, in accordance with the recommendations of the AFEP-MEDEF Code (paragraphs 16.1 and 17.1), which state that the independent members should make up at least one-half of the Board's members.

As stated in the Internal Rules 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"*.

On a recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board reviewed the position of each of its members with regard to the independence criteria selected by the Company (paragraph 8 of the AFEP-MEDEF Code) at its meeting on 28 February 2018:

- not be an employee or Executive Director of the Managing Board, 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 the Managing Board 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 Managing Board 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;
- must have no close family ties with a corporate officer;

- must not have been a Statutory Auditor of the Company in the last five years;

- must not have been a Company director during the last 12 years.

On the basis of these criteria, the Supervisory Board classified six members as independent:

- Mr Louis GALLOIS (Chairman of the Supervisory Board);
- Mr Geoffroy ROUX de BEZIEUX (Vice-Chairman and Senior Independent Member);
- Mrs Catherine BRADLEY;
- Mrs Pamela KNAPP;
- Mrs Helle KRISTOFFERSEN; and
- Mr Henri Philippe REICHSTUL.

This puts the proportion of independent members at 50%.

It should be recalled that, In accordance with paragraph 8.3 of the AFEP-MEDEF Code, member representing employees or employee shareholders are not included when calculating this percentage.

It is recalled that the Supervisory Board, on the basis of the analysis driven by the Appointments, Compensation and Governance Committee, has conducted a qualitative and a quantitative examination of business relationships between Groupe PSA and the companies in which the members of the Supervisory Board hold other office and/or exercise other duties, on the basis of the following criteria :

- the overall duration of the term (quantitative criterion),
- the sale revenue generated by the business relationship (quantitative criterion)., and
- the analysis of the type of business relationship between the two companies, as well as the type of the function or responsibilities carried on, having or not an impact on operational decision-making within the concerned companies (qualitative criteria).

Particular attention was paid to examining situations of Mrs Pamela KNAPP, director at the Compagnie de Saint Gobain, and of Mrs Helle KRISTOFFERSEN, director at Orange and Vice-President, Strategy and Chief Administrative Officer of the "low carbon" division at Total.

With regards to Mrs Pamela KNAPP situation, the Supervisory Board noted that the overall duration of her term of office at PSA Group is lower than 12 years.

Regarding the relationships between Groupe PSA and the Compagnie de Saint Gobain, the Supervisory Board noticed that the volume of business relationships between the two groups does not exceed 5% of Groupe PSA sales revenue. Therefore, in light of the non material nature of the relationships, any dependent relationship between the two groups could be excluded.

In addition, the function Mrs Pamela KNAPP performs within those companies does not give her direct or indirect decision-making powers in the context of the establishment or maintenance of any business relationship.

As far as Mrs Helle KRISTOFFERSEN is concerned, the Supervisory Board stated that the overall duration of her term of office at Groupe PSA is lower than 12 years.

Regarding the relationships between Groupe PSA and Total, and Orange and Groupe PSA, the Supervisory Board noted that the volume of business relationships between Groupe PSA and each of the two groups does not exceed 5% of Groupe PSA sales revenue. Therefore, in light of the non-material nature of the relationships, any dependent relationship between the two groups could be excluded.

In addition, the function Mrs Helle KRISTOFFERSEN performs within those companies does not give her direct or indirect decision-making powers in the context of the establishment or maintenance of any business relationship.

It conclusion, the examination has revealed that the business relationships fostered between Groupe PSA and the aforesaid companies are not likely to compromise the independance of Mrs Pamela KNAPP and Mrs Helle KRISTOFFERSEN.

### 3.1.2.6. THE SENIOR INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF PEUGEOT S.A.

The Senior Independent Member is appointed from among the independent members in accordance with paragraph 6.3 of the AFEP-MEDEF Code and, under the Internal Rules of the Supervisory Board, has the following powers and prerogatives:

- calling and chairing meetings of the independent members of the Supervisory Board on the Board's operating procedures, and conveying its findings to the Chairman of the Supervisory Board;

- notifying to the Chairman of the Supervisory Board 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' Annual General Meeting.

Mr Geoffroy ROUX de BEZIEUX performs the duties of Senior Independent Member of the Supervisory Board. Since 25 July 2017, he has also become Vice-Chairman of the Board. This is because, for compliance with best practices, the Supervisory Board has decided to combine the office of Senior Independent Member with that of Vice-Chairman.

Mr Geoffroy ROUX de BEZIEUX also sits as Chairman of the Appointments, Compensation and Governance Committee.

### 3.1.2.7. THE EMPLOYEE REPRESENTATIVE MEMBER AND THE EMPLOYEE SHAREHOLDER REPRESENTATIVE MEMBER

The employee representative is appointed, under the procedure described by Article 10.I B of the by-laws, by the Group European Works Council, pursuant to Article L. 225-79-2 of the French Commercial Code.

The representative of employee shareholders is appointed by the Shareholders' General Meeting on the proposal of the Supervisory Boards of the corporate mutual funds, in accordance with the Article L. 225-71 of the French Commercial Code and Article 10.I C of the Company by-laws. It will be recalled that the Shareholders' General Meeting on 10 May 2017 amended the by-laws to maintain representation of employee shareholders on the Supervisory Board for a period of four years even though the percentage of employee ownership had fallen below 3%.

The Board enables the employee representative and the representative of employee shareholders to train appropriately for the duties required of them by virtue of their office. As an example, we should recall that Mr Jean-François KONDRATIUK and Mrs Bénédicte JUJAUUX attended training at the *Institut Français des Administrateurs*.

### 3.1.2.8. THE NON-VOTING MEMBERS

Under the terms of the Shareholders' Agreement, each of the three reference shareholders may apply to have a non-voting member attend the meetings of the Supervisory Board. In accordance with the Internal Rules of the Supervisory Board, the non-voting members are appointed by the Supervisory Board for a term of four years.

Non-voting members of 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-owned Group)	29 July 2014	2018	58		100%
Alexandre OSSOLA (appointed on the proposal of BPIFrance)	25 July 2017	2021	43		75%*
LV Haitao (appointed on the proposal of DMHK)	25 July 2017	2021	47		100%*

\* Attendance rate at meetings of the Supervisory Board in the second half-year, after the term of office became effective, as from the Supervisory Board meeting on 25 July 2017.

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

### 3.1.2.9. INFORMATION ABOUT THE CURRENT MEMBERS OF THE SUPERVISORY BOARD

#### Board Members

##### LOUIS GALLOIS



French national  
Born 26 January 1944  
Business address:  
Groupe PSA,  
7, rue Henri Sainte  
Claire Deville,  
92500 Reuil-Malmaison,  
France

**First elected  
to the Supervisory Board:**  
12 February 2013

**Current term expires:**  
2018 (4-year term)

#### **Chairman of the Supervisory Board of Peugeot S.A.**

**Independent Member**  
**Member of the Appointments, Compensation and Governance Committee**  
**Member of the Strategy Committee**

<b>Other directorships and positions as of 31 December 2017:</b>	<b>Listed company</b>	<b>Group Company</b>
Chairman of <i>Fédération des Acteurs de la Solidarité</i>		
Co-Chairman of <i>La Fabrique de l'Industrie</i>		
Director of Association Nationale de la Recherche Technique		
President of the experimental fund for areas with zero long-term unemployed		

#### **Other directorships and positions in the past five years:**

- › General Commissioner for Investment
- › Director of MICHELIN S.C.A.
- › Director of *École Centrale de Paris*
- › Director of *Cercle de l'Industrie*

#### **Relevant expertise and professional experience:**

A graduate of the HEC business school and *École Nationale d'Administration*, Louis GALLOIS began his career in the French Treasury Department. He subsequently became Chief of Staff for Jean-Pierre CHEVÈNEMENT at the Ministry of Research and Technology before serving as Head of the Industry Department at the Ministry of Industry and Policy Officer at the Ministry of the Economy, Finance and Privatisation before ultimately serving on Mr CHEVÈNEMENT's staff at the Ministry of Defence. After that, he held the position of Chairman and Chief Executive Officer, first at Snecma (1989-1992) and then at Aerospatiale (1992-1996). After serving as President of SNCF-French Railways from 1996 to 2006, he was one of the co-Chief Executive Officers of the EADS Group until 2007, then Chief Executive Officer until June 2012. He also served as Chief Executive Officer of Airbus from September 2006 to August 2007. From June 2012 to April 2014, he served in the French government as General Commissioner for Investment. He has been Chairman of the Groupe PSA Supervisory Board since 29 April 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 1,065 shares.**

##### GEOFFROY ROUX DE BÉZIEUX



French national  
Born 31 May 1962  
Business address:  
Notus Technologies,  
2 bis, rue de Villiers,  
92300 Levallois-Perret,  
France

**First elected  
to the Supervisory Board:**  
23 May 2007

**Current term expires:**  
2021 (4-year term)

#### **Vice-Chairman of the Supervisory Board of Peugeot S.A.**

**Independent member and Senior Independent Member**  
**Chairman of the Appointments, Compensation and Governance Committee**  
**Member of the Finance and Audit Committee**

<b>Other directorships and positions as of 31 December 2017:</b>	<b>Listed company</b>	<b>Group Company</b>
Chairman of NOTUS TECHNOLOGIES		
Director of PARROT S.A.	√	
Vice-Chairman, Treasurer and member of the Bureau of MEDEF		

#### **Other directorships and positions in the past five years:**

- › Chairman of OMEA TELECOM (VIRGIN MOBILE)
- › Vice-Chairman of the Supervisory Board of SELOGER.COM
- › Chairman of Oliviers & Compagnie
- › Chairman of the Supervisory Board of CREDIT.FR

#### **Relevant expertise and professional experience:**

After graduating from the ESSEC business school, Geoffroy ROUX de BÉZIEUX held various positions at L'Oréal from 1986 to 1996. He was Founder-Chairman of The Phone House, France's leading independent mobile phone retailer. He later sold the company to The Carphone Warehouse, which appointed him as Managing Director Europe in 2000 and Chief Operating Officer in 2003, a position he held until 2006. From 2006 to 2014 he was Founder-Chairman of Omea Telecom (Virgin Mobile). He manages the affairs of the NOTUS technologies investment company.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 2,417 shares.**

## MARIE-HÉLÈNE PEUGEOT RONCORONI



French national  
 Born 17 November 1960  
 Business address:  
 FFP,  
 66, avenue, Charles  
 de Gaulle,  
 92200 Neuilly-sur-Seine,  
 France

**First elected  
 to the Supervisory Board:**  
 2 June 1999

**Current term expires:**  
 2018 (4-year term)

**Permanent Representative of Établissement Peugeot Frères on the Board of Directors of Peugeot S.A.**

**Member of the Appointments, Compensation and Governance Committee  
 Member of the Asia Business Development Committee  
 Vice-Chairman of the Supervisory Board of Peugeot S.A.**

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director and Chief Operating Officer of ÉTABLISSEMENT PEUGEOT FRÈRES S.A.		
Director and Vice-Chairman of FFP S.A.	√	
Director and Chief Operating Officer of SAPAR S.A.		
Director of ASSURANCES MUTUELLES DE FRANCE		
Director of ESSO SAF	√	
Director of LISI	√	
Director and Vice-Chairman of the PSA Corporate Foundation		
Director of INSTITUT DIDEROT		
Director of SICAV ARMENE		

**Other directorships and positions in the past five years:**

- › Member of the Supervisory Board and Finance Committee of Peugeot S.A.
- › Permanent Representative of SAPAR on the Board of Directors of IMMEUBLES DE FRANCHE-COMTÉ
- › Permanent Representative of SOCIÉTÉ ASSURANCES MUTUELLES DE FRANCE on the Board of Directors of AZUR - GMF MUTUELLES D'ASSURANCES ASSOCIÉES
- › Member of the Supervisory Board of ONET S.A.

**Relevant expertise and professional experience:**

Marie-Hélène PEUGEOT RONCORONI graduated from *Sciences Po Paris*. She began her career in an international audit firm before holding positions in Corporate Finance, Industrial Relations and human resources within the Group. She currently serves as Director and Chief Operating Officer of *Établissements Peugeot Frères*, Director and Vice-President of FFP, and Director of SAPAR, *Assurances Mutuelles de France*, ESSO SAF, LISI and *Institut Diderot*. She is also Director and Vice-Chairman on the Board of Directors of the PSA Corporate Foundation.

**Number of Peugeot S.A. securities owned by Marie-Hélène PEUGEOT RONCORONI as of 31 December 2017: 1,150 shares.**

**Number of Peugeot S.A. securities owned by EPF as of 31 December 2017: 26,298,895 shares.**

**Number of units owned by Marie-Hélène PEUGEOT RONCORONI in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2017: 637 units.**

## LIU WEIDONG



Chinese national  
Born 13 October 1966  
Business address:  
Special No. 1 Dongfeng  
Road, Wuhan Economic and  
Technology Development,  
Zone,  
Wuhan, Hubei Province,  
China

**First elected  
to the Supervisory Board:**  
29 April 2014

**Current term expires:**  
2018 (4-year term)

**Permanent Representative of Dongfeng Motor (Hong Kong) International Co. Ltd. (DMHK) on the Supervisory Board of Peugeot S.A.**

**Member of the Strategy Committee  
Member of the Appointments, Compensation and Governance Committee  
Vice-Chairman of the Supervisory Board**

<b>Other directorships and positions as of 31 December 2017:</b>	<b>Listed company</b>	<b>Group Company</b>
Deputy Managing Director, Member of the Party Permanent Committee and Chief Engineer of DONGFENG MOTOR CORPORATION		
Executive Director of DONGFENG MOTOR GROUP CO. LTD.	√	
Chairman of DONGFENG GETRAG TRANSMISSION CO. LTD.		
Chairman of CHINA DONGFENG MOTOR INDUSTRY IMP. & EXP. CO. LTD.		
Chairman of DONGFENG XIAOKANG AUTO CO. LTD.		
Chairman of DONGFENG OFF-ROAD VEHICLE CO. LTD.		

### **Other directorships and positions in the past five years:**

- › Non-Executive Director of DONGFENG MOTOR GROUP CO. LTD.
- › Vice-Chairman of DPCA
- › Director of CHINA AUTO LIGHTWEIGHT TECHNOLOGY INSTITUTE CO. LTD.
- › Chairman of DONGFENG ELECTRIC VEHICLE CO. LTD.
- › Chairman of DONGFENG HONGTAI HOLDINGS GROUP CO. LTD.
- › Vice-Chairman of DONGFENG YUEDA QIYA AUTO CO. LTD.
- › Director of GUO ILIAN CENTRE TEST AUTOMOTIVE POWER BATTERY CO. LTD.
- › Chief Executive Officer of DONGFENG MOTOR GROUP CO. LTD. PASSENGER VEHICLE
- › Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILES COMPANY LTD. (DPCA)
- › Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILES SALES COMPANY LTD. (DPCS)
- › Director of DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO. LTD (DMHK)
- › Chairman of XIANGYANG DAAN AUTOMOTIVE TEST CENTER
- › Executive Director and Chief Executive Officer of DONGFENG MOTOR INVESTMENT (SHANGHAI) CO. LTD.

### **Relevant expertise and professional experience:**

LIU Weidong graduated from Wuhan University of Technology with a major in automotive technology. He joined the leaf spring plant of Second Automotive Works (the predecessor of Dongfeng Motor Corporation) as an engineer in 1988. He went on to hold executive positions in various Dongfeng Group companies. LIU Weidong has been Chief Executive Officer of Dongfeng Peugeot Citroën Automobile Company Limited and Chief Operating Officer of Dongfeng Motor Corporation since 2001. In July 2011, he was named Chief Executive Officer of Dongfeng Passenger Vehicle Company. Mr LIU Weidong is also currently Chairman of China Dongfeng Motor Industry Imp. & Exp. Co. Ltd., Dongfeng Xiaokang Automobile Co. Ltd., Dongfeng Off-road Vehicle Co. Ltd., Dongfeng GETRAG Transmission Co. Ltd and he have been chief engineer since November 2017.

LIU Weidong was a member of the Supervisory Board in a personal capacity until his appointment as permanent representative of Dongfeng Motor (Hong Kong) International Co. Ltd. (DMHK). When appointed to the latter post, he resigned from his existing position as member of the Board.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 1,000 shares.**

**Number of Peugeot S.A. securities owned by DMHK as of 31 December 2017 : 110,622,220 units.**

## ANNE GUERIN



French national

Born 16 August 1968

Business address:  
Bpifrance Participations,  
6/8 boulevard Haussmann,  
75009 Paris,  
France

**First elected to the  
Supervisory Board:**  
25 July 2017

**Current term expires:**  
2018 (4-year term)

**Permanent Representative of Bpifrance Participations on the Supervisory Board of Peugeot S.A**

**Member of the Finance and Audit Committee**  
**Member of the Appointments, Compensation and Governance Committee**  
**Vice-Chairman of the Supervisory Board**

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of Bpifrance Régions		
Director and Permanent Representative of Bpifrance Participations for CGG		
Director of the VoisinMalin non-profit-making association		
Executive Vice-President in charge of Financing and Network of Bpifrance		

**Other directorships and positions in the past five years:**

- › Risks Director (Bpifrance )
- › International Financing Director (Bpifrance)
- › Regional Director, Ile de France West (Bpifrance)

**Relevant expertise and professional experience:**

Anne GUÉRIN is a graduate of ESCP Europe. She began her career as an account manager at the French SME development bank, moving on to become Equity Investments Manager at Avenir Entreprises. She joined Bpifrance in 2008, as Regional Manager for the Western Ile de France, then became Manager for International Financing (2014-2016) and lastly, Risk Manager (2016-2017). She is currently Executive Vice-President in charge of Network and Financing. Anne GUÉRIN is also a member of the Bpifrance Régions Board of Directors, a member of the CGG Board of Directors and a Director of the VoisinMalin non-profit-making association.

**Number of Peugeot S.A. securities owned by Mrs Anne GUÉRIN as of 31 December 2017: None**

**Number of Peugeot S.A. securities owned by Bpifrance Participations as of 31 December 2017:**  
**1,000 shares**

## DANIEL BERNARD



French national

Born 18 February 1946

Business address: Provestis,  
14 Rue de Marignan, 75008  
Paris, France

**First elected  
to the Supervisory Board:**  
25 July 2017

**Current term expires:**  
2021 (4-year term)

**Permanent Representative of Lion Participations on the Supervisory Board of Peugeot S.A.**

**Member of the Strategy Committee**  
**Member of the Asia Business Development Committee**

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Vice-Chairman of the Board of Directors of Cap Gemini S.E.		
Chairman of the Provestis holding company (since 2006)	√	
Senior Advisor to Towerbrook Capital Partners LP (United Kingdom)		
Director of the EESC HEC		
Honorary President of the HEC Foundation		

**Other directorships and positions in the past five years:**

- › Director of Alcatel-Lucent S.A.S.
- › President of the HEC Foundation
- › Chairman of MAF Retail Group (Dubai)
- › Chairman of Kingfisher Plc (UK)

**Relevant expertise and professional experience:**

A graduate of HEC, Daniel BERNARD was successively the Managing Director of Groupe Metro France (1981-1989), Chief Operating Officer de Metro International AG (1989-1992), then Chairman and Chief Executive Officer of Carrefour (1992-2005), Chairman of the Board of Directors of MAF Retail Group (Dubai) (2010-2014), and Chairman of the Board of Directors of Kingfisher Plc (U.K.) (2006-2017). He is currently Chairman of the Provestis holding company. He is also Vice-Chairman of the Board of Directors of Cap Gemini S.A., Senior Advisor to Towerbrook Capital Partners LP (United Kingdom), Member of the HEC Board of Management and Honorary President of the HEC Foundation. Daniel BERNARD holds the French honours of *Chevalier de la Légion d'Honneur* and *Officier de l'Ordre National du Mérite*.

**Number of Peugeot S.A. securities owned by Daniel BERNARD as of 31 December 2017: None.**

**Number of Peugeot S.A. securities owned by Lion Participations as of 31 December 2017:**  
**110,621,220 shares**

## CATHERINE BRADLEY



French and British national  
Born 20 April 1959

Business address:  
11 Woodstock Road,  
London W4 1DS,  
United Kingdom

**First elected  
to the Supervisory Board:**  
23 February 2016

**Current term expires:**  
2020 (4-year term)

### Member of the Supervisory Board of Peugeot S.A.

Independent Member  
Chairman of the Finance and Audit Committee  
Member of the Appointments, Compensation and Governance Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Independent Director at the Financial Conduct Authority (FCA)		
Independent Director at the FICC Markets Standards Board (FMSB)		
Member of the Investment Committee of The Athenaeum Club		

### Other directorships and positions in the past five years:

› Independent Director at WS Atkins PLC

### Relevant expertise and professional experience:

Catherine BRADLEY graduated from HEC Paris with a major in Finance and International Affairs. Between 1981 and 1991, she held a variety of positions in the investment banking and mergers & acquisitions departments at Merrill Lynch. She was appointed Executive Director, in charge of investment banking at SBC (UBS) in 1991, and became Head of European Strategy for the Equity Advisory team at BNP Paribas in 1994. In 2000, she was named Managing Director of Dresdner Kleinwort Benson. She joined *Crédit Suisse* as Managing Director in 2003, first in London as Head of Coverage, and then in Hong Kong, where she served as Head of the Equity-linked group for Asia-Pacific from 2008 to 2012. In 2013, she was appointed Head of Equity Advisory, Global Markets for the Asia-Pacific region at *Société Générale*. She is currently an Independent Director. Among other office held, she has been appointed by the UK Treasury to sit on the Board of the Financial Conduct Authority, the regulatory authority for financial activities in the United Kingdom.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 1,000 shares.**

## PAMELA KNAPP



German national  
Born 8 March 1958

Business address:  
GROUPE PSA  
7, rue Henri Sainte Claire  
Derville,  
92500 Rueil-Malmaison,  
France

**First elected  
to the Supervisory Board:**  
31 May 2011

**Current term expires:**  
2021 (4-year term)

### Member of the Supervisory Board of Peugeot S.A.

Independent Member  
Member of the Appointments, Compensation and Governance Committee  
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of COMPAGNIE DE SAINT-GOBAIN S.A.	√	
Director of HKP AG		
Director of PANALPINA AG	√	
Director of BEKAERT NV	√	
Director of the Franco-German Chamber of Commerce and Industry		

### Other directorships and positions in the past five years:

› Member of the Managing Board of GfK SE  
› Director of MONIER HOLDINGS S.C.A.

### Relevant expertise and professional experience:

Pamela KNAPP is a graduate of Harvard Business School's Advanced Management Program and holds a Masters in Economics from the University of Berlin. She began her career at Deutsche Bank AG, then worked as an M&A consultant before taking on various management roles at Siemens AG, including Chief Financial Officer of the Power Transmission & Distribution Division from 2004 to 2009. From 2009 until October 2014, she was Chief Financial Officer, responsible for Finance, Financial Controlling and Accounting, Personnel and Administration at GfK SE from 2009 until 2014..

**Number of Peugeot S.A. securities owned as of 31 December 2017: 1,938 shares.**

## JEAN-FRANÇOIS KONDRATIUK



French national  
Born 24 March 1950  
Business address:  
PSA Automobiles S.A.,  
45, rue J.-P. Timbaud,  
78300 Poissy,  
France

**First elected  
to the Supervisory Board:**  
24 April 2013<sup>(1)</sup>

**Current term expires:**  
2018 (4-year term)

### **Member Employee representative of the Supervisory Board of Peugeot S.A.\***

**Member of the Strategy Committee**  
**Member of the Asia Business Development Committee**

### **Positions held within the Group as of 31 December 2017:**

Methods Engineer at the Poissy assembly unit  
Director of the PSA Corporate Foundation

### **Other directorships and positions as of 31 December 2017: None.**

Other directorships and positions in the past five years:

- › Employee Representative
- › Trade Union Representative (FO) at the PCA Poissy plant
- › Employee Representative on the Health, Safety and Working Conditions Committee
- › Secretary of the Group European Works Council

### **Relevant expertise and professional experience:**

Since joining the Group in 1970, Jean-François KONDRATIUK, who holds a French high school diploma (*baccalauréat*) in science, has been a Methods Engineer in charge of special projects in the Methods Department at the Poissy production plant. He has served as Employee Representative, Trade Union Representative (*Force Ouvrière*) at the PCA Poissy plant, Employee Representative on the Health, Safety and Working Conditions Committee and Secretary of the European Works Council. He resigned from these positions when he was appointed as Employee Representative on the Supervisory Board by the European Works Council in June 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 10 shares.**

**Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2017: 80 units.**

\* Appointed under Article L. 225-79-2 of the French Commercial Code.

<sup>(1)</sup> Date of appointment by the General Meeting of April 24, 2013 (14th resolution) before the implementation of the procedure of appointment of the member representing the employees, in view of the Law n° 2013-504 of June 14, 2013 (*loi relative à la sécurisation de l'emploi*). S.A. Mr. KONDRATIUK resigned in 2014 and was subsequently appointed as a member representing the employees, by decision of the European Committee of the Group (CEG), on June 18, 2014 for a period of 4 years, in accordance with the procedure of appointment of the members representing employees, as approved by the Supervisory Board.

## HELLE KRISTOFFERSEN



French and Danish national

Born 13 April 1964

Business address:  
Total S.A.,  
2, place Jean Millier,  
La Défense,  
92078 Paris La Défense  
Cedex,  
France

**First elected  
to the Supervisory Board:**  
27 April 2016

**Current term expires:**  
2021 (4 years term)

### Member of the Supervisory Board of Peugeot S.A.

Independent Member  
Member of the Strategy Committee  
Member of the Asia Business Development Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Vice-President, Strategy and Chief Administrative Officer of the low carbon division at TOTAL S.A.	√	
Director on the Board of Directors of ORANGE S.A.	√	
Director of Sunpower S.à.r.l.	√	
Director of the Paris Science and Arts Community of Universities and Institutions (COMUE PSL)		

### Other directorships and positions in the past five years:

› Director of VALEO S.A.

### Relevant expertise and professional experience:

Helle KRISTOFFERSEN is a graduate of *École Normale Supérieure* and *École Nationale de la Statistique et de l'Administration Économique* (ENSAE). On 1 September 2016, she was named Vice-President, Strategy and Chief Administrative Officer of a new business division which covers Total's "low carbon" operations (natural gas, solar energy, energy trading and marketing, and energy efficiency services). As the division's Chief Administrative Officer, she leads the following departments: finance, legal, HR, Information Systems, corporate communication, security and strategic markets. She previously served as Senior Vice-President, Strategy & Business Intelligence, at Total. She spent most of her career at Alcatel, now Alcatel-Lucent, which she joined in 1994. After holding a number of positions in the group, she served as Vice-President, Corporate Strategy, from 2005 to 2008 and then Senior Vice-President, Vertical Markets, from January 2009 to December 2010. She holds France's highest honour, as a *Chevalier de la Légion d'Honneur*.

**Number of Peugeot S.A. securities owned as of 31 December 2017: 1,000 shares.**

## AN TIECHENG



Chinese national

Born 30 June 1963

Business address:  
Special No. 1 Dongeng Road,  
Wuhan Economic and  
Technology Development  
Zone, Wuhan,  
Hubei Province,  
China

**First elected  
to the Supervisory Board:**  
25 July 2017

**Current term expires:**  
2018 (4-year term)

### Member of the Supervisory Board of Peugeot S.A.

Chairman of the Asia Business Development Committee  
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Deputy Managing Director and Member of the Party Permanent Committee of DONGFENG MOTOR CORPORATION		
Chairman of DONGFENG PEUGEOT-CITROËN AUTOMOBILES COMPANY LTD. (DPCA)		√
Chairman of DONGFENG PEUGEOT-CITROËN AUTOMOBILES SALES COMPANY LTD. (DPCS)		√
Executive Director of DONGFENG MOTOR GROUP CO. LTD.	√	
Director of DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO. LTD (DMHK)		
Director of DONGFENG MOTOR CO. LTD.		
Managing Director of DONGFENG MOTOR INVESTMENT (SHANGHAI) CO. LTD.		
Chairman of DONGFENG HONGTAI HOLDINGS GROUP CO. LTD.		

### Other directorships and positions in the past five years:

› Managing Director of FAW-VW  
› Managing Director of FAW CAR Co.  
› Party Secretary, HONGQI DIVISION OF FAW CORPORATION

### Relevant expertise and professional experience:

Mr AN Tiecheng is a graduate in Management Science and Engineering of the University of Jilin (China). He spent most of his career at FAW, where he began in 1984, exercising various in-plant positions of responsibility up to Deputy Manager. In 1999, he became Deputy Head of the FAW-VW Planning Department, then Head of the FAW Group Planning Department, before becoming Managing Director of FAW-VW, then of FAW CAR Co. Since April 2017, he has been Vice-President and Member of the Party Permanent Committee of the DFM Group. Since June 2017, he has been Chairman of the Board of DPCA.

**Number of Peugeot S.A. securities owned as of 31 December 2017: None.**

## ROBERT PEUGEOT



French national  
Born 25 April 1950  
Business address:  
FFP,  
66, avenue Charles de Gaulle,  
92200 Neuilly-sur-Seine,  
France

**First elected  
to the Supervisory Board:**  
6 February 2007

**First appointment  
to represent FFP  
on the Supervisory Board:**  
29 April 2014

**Current term expires:**  
2018 (4-year term)

### Permanent Representative of FFP on the Supervisory Board of Peugeot S.A.

Chairman of the Strategy Committee  
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Chairman and Chief Executive Officer of FFP S.A.	√	
Director of Faurecia S.A.	√	√
Member of the Supervisory Board of HERMÈS INTERNATIONAL SCA	√	
Director of ÉTABLISSEMENTS PEUGEOT FRÈRES S.A.*		
Director of SOFINA S.A.S.	√	
Director of DKSH AG	√	
Director of TIKEHAU CAPITAL ADVISORS SAS		
Managing Director of S.A.R.L. CHP GESTION		
Managing Director of SC RODOM		
Permanent Representative of FFP, Chairman of FFP INVEST*		
Permanent Representative of FFP INVEST, Chairman of the Supervisory Board of FINANCIÈRE GUIRAUD S.A.S.*		
Permanent Representative of MAILLOT I on the Board of Directors of SICAV ARMENE*		

\* Corporate office held at FFP.

### Other directorships and positions in the past five years:

- › Permanent Representative of FFP INVEST on the Board of Directors of SANEF S.A.
- › Director of IMERY S.A.
- › Director of HOLDING REINIER S.A.S.
- › Permanent Representative of FFP INVEST on the Supervisory Board of IDI EMERGING MARKETS S.A.
- › Permanent Representative of FFP INVEST on the Supervisory Board of ZODIAC AEROSPACE
- › Member of the Supervisory Board of Peugeot S.A.
- › Director of SANEF
- › Member of the supervisory board of IDI EMERGING MARKETS S.A.

### Relevant expertise and professional experience:

After graduating from *École Centrale de Paris* and INSEAD, Robert PEUGEOT held various executive positions within the Groupe PSA. From 1998 to 2007, he was Vice-President, Innovation & Quality, and a member of the Group's Executive Committee. Since 2003, he has been Chairman and Chief Executive Officer of FFP.

**Number of Peugeot S.A. securities owned by Robert PEUGEOT as of 31 December 2017: 1,000 shares.**

**Number of Peugeot S.A. securities owned by FFP as of 31 December 2017: 84,323,161 shares.**

## HENRI PHILIPPE REICHSTUL



Brazilian national  
Born 12 April 1949  
Business address:  
Rua dos Pinheiros,  
870, 20° Andar – cjs. 201 –  
CEP 05422-001  
São Paulo SP,  
Brazil

**First elected  
to the Supervisory Board:**  
23 May 2007

**Current term expires:**  
2021 (4-year term)

### Member of the Supervisory Board of Peugeot S.A.

Independent Member  
Member of the Strategy Committee  
Member of the Asia Business Development Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Director of LATAM AIRLINES GROUP	√	
Chairman of the Supervisory Board of FIVES GROUP		
Director of TAM – Linhas Aéreas		

### Other directorships and positions in the past five years:

- › Director of FOSTER WHEELER and GAFISA
- › Director of SEMCO PARTNERS
- › Director of REPSOL YPF S.A.
- › Director of BRF – Brazilian Food

### Relevant expertise and professional experience:

After earning an economics degree from the University of São Paulo and doing post-graduate work at Oxford University, Henri Philippe REICHSTUL began his career as a university professor of economics. He then went on to hold various senior civil-service positions in Brazil before serving as Chairman and Director of a variety of companies, including Petrobras, of which he was Chairman (1999-2001).

**Number of Peugeot S.A. securities owned as of 31 December 2017: 325 shares.**

## BÉNÉDICTE JUYAUX



French national  
Born 19 January 1961  
Business address:  
Groupe PSA,  
Centre Technique de Vélizy,  
Route de Gisy,  
Parc Inovel Sud,  
78943 Vélizy-Villacoublay  
Cedex,  
France

**First elected  
to the Supervisory Board:**  
10 May 2017

**Current term expires:**  
2021 (4-year term)

### Representative of employee shareholders on the Supervisory Board of Peugeot S.A.

Member of the Finance and Audit Committee  
Member of the Appointments, Compensation and Governance Committee

Other directorships and positions as of 31 December 2017:	Listed company	Group Company
Chairman of the Supervisory Board of the “Secure” corporate mutual fund		√
Chairman of the Supervisory Board of the Groupe PSA Employee Stock Ownership Fund		√
Chairman of the Equality and Diversity commissions at the Vélizy Technical Center		√
Vice-President, Cross-functional Quality Management System in the Groupe PSA Quality and Engineering Department		√
Director of Association <i>Avenir Dysphasie France</i> (AAD – a non-profit-making association for dysphasia sufferers)		

### Other directorships and positions in the past five years:

- › Audit Quality Manager in the Quality Department

### Relevant expertise and professional experience:

Bénédicte JUYAUX is an engineer with a degree in Mechanical Engineering from the Compiègne University of Technology. She began her career at Saint Gobain Vitrage as an engineer, moving on there to become Quality Manager at three different production sites (float glass and vehicle windows), where she developed the first quality-assurance methods. After three years’ expatriation in the United States (at Charlottesville, Virginia), she joined Groupe PSA in January 2000 to continue her career in research and development quality. Among others, she performed managerial duties in cross-functional entities: methods, audit, PES (PSA Excellence System), and project-management duties as quality manager for the Citroën C3 II and DS 3 (A515) projects. She is currently VP in charge of the Groupe PSA Quality Management System.

Alongside this, she has been involved in trade-union activity since the 1990s as employee representative at Saint Gobain, then in Groupe PSA initiatives to promote equality between women and men since early 2004, as member of the Vélizy commission for 8 years, then as its Chairman since 2017. She has also contributed to the activities of the PSA Foundation through mentorship, and sponsorship of the handicapped (winning a major sponsorship award in 2013). She is a director of and actively involved in the Association *Avenir Dysphasie* (AAD) non-profit-making association, being in charge of young people’s activities.

**Number of Peugeot S.A. securities owned as of 31 December 2017: None**

**Number of units in the Groupe PSA Employee corporate mutual fund “salariés du Groupe PSA” and “Secure” as of 31 December 2017: 881 units**

## The non voting Members of the Supervisory Board

## FREDERIC BANZET



French national

Born 16 September 1958

Business address:  
FFP Investment UK Ltd,  
2 Duke Street,  
London W1U 3EH,  
United Kingdom

**Date of first appointment as non-voting member of the Supervisory Board:**  
29 July 2014

**Current term expires:**  
2018 (4-year term)

**Non-voting member of the Supervisory Board of Peugeot S.A.**  
(Appointed on the recommendation of FFP/EPF)

**Other directorships and positions as of 31 December 2017:**

	Listed company	Group Company
Director of <i>Établissements Peugeot Frères S.A.</i>		
Permanent Representative of FFP Investment on the supervisory board of ZODIAC AEROSPACE S.A.	√	
Director and Chairman of FFP INVESTMENT UK LTD.		
Director of FFP Investments US 1, Inc		
Director of FFP US CC, Inc		
Director of FFP US SRL, Inc		
Director of FFP Investments US 2, Inc		

**Other directorships and positions in the past five years:**

- › Director of FFP S.A.
- › Director of AUTOMÓVEIS CITROËN S.A.
- › Director of CITROËN BELUX S.A.
- › Director of Changan PSA Automobiles Co. Ltd.
- › Director of AUTOMÓVILES CITROËN ESPAÑA S.A.
- › Director of CITROËN UK LTD.
- › Director of BERI ITALIA S.R.L.
- › Director of CITROËN SVERIGE AB
- › Director of CAPSA
- › Permanent Representative of AUTOMOBILES CITROËN S.A., Chairman of AUTOMÓVEIS CITROËN S.A.
- › Chairman and Chief Executive Officer of AUTOMOBILES CITROËN S.A.
- › Member of the supervisory board of PEUGEOT CITROËN UKRAINE S.R.L.
- › Member of the supervisory board of CITROËN POLSKA SP ZOO
- › Member of the supervisory board of CITROËN NEDERLAND B.V.
- › Permanent Representative of AUTOMOBILES CITROËN on the Board of Directors of BANQUE PSA FRANCE
- › Permanent Representative of FFP Invest at IDI Emerging Markets S.A.

**Relevant expertise and professional experience:**

Frédéric BANZET holds a law degree and is a graduate of ISTE and Harvard Business School. He held various positions in Groupe PSA, featuring eight years at the Finance Department in France and abroad (as Deputy Managing Director of PSA Finance in London for four years). He also held the position of Head of Peugeot's Asia-Pacific Operations, before moving to Citroën as Head of International Affairs then Head of Sales and Marketing Europe. He was Chief Executive Officer of the Citroën brand from 2009 until June 2014. In September 2014, he joined FFP's executive management team.

**Number of Peugeot S.A. securities owned as of 31 December 2017: None.**

## ALEXANDRE OSSOLA



French national

Born 26 September 1974

Business address:  
Bpifrance Participations,  
6/8 boulevard Haussman,  
75009 Paris,  
France

**First elected to the Supervisory Board:**  
25 July 2017

**Current term expires:**  
2021 (4-year term)

**Non-voting member of the Supervisory Board of Peugeot S.A.**  
(Appointed on the recommendation of Bpifrance)

**Other directorships and positions as of 31 December 2017:**

	Listed company	Group Company
Manager of Fonds d'Avenir Automobile of the Bpifrance Investissement S.A.S.		
Member of the Mid & Large Cap Management Committee and Mid Cap Manager at Bpifrance Investissement S.A.S.		
Member of the supervisory board of Vallourec S.A.	√	
Member of the supervisory board of Financière Mecaplast SAS		
Chairman of the Board of Directors of Trèves SAS		

**Other directorships and positions in the past five years:**

- › Manager of the nuclear and railway funds at Bpifrance Investissement S.A.S.
- › Director of Climapact
- › Director of Mecaplast SAM (a Monaco-based company)
- › Director of HPC

**Relevant expertise and professional experience:**

Mr Alexandre OSSOLA is a graduate of the ESCP Europe University. He began his career at Wasserstein Perella (1998-1999), before joining Crédit Suisse First Boston (1999-2000). He went on to be Manager at the Paris Office of CVC Capital Partners (2000-2011), then was in charge of venture capital operations at CDC Climat (2011-2013). He joined Bpifrance Investissement in 2013 as Manager of the nuclear and railway funds. In 2015, he joined the Bpifrance Mid & Large Cap Management Committee, heading both "Fonds d'Avenir Automobile" funds (FAA - tier 1 and tier 2). In 2017, he also headed Bpifrance's Mid Cap activities.

**Number of Peugeot S.A. securities owned as of 31 December 2017: None**

## LV HAITAO



Chinese national  
Born 3 September 1970

Business address:  
Special No. 1 Dongfeng Road,  
Wuhan Economic and  
Technology Development  
Zone, Wuhan, Hubei Province,  
China

**First elected to the  
Supervisory Board:**  
25 July 2017

**Current term expires:**  
2021: (4-year term)

**Non-voting member of the Supervisory Board of Peugeot S.A.**  
(Appointed on the recommendation of DMHK)

**Other directorships and positions as of 31 December 2017:**

Vice-President of Strategy and Programme at DONGFENG MOTOR CORPORATION

**Listed  
company**

**Group  
Company**

**Other directorships and positions in the past five years:**

- › Chief Operating Officer, Sales & Marketing, of Dongfeng Peugeot-Citroën Automobiles Company Ltd. (DPCA)
- › Member of the DPCA Executive Committee
- › Chief Operating Officer, Sales & Marketing, of Dongfeng Peugeot-Citroën Automobiles Sales Company Ltd. (DPCS)
- › Vice-President at the Office of Dongfeng Motor (DFM)
- › Head of the Foreign Department at DFM

**Relevant expertise and professional experience:**

LV Haitao graduated with a Master of Science and Management degree from the University of Huazhong (China). He began his career at DPCA (a JV between Groupe PSA and Dongfeng Motors) in 1992, in the Quality Department. After holding a number of positions in the Purchasing Department, he became Executive Assistant to the Chief Executive Officer of DPCA in 2003. He held a number of positions of responsibility at DPCA. In 2012, he was appointed Chief Executive Officer of Dongfeng Peugeot, then Chief Operating Officer, Sales, of DPCA, Member of the Executive Committee. In 2016, he joined DFM as Vice-President at the Office and Head of the Foreign Division. He is currently Vice-President, Strategy and Programme Department at DFM.

**Number of Peugeot S.A. securities owned as of 31 December 2017: None.**

## Supervisory Board member expertise

Among the kinds of expertise required to serve on the Peugeot S.A. Supervisory Board, the table below summarises the diversity and complementarity of the expertise assembled:

	Finance & risk management	International experience	Manufacturing	New economic models	Human resources	CSR	Governance
Louis GALLOIS			√		√		√
Geoffroy ROUX de BÉZIEUX		√		√			√
Marie-Hélène PEUGEOT RONCORONI	√					√	√
LIU Weidong			√	√			√
Anne GUÉRIN	√				√		√
Catherine BRADLEY	√	√					√
Pamela KNAPP	√			√	√		
Jean-François KONDRATIUK			√		√	√	
Helle KRISTOFFERSEN		√	√	√			
AN Tiecheng			√	√			√
Robert PEUGEOT	√		√				√
Henri Philippe REICHSTUL	√	√					√
Bénédicte JUYAUX	√	√	√				√
Daniel BERNARD		√		√			√

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

### 3.1.3. Preparation and organisation of the Supervisory Board's work

#### 3.1.3.1. ROLE AND POWERS OF THE SUPERVISORY 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 management of the Company's affairs: once a quarter for the Management Report submitted to it by the Managing Board, 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 Shareholders' Meeting, for the Supervisory Board's opinion and observations. Therefore, it also examines the Half-year Financial Report, the quarterly financial information and the financial press releases to be published by the Company.

The Managing Board thus regularly updates the Supervisory 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 Company 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 by-laws (or any other decision whose purpose or effect would be to amend the Company by-laws),
  - b) conduct share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions, where authorised by the Shareholders' General Meeting,
  - c) issue any and all ordinary or convertible bonds authorised by the Shareholders' General Meeting,
  - d) draft any merger agreements or agreements for partial transfer of assets,
  - 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.

The Supervisory Board is also notified every year of the main priorities of the Group's human resources policy.

### 3.1.3.2. OPERATING PROCEDURES OF THE SUPERVISORY BOARD

The Supervisory Board, in its operating procedures and activities, bases itself on the Board's Internal Rules; the full text of these is available on the Group website.

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

- the minimum number of Board meetings that must be held per year (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 the 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 shareholders' 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 situation in conflict with the corporate interest, must notify the Chairman of the Supervisory Board, or any person appointed by that 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".*

### 3.1.3.3. STOCK MARKET CODE OF ETHICS

The Stock Market Code of Ethics was updated in 2016 to take into account new market abuse regulations. It aims to define the preventive measures authorising members of the Supervisory Board, Executive Committee and non-voting members of 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.

### 3.1.3.4. REVIEW OF THE SUPERVISORY BOARD'S OPERATING PROCEDURES

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, to:

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

For this purpose, the Supervisory Board discusses its operating procedures once a year and, every three years as a minimum, conducts a formal review in accordance with the AFEP-MEDEF Code recommendations. It is performed by the Appointments, Compensation and Governance Committee, with the assistance of an external consultant if required. The shareholders are notified every year, in the Annual Report, of the carrying-out of the review and any follow-up measures.

In 2017, the annual assessment of the operating procedures of the Supervisory Board and its committees was conducted internally then debated by the Supervisory Board at its meeting of 19 December 2017, at which Managing Board members were not present. This debate was also enriched by the findings of the meeting of the Independent Members, organised by the Senior Independent Member in December 2017.

This review found that the members of the Board were satisfied overall with its operating procedures, and particularly with the direction taken by the Finance and Audit Committee, under the impulsion of its Chairman. Similarly, the Asia Business Development Committee has made continual progress in the standard of both the topics submitted and its discussions since its creation in 2014. The actions instituted in response to the formal review in 2015, with the aid of an external consultant, have been made fixtures, as with the individual meetings of the Chairman of the Board with its members, now conducted yearly. Likewise, the plan for succession to positions on the Managing Board is drafted annually by the Appointments, Compensation and Governance Committee.

In 2017, the members of the Supervisory Board as a body attended a strategy seminar and travelled to China for the annual journey abroad. The density and quality of the topics at these two venues allowed in-depth discussion of the Group's strategic concerns at the first, and of the situation of the automotive market and of Groupe PSA in China at the second.

Following the discussion of the Board's operating procedures, some improvements were proposed. They shall be further detailed at the formal review to be conducted in the first half of 2018. In this connection, the Appointments, Compensation and Governance Committee, at its meeting on 15 December 2017, initiated a formal review of the Supervisory Board with the assistance of the external consultant who had previously audited the Board in 2013 and 2015, in view of his knowledge of Groupe PSA, and in order to have consistent points of comparison with the earlier reviews. All the members of the Board, together with the members of the Managing Board, will be audited anonymously.

The findings of this formal review, and the resulting action plan, will be detailed in the Registration Document for 2018.

### 3.1.3.5. SUPERVISORY BOARD MEETINGS IN 2017

The Supervisory Board met eight times in 2017, compared with nine times in 2016.

The attendance rate of its members at the meetings was 97%.

The highlight of 2017 was the acquisition of Opel Vauxhall. The acquisition process was scrutinised and examined by the Supervisory Board throughout the financial year.



The Supervisory Board also discussed the following items:

**Business and finance:**

- the checks and audits of the consolidated financial statements and the Peugeot S.A. company financial statements for the year 2016 and of the financial position at end 2016, together with examination of the related financial releases;
- the preparation of the Shareholders' General Meeting on 10 May 2017 and the approval of the reports presented to the Shareholders' General Meeting;
- review of the major strategic guidelines as proposed by the Managing Board (these guidelines received a favourable opinion from the Works Council, which was made known to the Board), and the prior authorisation for various strategic projects, and for the related financial operations;
- the human resources policy, with a particular focus on gender equality between men and women;
- the Group PSA CSR (corporate social responsibility) policy, which is now presented to the Board every year, it being stated that the mapping of CSR issues given in the Registration Document is now covered by a vigilance plan adopted by the Company and examined by the Board;
- the checks and audits of the earnings and the financial statements for the first half of 2017, the Half-year Financial Report and the related financial releases;
- the 2018 budget and the medium-term plan;
- Groupe PSA's prior authorisation for joint arrangements, particularly in India;
- the renewal of the annual authorisation to give sureties, endorsements and guarantees and the review of the regulated agreements in effect during 2017.

**Governance and compensation:**

- the drawing-up of the succession plan for the Managing Board, and the re-appointment of its members;
- the setting of the policy for compensating the members of the Managing Board for the financial year 2017;
- approval of performance share plan;
- the interim appointment of three new members to sit on the Supervisory Board (Lion Participations represented by Mr Daniel BERNARD, Bpifrance Participations represented by Mrs Anne GUÉRIN, and Mr AN Tiecheng).

A strategy seminar was also held in September 2017 and the Board held a meeting at the plant at Chengdu, China, in October 2017. The Supervisory Board also greeted the removal of the Peugeot S.A. headoffices to Rueil-Malmaison, a historic step for Groupe PSA.

### 3.1.3.6. THE ACTIVITY OF THE CHAIRMAN OF SUPERVISORY BOARD'S CHAIRMAN IN 2017

As required by law, the Chairman of the Peugeot S.A. Supervisory Board is responsible for organising the proceedings of the Board so as to ensure satisfactory exercise of its function of supervising the company's management activity.

In 2017, the Chairman of the Supervisory Board chaired and led the discussions at the Board's eight meetings held that year. He took care to ensure that the subjects of strategic importance to Groupe PSA were duly and exhaustively discussed, while taking due account of the requests from the members of the Board. He satisfied himself, in liaison with the Chairmen of the four Supervisory Board Committees, of the proper coordination of the various activities, with due observance of the respective duties and remits.

He covered the maintenance of a balance of functions among the governance bodies, being attentive to ensuring frequent and regular dialogue with the Chairman of the Managing Board.

As in each year, the Chairman of the Board met all the members and non-voting members of the Supervisory Board at the beginning of the year, to discuss the Board's operating procedures, give feedback on each member's contribution to the various activities, and to satisfy himself that the Board operated on a proper collegiate footing.

The Chairman of the Board attaches great importance to scrutiny of the Group's strategic projects. He ensures that the Board is kept adequately informed to enable it to exercise its supervisory powers. Accordingly, in view of the importance to Groupe PSA of the project to acquire the Opel Vauxhall assets, among other steps, the Chairman, with the Chairman of the Strategy Committee, commissioned an additional external study to substantiate the financial and strategic gains from such an acquisition.

As Chairman of the Individual Shareholders' Consultative Committee, the Chairman of the Supervisory Board exchanged with that Committee when they met in December 2017.

### 3.1.3.7. THE ACTIVITY OF THE SENIOR INDEPENDENT SUPERVISORY BOARD MEMBER IN 2017

As in each year, Mr Geoffroy ROUX de BÉZIEUX, as Senior Independent Member, called and chaired a meeting of the Supervisory Board's independent members. This meeting gave the independent members the opportunity to discuss the Board's operating procedures. Mr Geoffroy ROUX de BÉZIEUX went on to convey to the meeting the findings of the Supervisory Board's Chairman.

As Chairman of the Appointments, Compensation and Governance Committee, he had a major role in proposing the interim appointment of new members of the Committees, taking into account their fields of expertise.

In accordance with his terms of reference under the Board's Internal Rules, he was watchful for any conflict of interest of members that could influence the Board's deliberations. He took note of some governance-related questions from shareholders not represented on the Supervisory Board, and ensured that they were given a reply.

He also took pains to report to the Supervisory Board meeting in December 2017 on the performance of his duties.

### 3.1.3.8. SUPERVISORY BOARD COMMITTEES

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

- the Strategy Committee;
- the Appointments, Compensation 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	Principal tasks in 2017
Robert PEUGEOT (Chairman)		<ul style="list-style-type: none"> <li>Look at the long-term future and potential avenues for development, and suggest to the Supervisory Board general policy guidelines for the Group.</li> <li>Make recommendations on the long-term strategic plans, the medium-term plan (PMT) 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>	<p>Four meetings in 2017 with an attendance rate of 96%. The work of the Committee included:</p> <ul style="list-style-type: none"> <li>examination of the strategy involved in the planned acquisition of Opel Vauxhall;</li> <li>the strategic partnerships in India and Malaysia;</li> <li>the medium-Term Plan (PMT) with the incorporation of Opel Vauxhall in the second half-year.</li> </ul>
LIU Weidong			
Louis GALLOIS	√		
Jean-François KONDRATIUK			
Helle KRISTOFFERSEN	√		
Henri Philippe REICHSTUL	√		
Daniel BERNARD			
<b>Percentage of independent directors: 50%</b>			

## The Appointments, Compensation and Governance Committee

Membership	Independent	Main roles	Principal tasks in 2017
Geoffroy ROUX de BEZIEUX (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.</li> </ul> </li> <li>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 to key senior-management positions within the Group. On this occasion, the Committee invite the Chairman of the Managing Board to attend the meeting.</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> <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 where appropriate;</li> <li>examining and giving its opinion to the Supervisory Board on any proposal to amend the Company by-laws which require the advance permission of the Board.</li> </ul> </li> </ul>	<p>Four meetings in 2017 with an attendance rate of 100%. The work of the Committee included:</p> <ul style="list-style-type: none"> <li>the Report of the Supervisory Board Chairman on corporate governance;</li> <li>the interim appointment of three members of the Supervisory Board (Lion Participations represented by Mr Daniel BERNARD, Bpifrance represented by Mrs Anne GUERIN, and Mr AN Tiecheng), formally recording the appointment of a new permanent representative of Dongfeng Motors (Hong Kong) International Co. Ltd (Mr LIU Weidong), the appointment of a Vice-Chairman of the Supervisory Board (Mr Geoffroy ROUX de BÉZIEUX);</li> <li>the appointment of two new non-voting members of the Supervisory Board (Messrs LV Haitao and Alexandre OSSOLA);</li> <li>the Chairman's Report on governance and internal control procedures;</li> <li>the compensation policy for members of the Managing Board, including an exceptional-compensation principle;</li> <li>a performance share plan;</li> <li>the share buyback programme;</li> <li>"say on pay" resolutions submitted to the SGM;</li> <li>the Chairman and Management Board succession plan.</li> </ul>
LIU Weidong			
Catherine BRADLEY	√		
Louis GALLOIS	√		
Pamela KNAPP	√		
Marie-Hélène PEUGEOT RONCORONI			
Anne GUERIN			
Bénédicte JUVAUX			
<b>Percentage of independent directors: 57%</b>			



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 2017
Catherine BRADLEY (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 net profit and setting of the dividend submitted by the Managing Board.</li> <li>➤ Periodically reviewing the Group's financial position and financing.</li> </ul>	<p>Six meetings in 2017 with an attendance rate of 97%. The work of the Committee included:</p> <ul style="list-style-type: none"> <li>➤ the 2016 consolidated and half-yearly financial statements, and the financial statements for the first half-year of 2017;</li> <li>➤ regular monitoring of the Group's financial situation;</li> <li>➤ monitoring the financial rating of the Group companies;</li> <li>➤ regular review of the medium-term plan (PMT), use of the yearly budget and analysis of any differences;</li> <li>➤ the Group's financial communication media;</li> <li>➤ internal control and compliance, the "Top Group Risks" mapping and the 2018 audit plan;</li> <li>➤ the Ethics and Compliance Committee's 2017 Report and the Competition compliance programme;</li> <li>➤ the proceedings of the Groupe PSA Audit and Risk Management Department;</li> <li>➤ the Groupe PSA Finance and Audit Committee's charter on authorisation for non-audit services;</li> <li>➤ the acquisition of Opel Vauxhall and the issue of share subscription warrants;</li> <li>➤ Peugeot S.A.'s share ownership structure;</li> <li>➤ the authorisation for the annual limit on Peugeot S.A.'s power to give deposits, and issue endorsements and guarantees.</li> </ul>
Pamela KNAPP	√		
Anne GUÉRIN			
Robert PEUGEOT			
Geoffroy ROUX de BEZIEUX	√		
AN Tiecheng			
Bénédicte JUYAUX			

**Percentage of independent directors: 50%**

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. Mme Catherine BRADLEY is the Chairman of the Committee, and she has the required qualities, particularly as regards her role on the Board of the Financial Conduct Authority. 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 internal rules of the Finance and Audit Committee were updated in 2016 in light of the innovations introduced by the Ordonnance 2016-315 of 17 March 2016 transposing the European reform of the audit.

## The Asia Business Development Committee

Membership	Independent	Main roles	Principal tasks in 2017
AN Tiecheng (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 is consistent 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 Groupe PSA 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.</p> <p>The Committee meets when a project concerning the Asian market requires the advance authorisation of the Supervisory Board.</p>	<p>Two meetings in 2017 with an attendance rate of 92%.</p> <p>The work of the Committee included:</p> <ul style="list-style-type: none"> <li>the Chinese market;</li> <li>the Asia strategy and the medium-term plan;</li> <li>the associated action plans;</li> <li>earnings of the Chinese joint ventures.</li> </ul>
Helle KRISTOFFERSEN	√		
Jean-François KONDRATIUK			
Marie-Hélène PEUGEOT RONCORONI			
Henri Philippe REICHSTUL	√		
Daniel BERNARD			

**Percentage of independent directors: 40%**



## 3.1.4 Disclosures on the situation of members of the Supervisory Board and Managing Board

### 3.1.4.1. FAMILY RELATIONSHIPS

Marie-Hélène PEUGEOT RONCORONI, Robert PEUGEOT and Frédéric BANZET are cousins. There are no family ties among the other Supervisory Board or Managing Board members.

### 3.1.4.2. CONFLICTS OF INTEREST

The corporate officers have declared that no conflicts of interest arose during fiscal 2017 between their obligations to Peugeot S.A. and their personal interests or other obligations, and that none existed at the date of this Registration Document.

On 28 February 2018, the Supervisory Board reviewed possible business relationships between corporate officers and the Group. On the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board concluded that these business relationships were not material (for further details, please refer to Section 3.1.2.5.)

No loans or guarantees have been granted to or on behalf of any members of the Supervisory Board or Managing Board by the Company or any Group entities.

No assets required for the operation of the business are owned by any members of the Supervisory Board or Managing Board or their families.

This section will give you further details on the rules for preventing conflicts of interest, as laid down in the Supervisory Board Internal Rules.

### 3.1.4.3. SERVICE CONTRACTS PROVIDING FOR BENEFITS UPON TERMINATION OF EMPLOYMENT

None of the members of the Supervisory Board or Managing Board have service contracts with Peugeot S.A. or any of its subsidiaries providing for benefits upon termination of employment.

### 3.1.4.4. STATEMENTS BY MEMBERS OF THE SUPERVISORY BOARD AND MANAGING BOARD

All corporate officers have declared, as they do every year, that none of them has been:

- convicted of any fraudulent offence in the last five years;
- a corporate officer of a company that has been in bankruptcy, receivership or liquidation in the last five years;
- the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

### 3.1.5. Trading in the Company's securities by corporate directors and officers and their close relatives

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code, the following transactions in the Company's securities by corporate directors and officers and their close relatives were declared:

Date of transaction	Name and position	Type of transaction	Securities concerned	Unit price	Transaction amount
8 March 2017	SAPAR SA, a legal entity with links to Mrs Marie-Hélène PEUGEOT RONCORONI, Legal representative of EPF, Member of the Supervisory Board	Purchase	Share purchase warrant(s)	€4.69	€14.00
8 March 2017	SAPAR SA, a legal entity with links to Mrs Marie-Hélène PEUGEOT RONCORONI, Legal representative of EPF, Member of the Supervisory Board	Exercise	Share purchase warrant(s)	€6.42	€1,874,976.00

### 3.1.6. Application of the AFEP-MEDEF Corporate Governance Code

The table below summarises the recommendations of the AFEP-MEDEF Code which the Company has decided not to apply:

Relevant recommendation	Explanation
Representative part of independent members of the Finance and Audit Committee (Art. 15.1)	Fifty per cent 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.

### 3.1.7. Attendance of shareholders at Peugeot S.A. Shareholders' General Meetings and publication of information which may have an impact in the event of a Public Tender Offer for the Company's shares

The information concerning the attendance of shareholders at Shareholders' General Meetings and the information referred-to in Article L. 225.37-5 of the French Commercial Code concerning the Company's share capital are set out in section 7 of this Registration Document.

Pursuant to Article L. 225-37-5 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.

## 3.2. COMPENSATION OF CORPORATE OFFICERS

This chapter was drawn up with the support of the Appointments, Compensation and Governance Committee, which takes care to adhere to the recommendations of the AFEP-MEDEF Code according to its version of November 2016. It was approved by the Supervisory Board on 28 February 2018.

This chapter includes information on the principles and criteria used for determining, distributing and allocating the components which make up the overall compensation and fringe benefits attributable to the Chairman of the Managing Board, the members of the Managing Board and the members of the Supervisory Board.

These principles and criteria are defined by the Supervisory Board and constitute the compensation policy applicable to the Company's corporate officers, as submitted to the approval of the Shareholders' General Meeting of 24 April 2018 (**eleventh to fifteenth resolutions**), pursuant to Article L. 225-82-2 of the French Commercial Code, as arising from Act No. 2016-1691 of 9 December 2016, termed the "Sapin 2" Act.

This chapter also reports on the components of overall remuneration and fringe benefits paid or awarded to the Executive Directors of the Managing Board in respect of the elapsed financial year, according to the compensation policy which was approved by decision of the 2017 Shareholders' General Meeting.

These components are submitted to the approval of the Shareholders' General Meeting on 24 April 2018 (**sixteenth to twentieth resolutions**), pursuant to Article L. 225-100 of the French Commercial Code, as arising from Act No. 2016-1691 of 9 December 2016, termed the "Sapin 2" Act.

### 3.2.1. Principles and criteria for determining the compensation for the members of the Managing Board and its President

The Supervisory Board determines all the components of the compensation for the executive corporate officers, on a proposal by the Appointments, Compensation and Governance Committee, taking into account the principles of exhaustiveness, balance, comparability, consistency, readability and proportionality recommended by the AFEP-MEDEF Corporate-Governance Code.

The Supervisory Board wishes the policy of compensation for members of the Managing Board to be defined having regard to the Group's growth and development strategy and wishes that policy to provide the incentive to fulfilment of the short- and long-term growth targets which must be and are shared among the members of the Managing Board and the Group employees.

The compensation policy is designed by the Supervisory Board to be competitive with the compensation policies adopted by other companies in the same industry, in Europe and elsewhere, in order to motivate and retain in the Group our finest talents.

Please also note that, should a member of the Managing Board be appointed after the Shareholders' Meeting, his or her compensation will be determined by the Supervisory Board in accordance with the principles and criteria approved by the Shareholders' General Meeting, or with current practices for the exercise of similar functions, adapted as appropriate when such person is performing

new functions or is appointed to office with no equivalent in the previous year.

The components of overall compensation attributable to each of the members of the Managing Board are set out as follows:

#### FIXED COMPENSATION

The annual fixed compensation of the Chairman of the Managing Board and of the members of the Managing Board is determined on the basis of experience and expertise and of the responsibilities taken on by each of them.

In accordance with the AFEP-MEDEF Code, the Supervisory Board changes the fixed compensation of the members of the Managing Board only after a relatively long time interval, and only in the event of a significant change in the scope of responsibilities or of a high discrepancy compared with the positioning on the market.

For information, for 2018, the fixed annual compensation of Carlos TAVARES, Chairman of the Managing Board, amounts to €1,500,000, that of Jean-Baptiste CHASSELOUP de CHATILLON to €680,000, that of Maxime PICAT, to €710,000, and that of Jean-Christophe QUÉMARD to €650,000.

The amount of the fixed remuneration of the members of the Managing Board and its President has been revised for the first time this year, since 2009.

For information, if a member of the Managing Board is required to carry out duties from abroad, he or she may enjoy conditions for expatriation in accordance with the relevant Group policy.

#### ANNUAL VARIABLE COMPENSATION

It is designed to align the compensation paid to members of the Managing Board with the Group's annual performance and to contribute year on year to the implementation of its strategy.

The rules for setting annual variable compensation have remained unchanged for 2018.

In accordance with the recommendations of the AFEP-MEDEF Code (paragraph 24.3.2), the variable compensation is expressed as a percentage of fixed annual compensation; hence, for the Chairman of the Managing Board, the maximum variable compensation may be a target 170% of the fixed compensation; for the other members of the Managing Board, it may be a target 125% of their fixed compensation.

Furthermore, in order to have a variable compensation structure consistent with the large majority of market practices, and to reward outperformance, compensation for exceeding targets has been introduced. From 2017 onwards, the outperformance rate for the Chairman of the Managing Board and for the other members of the Managing Board are aligned, with compensation of up to 122% for collective Group targets. Consequently, in the event that all collective Group targets are exceeded, additional compensation may be granted. This would bring the maximum variable compensation from 170% to 200% for the Chairman of the Managing Board, and from 125% to 147% for its other members.

Based on the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board determines at the beginning of the year precise, ambitious qualitative and quantitative targets for the current financial year, after acquainting itself with the Company's medium-term strategy and activity.



## Precise, pre-established, ambitious objectives

As for all employees of Groupe PSA (not including Opel Vauxhall) who receive variable compensation, a double trigger threshold based on operating free cash flow and Automotive Division of Groupe PSA recurring operating income for the upcoming year determines the payment of individual and collective targets.

Collective Group targets, of which there are at least two, represent 80% of the maximum variable part. They consist of at least one economic performance and at least one quality-related criterion. A trigger threshold determines their payment.

Targets specific to each Executive Director of the Managing Board represent 20% of the maximum variable part. They are established

in relation to the respective executive functions of the members of the Managing Board, and there are at least two of them. They are chiefly based on economic performance, with the understanding that at least one corporate social responsibility criterion is assigned to the Chairman of the Managing Board.

Quantifiable targets take precedence over qualitative targets. The criteria are defined in a precise manner.

The trigger threshold and the level of achievement required for each of these criteria are established by reference to the corresponding budget items.

Below are detailed the targets set for the members of the Managing Board, for 2018, for purposes of determining the variable element:

Threshold distribution/Targets	Thresholds/targets	Type of criterion
<b>Double trigger threshold</b>	Automotive Division recurring operating income (loss)	Economic performance
	Operational free cash flow for 2018 of manufacturing and sales companies (excluding restructuring and non-recurring items)	Economic performance

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part
<b>Collective targets ("OCG"), representing 80% of the maximum variable part</b>	Automotive Division Operating Margin (40% of the collective target)	Economic performance	32%
	Group Operational Free Cash Flow (40% of the collective target)	Economic performance	32%
	Group World Automotive quality failure rate (10% of collective Group targets)	Corporate Social Responsibility	8%
	Group sales points recommendation rate (10% of collective Group targets)	Corporate Social Responsibility	8%

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part
<b>Targets specific to each Executive Director of the Managing Board, representing 20% of the maximum variable portion</b>			
Carlos TAVARES, Chairman of the Managing Board:	› Aggregate invoiced amounts arising from manufacturing by JVs in China	Economic performance	7,5%
	› China JV recurring operating income (loss)	Economic performance	7,5%
	› Workplace safety	Corporate Social Responsibility	2.5%
	› Percentage of women in the Group Top Management	Corporate Social Responsibility	2.5%
Jean-Baptiste CHASSELOUP de CHATILLON:	› Results from Parts and Services	Economic performance	10%
	› Recurring operating income (loss) from used vehicle activity	Economic performance	10%
Maxime PICAT:	› Europe Region recurring operating income (loss)	Economic performance	10%
	› Market share of Europe registrations	Economic performance	10%
Jean-Christophe QUÉMARD:	› Africa Middle East Region Recurring Operating Income	Economic performance	10%
	› Africa Middle East Region worldwide sales volume	Economic performance	10%

The figures are not made public for confidentiality reasons.

## ANNUAL VARIABLE COMPENSATION

No multi-year compensation scheme giving rise to payment in cash was adopted for the 2018 financial year.

## LONG-TERM COMPENSATION (PERFORMANCE SHARE AWARD POLICY)

Performance share award plans are set up each year to encourage members of the Managing Board to factor in the long-term consequences of their actions, to maintain their loyalty and encourage the alignment of their interests with corporate interests and the interests of the shareholders. This is part of an overall plan intended for several hundreds of senior and executive managers of the Group, pursuant to the authorisation to award performance shares to employees and to senior and executive managers, given by the Shareholders' General Meeting.

On the basis of the currently-applicable authorisation, given by the Shareholders' General Meeting of 27 April 2016 (14<sup>th</sup> resolution), the number of shares may be awarded to members of the Managing Board may not exceed 0.15% of the share capital over a 26-month period. As a reminder, this sub-limit is part of an overall limit on performance share awards, of 0.85% of the share capital.

Pursuant to this authorisation, the performance shares awarded to their beneficiaries vest upon completion of a period set by the Managing Board that may not be less than three years; the final number of shares that vest being determined over a performance measurement period of three consecutive years. The Managing Board is free to decide whether or not to set a lock-up period.

Vesting is subject to at least two performance conditions set by reference to targets internal and/or external to the Group and connected with the Group's strategic plan. None, some or all of the shares will vest, depending on the degree to which the performance objectives defined under the performance share grant are met.

The Registration Document includes, for each plan, information on vested shares and information on zero, partial or total achievement for each performance condition.

The performance share plan targets are consistent with their contribution to the Group's strategic objectives over the performance measurement period.

Each grant will include, for each member of the Managing Board:

- members of the Managing Board keep, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period;
- members of the Managing Board refrain from carrying out transactions to hedge their risk on the awarded shares.

The lock-up condition mentioned above, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of his gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

The Supervisory Board may, when they are granted, include a provision authorising it to decide whether or not to maintain the shares not yet vested on the departure of the beneficiary.

## Performance share award plan for 2018 (Plan LTI 2018)

Following its decision on 28 February 2018, the Supervisory Board decided to award performance shares to members of the Managing Board pursuant to the authorisation of the Shareholders' Meeting on 27 April 2016 (14<sup>th</sup> resolution).

This free share allocation plan covers several hundred senior and executive managers of the Group, for a total of 2,700,000 shares (representing 0.30% of the share capital at 31 December 2017). Concerning awards to members of the Managing Board, the plan provides for the award of 130,000 performance shares to the Chairman of the Managing Board and 60,000 such shares to each of the other members of the Managing Board.

Final vesting of the whole of the shares shall be subject to a quantitative performance condition, namely the average for 2018 - 2020 of the Group Automotive recurring operating margin.

The Supervisory Board has introduced a limit on the number of performance shares to be granted to Executive Directors of the Managing Board. The valuation of the shares, on the date of their allocation, may not exceed, for the 2018 financial year, 60% of the fixed compensation and the variable compensation.

The shares vest in two tranches, with 50% vesting after three years and 50% after four years.

The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2018-2020).

This plan does not include a lock-up period.

The performance share award also carries an obligation for each member of the Managing Board to keep and to hedge the shares in accordance with Group Policy.

## EXCEPTIONAL COMPENSATION

The Supervisory Board decided to introduce a principle of awarding an exceptional compensation component awarded subject to a performance condition and in case of exceptional performance.

By its resolution of 24 October 2017, the Supervisory Board decided to award exceptional compensation to Messrs Carlos TAVARES, Chairman of the Managing Board, and Jean-Baptiste CHASSELOUP de CHATILLON, member of the Managing Board and Group Chief Financial Officer, having regard to the office they hold and their exceptional contribution for the 2017 financial year.

This resolution to award exceptional compensation for 2017 is warranted by those gentlemen's decisive contribution to the achievement of an exceptional event of importance to Groupe PSA during that period, namely the development of the "PACE!" recovery plan for Opel Vauxhall in only 100 days, following finalisation of that entity's acquisition by the Group on 1 August 2017.

The PACE! recovery plan is an ambitious plan launched in 2017, to cover the next three financial years (2018-2020). This plan is designed to restore Opel Vauxhall's economic fundamentals, and restore it to sustainable competitiveness and growth, with the aim of paving the way for Opel to generate positive Operating Free Cash Flow and a 2% recurring operating margin for the Automotive Division by 2020.

The success in recovering the Opel Vauxhall finances as provided in this plan closely involves the work of Messrs TAVARES and CHASSELOUP de CHATILLON.

Accordingly, the shareholders shall be asked to vote on the proposal for adjusting the compensation policy for 2017 by introducing an exceptional compensation component for the Chairman of the Managing Board and one of that Board's members (**eleventh and twelfth resolutions**).





## CORPORATE GOVERNANCE

### Compensation of Corporate Officers

This exceptional compensation is made up of four parts, each relating to the financial years 2017, 2018, 2019 and 2020 respectively:

- i) the award of this first part, as set out above, was dependent on the development and institution of this ambitious recovery plan before the end of the 2017 financial year;
- ii) whether the other three parts are actually awarded, one for each of the financial years 2018, 2019 and 2020, will depend on the achievement of quantitative goals set in the PACE! recovery plan for each of these three financial years.

By this resolution, the Supervisory Board wished first, to involve Carlos TAVARES and Jean-Baptiste CHASSELOUP de CHATILLON in the achievement of the goals relating to the restoration of the economic fundamentals of Opel Vauxhall, which entity will contribute to the profitable growth of Groupe PSA in the years to come. Secondly, the Board wished to give them an incentive to make the "PACE!" recovery plan succeed.

Pursuant to Article L. 225-100 of the French Commercial Code, payment of this compensation will be subject to the passing by the shareholders of the resolution approving the compensation components.

### PENSION SCHEME

A new annual defined-contribution pension system is in place since 1 January 2016, for Executive Directors of the Managing Board and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective with effect from 31 December 2015. The scheme is described in detail below. The scheme as a whole was authorised by the Supervisory Board in accordance with the procedure for regulated agreements and commitments and was submitted, on the Statutory Auditors' Special Report, to the shareholders' approval at the Shareholders' General Meeting of 27 April 2016 (fourth resolution) and, since the appointments of the Managing Board's members were due for renewal during the 2017 financial year, it was re-submitted to the approval of the Shareholders' General Meeting on 10 May 2017 (fourth<sup>th</sup> resolution).

Under the new system, the Company no longer offers guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance. The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance.

### OTHER COMPENSATION OR BENEFITS

The only benefits in kind provided to Managing Board members are a company car and medical insurance.

There is no other compensation or fringe benefit other than those stated in Section 3.2.1. There is no particular commitment to the members of the Managing Board, past or present, concerning benefits due upon the completion of their term (including end-of-term or non-compete indemnities).

### SUSPENSION OF THE EMPLOYMENT CONTRACT

No member of the Managing Board performs any salaried duties in the Group. Carlos TAVARES does not hold an employment contract.

The employment contracts of Jean-Baptiste CHASSELOUP de CHATILLON, Maxime PICAT and Jean-Christophe QUÉMARD have been suspended.

This suspension was justified by their considerable length of service as employees within the Group.

### 3.2.2. Principles and criteria for determining the compensation for the members of Supervisory Board and its President

#### COMPENSATION FOR THE CHAIRMAN OF THE SUPERVISORY BOARD

The compensation for the Chairman of the Supervisory Board was set by the Supervisory Board, having regard to Louis GALLOIS' role within the Board, and in view of his experience and expertise.

The amounts of that compensation have remained unchanged since 2014, including the 2017 financial year.

For 2018, the annual fixed compensation of Louis GALLOIS, Chairman of the Supervisory Board, amounts to €300,000.

#### THE ANNUAL OVERALL AMOUNT OF ATTENDANCE FEES AND RULES FOR THEIR ALLOCATION WITHIN THE SUPERVISORY BOARD

Supervisory Board members and the non-voting members of the Supervisory Board receive annual attendance fees of an overall amount determined in advance by the Supervisory Board and authorised each year by the Shareholders' General Meeting. The method of allocation, as determined by the Supervisory Board, takes account of the effective attendance of the members at meetings of that Board and of the specialist committees.

Since 2016, the Supervisory Board has introduced a predominant variable portion in the attendance fees, in accordance with the recommendations of the AFEP-MEDEF Code (paragraph 20).

The overall annual amount of the attendance fees is €1.1 million.

This total annual amount is used to allocate to each member of the Supervisory Board a fixed portion in compensation for each member's attendance at and contribution to the meetings of the Board and of the Committees, together with a variable portion to reflect actual attendance at meetings.

Allowances in addition to these items are awarded to the Chairmen of each of the committees, in compensation for their preparation and superintendence of those committees' proceedings.

Additional attendance fees, to within €40,000 are allocated to the Vice-Chairmen.

On a decision of the Supervisory Board, the attendance fees are apportioned as follows:

For attendance at Board meetings:	For attendance at committee meetings:	Chairmanship of a committee:	For non-voting member of the Supervisory Board:
<ul style="list-style-type: none"> <li>› fixed part: €16,000;</li> <li>› variable part: €24,000 if 100% of meetings are attended*, prorated for absences.</li> </ul>	<ul style="list-style-type: none"> <li>› fixed part: €6,000;</li> <li>› variable part: €9,000 if 100% of meetings are attended*, prorated for absences.</li> </ul>	<p>Chairman of the Finance and Audit Committee:</p> <ul style="list-style-type: none"> <li>› fixed part: €12,000;</li> <li>› variable part: €18,000 if 100% of meetings are attended*, prorated for absences.</li> </ul> <p>Chairmanship of other committees:</p> <ul style="list-style-type: none"> <li>› fixed part: €8,000;</li> <li>› variable part: €12,000 if 100% of meetings are attended*, prorated for absences.</li> </ul>	<ul style="list-style-type: none"> <li>› fixed part: €8,000;</li> <li>› variable part: €12,000 if 100% of meetings are attended*, prorated for absences.</li> </ul>

\* Including attendance by audio-conference or video conference.

In the event of the total amount of €1.1 million being exceeded during a given year, a reduction coefficient may be applied to the amount of the attendance fees attributable to members and non-voting members of the Supervisory Board.

For terms of office expiring, or appointments to office during the year, entitlement to the fixed portion of the attendance fees is prorated, while entitlement to the variable portion is calculated on the basis of the total number of meetings during the year.

Apart from the above-mentioned compensation and director's fees, no other compensation is paid to the members of the Supervisory Board.

No benefits in kind have been awarded to Supervisory Board members, with the exception of a company car provided for the Chairman. The Company reimburses the members of the Supervisory Board the expenses incurred for the performance of their duties.

### 3.2.3. Components of compensation and benefits allocated to Executive Directors for the financial year 2017

Pursuant to Article L. 225-100 of the French Commercial Code, arising from Act No. 2016-1691 of 9 December 2016 termed the "Sapin 2" Act, the shareholders' approval is required for components of compensation and fringe benefits due or allocated in respect of the elapsed financial year to the Chairman of the Managing Board (**sixteenth resolution**), to the members of the Managing Board (**seventeenth to nineteenth resolutions**), and to the Chairman of the Supervisory Board of the Company (**twentieth resolution**).

These components of compensation which, in accordance with Article L 225-68 of the French Commercial Code, are included in this report by the Supervisory Board on corporate governance, are presented in the Report by the Managing Board on the draft resolutions, to be found in Section 8 of this Registration Document, and in the Brochure containing the Notice of the Shareholders' General Meeting on 24 April 2018.

The details of compensation for the members of the Managing Board and for the members of the Supervisory Board are included respectively in Section 3.2.4 and Section 3.2.5.



### 3.2.4. Details of the compensation for Members of the Managing Board (tables of AFEP-MEDEF Code)

#### TABLES SUMMARISING COMPENSATION, OPTIONS AND PERFORMANCE SHARES ALLOCATED TO THE MEMBERS OF THE MANAGING BOARD (TABLE NO. 1, AFEP-MEDEF CODE)

<b>Carlos TAVARES – Chairman of the Managing Board</b>	<b>Financial year 2016</b>	<b>Financial year 2017</b>
Compensation due in respect of the financial year (detailed in table No. 2 below)	€3,320,580	€4,707,934
Sub-total (annual compensation)	€3,320,580	€4,707,934
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	130,000 shares valued at €1,385,800* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	130,000 shares valued at €1,999,400* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	1,385,800*	1,999,400*
Value of other long-term compensation plans	N/A	N/A
<b>TOTAL</b>	<b>4,706,380</b>	<b>6,707,334</b>

\* Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to a compensation actually received in respect of this financial year.

<b>Jean-Baptiste CHASSELOUP de CHATILLON – Member of the Managing Board Chief Financial Officer Information Systems Executive Director</b>	<b>Financial year 2016</b>	<b>Financial year 2017</b>
Compensation due in respect of the financial year (detailed in table No. 2 below)	€1,320,198	€1,885,720
Sub-total (annual compensation)	€1,320,198	€1,885,720
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	60,000 shares valued at €639,600* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	60,000 shares valued at €922,800* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	€639,600*	€922,800*
Value of other long-term compensation plans	N/A	N/A
<b>TOTAL</b>	<b>€1,959,798</b>	<b>€2,808,520</b>

\* Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to a compensation actually received in respect of this financial year.

<b>Maxime PICAT – Member of the Managing Board Executive Vice-President, Europe</b>	<b>Financial year 2016</b>	<b>Financial year 2017</b>
Compensation due in respect of the financial year (detailed in table No. 2 below)	€432,626	€1,403,810
Sub-total (annual compensation)	€432,626	€1,403,810
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	40,000 shares valued at €476,000 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	60,000 shares valued at €922,800* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	476,000*	922,800*
Value of other long-term compensation plans	N/A	N/A
<b>TOTAL</b>	<b>€908,626</b>	<b>€2,326,610</b>

\* Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to a compensation actually received in respect of this financial year.

<b>Jean-Christophe QUÉMARD – Member of the Managing Board Executive Vice-President, Africa – Middle-East</b>	<b>Financial year 2016</b>	<b>Financial year 2017</b>
Compensation due in respect of the financial year (detailed in table No. 2 below)	€1,340,592	€1,485,184
Sub-total (annual compensation)	€1,340,592	€1,485,184
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	60,000 shares valued at €639,600* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	60,000 shares valued at €922,800* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	€639,600*	€922,800*
Value of other long-term compensation plans	N/A	N/A
<b>TOTAL</b>	<b>€1,980,192</b>	<b>€2,407,985</b>

\* Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to a compensation actually received in respect of this financial year.

## TABLES SUMMARISING COMPENSATION PAID TO MEMBERS OF THE MANAGING BOARD (TABLE NO. 2 OF THE AFEP-MEDEF CODE)

	<b>Amounts for financial year 2016 in €</b>		<b>Amounts for financial year 2017 in €</b>	
<b>Carlos TAVARES – Chairman of the Managing Board</b>	<b>Due</b>	<b>Paid in 2016</b>	<b>Due</b>	<b>Paid in 2017</b>
Fixed compensation	1,300,000	1,300,000	1,300,000	1,300,000
Variable compensation	2,016,618	1,930,500	2,403,954	2,016,618
Exceptional compensation	-	-	1,000,000	-
Company car	2,796	2,796	2,796	2,796
Medical insurance benefit	1,166	1,166	1,184	1,184
<b>TOTAL</b>	<b>3,320,580</b>	<b>3,234,462</b>	<b>4,707,934</b>	<b>3,320,598</b>

\* Employer contributions included in gross compensation pursuant to Act No. 2013-1278 of 20 December 2013.



## CORPORATE GOVERNANCE

### Compensation of Corporate Officers

<b>Jean-Baptiste CHASSELOUP de CHATILLON – Member of the Managing Board Chief Financial Officer Information Systems Executive Director</b>	<b>Amounts for financial year 2016 in €</b>		<b>Amounts for financial year 2017 in €</b>	
	<b>Due</b>	<b>Paid in 2016</b>	<b>Due</b>	<b>Paid in 2017</b>
Fixed compensation	618,000	618,000	618,000	618,000
Variable compensation	698,236	679,800	763,740	698,236
Exceptional compensation	-	-	500,000	-
Company car	2,796	2,796	2,796	2,796
Medical insurance benefit	1,166	1,166	1,184	1,184
<b>TOTAL</b>	<b>1,320,198</b>	<b>1,301,762</b>	<b>1,885,720</b>	<b>1,320,216</b>

\* Employer contributions included in gross compensation pursuant to Act No. 2013-1278 of 20 December 2013.

<b>Maxime PICAT – Member of the Managing Board Executive Vice-President, Europe</b>	<b>Amounts for financial year 2016 in €</b>		<b>Amounts for financial year 2017 in €</b>	
	<b>Due</b>	<b>Paid in 2016</b>	<b>Due</b>	<b>Paid in 2017</b>
Fixed compensation	206,000	206,000	618,000	618,000
Variable compensation	225,489	-	782,388	225,489
Exceptional compensation	-	-	-	-
Company car	932	932	2,796	2,796
Medical insurance benefit	205	205	626	626
<b>TOTAL</b>	<b>432,626</b>	<b>207,137</b>	<b>1,403,810</b>	<b>846,911</b>

\* Employer contributions included in gross compensation pursuant to Act No. 2013-1278 of 20 December 2013.

<b>Jean-Christophe QUÉMARD – Member of the Managing Board Executive Vice-President, Africa – Middle-East</b>	<b>Amounts for financial year 2016 in €</b>		<b>Amounts for financial year 2017 in €</b>	
	<b>Due</b>	<b>Paid in 2016</b>	<b>Due</b>	<b>Paid in 2017</b>
Fixed compensation	618,000	618,000	618,000	618,000
Expatriation allowance	-	-	23,175	23,175
Variable compensation	718,630	679,800	840,325	718,630
Exceptional compensation	-	-	-	-
Company car	2,796	2,796	2,796	2,796
Medical insurance benefit	1,166	1,166	888	888
<b>TOTAL</b>	<b>1,340,592</b>	<b>1,301,762</b>	<b>1,485,184</b>	<b>1,363,489</b>

\* Employer contributions included in gross compensation pursuant to Act No. 2013-1278 of 20 December 2013.

For information, Carlos TAVARES and Jean-Baptiste CHASSELOUP de CHATILLON did not receive in 2017 attendance fees for their positions on the Boards of Faurecia and Opel Automobiles GmbH. In the same way, Mr. Maxime PICAT did not receive in 2017 attendance fees for his membership of the Board of Opel Automobiles GmbH.

## Variable part and level of achievement of targets in 2017

On 28 February 2018, the Supervisory Board discussed, on the basis of the recommendations of the Appointments, Compensation and Governance Committee, the performance of the members of the Managing Board, in their absence.

Achievement of trigger thresholds and targets:

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Trigger threshold
<b>Double trigger threshold</b>	Automotive Division recurring operating income	Economic performance	Attained
	Operational free cash flow for 2017 of the manufacturing and sales companies (excluding restructuring and non-recurring items)	Economic performance	Attained

\* This trigger threshold is common to all Group employees who receive a variable element.

The figures are not made public for confidentiality reasons

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable element	Trigger threshold	Percentage of target met
<b>Collective targets representing 80% of the maximum variable part</b>	Automotive Division operating margin (40% of the collective target)	Economic performance	32%	Attained	122%
	Automotive Division revenue growth (40% of the collective target)	Economic performance	32%	Attained	122%
	Group World Automotive quality failure rate (10% of collective Group targets)	Corporate Social Responsibility	8%	Attained	31%
	Group sales points recommendation rate (10% of the collective target)	Performance	8%	Attained	103%

The figures are not made public for confidentiality reasons.

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part	Trigger threshold	Percentage of target met
<b>Targets specific to each member of the Managing Board, representing 20% of the maximum variable element</b>					
Carlos TAVARES, Chairman of the Managing Board:	▶ Group Recurring Operating Income	Economic performance	10%	Attained	100%
	▶ Total lost-time occupational accident frequency rate	Corporate Social Responsibility	10%	Attained	100%
Jean-Baptiste CHASSELOUP de CHATILLON:	▶ Results from Parts and Services	Economic performance	10%	Attained	100%
	▶ Used vehicle activity recurring operating income	Economic performance	10%	Attained	0.9%
Maxime PICAT:	▶ Europe region recurring operating income	Economic performance	10%	Attained	100%
	▶ Market share of Europe registrations	Economic performance	10%	Attained	25%
Jean-Christophe QUÉMARD:	▶ Africa Middle East Region Recurring Operating Income	Economic performance	10%	Attained	100%
	▶ Africa Middle East Region worldwide sales volume	Economic performance	10%	Attained	100%

The figures are not made public for confidentiality reasons.

The variable proportions to be allocated to each member of the Managing Board were set at the Supervisory Board meeting on 28 February 2018 on the basis of both the targets previously

defined when establishing the policy for compensation applicable in respect of the financial year 2017, for each of the members of the Managing Board, and the percentage achievement of those targets, as illustrated below:

Members of the Managing Board	Percentage of target achievement	Amount of variable part attributed	Variable compensation achieved (as a percentage of fixed compensation)	Maximum variable compensation (as a percentage of fixed compensation)
Carlos TAVARES, Chairman of the Managing Board	108.78%	€2,403,954	184.92%	200%
Jean-Baptiste CHASSELOUP de CHATILLON	98.87%	€763,740	123.47%	147%
Maxime PICAT	101.28%	€782,388	126.60%	147%
Jean-Christophe QUÉMARD	108.78%	€840,325	135.98%	147%

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE DIRECTOR OF THE MANAGING BOARD (TABLE NO. 4, AFEP-MEDEF CODE)

No stock subscription or purchase option plan is in effect.

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE DIRECTOR OF THE MANAGING BOARD (TABLE NO. 5, AFEP-MEDEF CODE)

Nil.

## PERFORMANCE SHARES AWARDED DURING THE YEAR TO EACH EXECUTIVE DIRECTOR OF THE MANAGING BOARD BY THE COMPANY AND ANY COMPANY IN THE GROUP (TABLE NO. 6, AFEP-MEDEF CODE)

(list of names)	No. and date of plan	Number of shares granted during the year	Value of the options based on the method used in the consolidated financial statements	Vesting date	Availability date	Performance conditions
Carlos TAVARES	No. 2017 22/02/2017	130,000	1,999,400	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	(1)
Jean Baptiste CHASSELOUP de CHATILLON	No. 2017 22/02/2017	60,000	922,800	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	(1)
Maxime PICAT	No. 2017 22/02/2017	60,000	922,800	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	(1)
Jean Christophe QUÉMARD	No. 2017 22/02/2017	60,000	922,800	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	(1)

(1) Conditions for the 2017 performance share award plan (Plan LTI 2017).

The Supervisory Board, at its meeting on 22 February 2017, decided to award performance shares to the members of the Managing Board (Plan LTI 2017), and pursuant to the authorisation of the Shareholders' Meeting on 27 April 2016 (i.e. the Shareholders' General Meeting held after the Macron Act of 6 August 2015).

Under this LTI 2017 Plan, the Supervisory Board resolved on the allocation of 130,000 performance shares to the Chairman of the Managing Board, and of 60,000 such shares to the other members of the Managing Board. These performance share awards are part of

an overall plan encompassing several hundreds of senior and executive managers of the Group, for a total of 2,693,000 shares (representing 0.31% of the share capital).

The shares vest in two tranches, with 50% vesting after three years and 50% after four years.

The final number of shares that vest at the end of each vesting period will be determined over a performance period of three consecutive years (2017-2019).

The final vesting of the performance shares is subject to the following performance conditions:

**Fractions of shares of each vesting period**  
(each fraction = 50% of shares of the vesting period)

	Type of performance objective	Trigger threshold	Attainment
Fraction 1	Recurring Operating Margin Automotive Division 2017-2019	The principle: a trigger threshold consistent with the "Push to Pass" target. If the trigger threshold is reached, 50% of the shares corresponding to the fraction 1 will vest. If the trigger threshold is not reached, neither shares in this Fraction nor in the Fraction 2 will vest.	The principle: required attainment exceeds "Push to Pass" target. Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction 1 if this target is met.
Fraction 2	Revenue growth for the Group in 2019 as compared with 2016 (at constant exchange rates)	The principle: a trigger threshold consistent with the "Push to Pass" target. If the trigger threshold is reached, 50% of the shares corresponding to the fraction 2 will vest. If the trigger threshold is not reached, no shares in the Fraction 2 will vest.	The principle: required attainment exceeds "Push to Pass" target. Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction 2 if this target is met.

The figures are not made public for confidentiality reasons.

This plan does not include a lock-up period.

This grant includes, for each member of the Managing Board:

- an obligation to retain, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period;
- a commitment to refrain from carrying out transactions to hedge their risk on the awarded shares.

These vesting and lock-up conditions, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of his gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

## PERFORMANCE SHARES VESTING DURING THE YEAR FOR EACH EXECUTIVE DIRECTOR OF THE MANAGING BOARD (TABLE NO. 7, AFEP-MEDEF CODE)

No performance shares under the plans implemented vested during the financial year 2017.

## RECORD OF STOCK SUBSCRIPTION OR PURCHASE OPTION PLANS; INFORMATION ON STOCK SUBSCRIPTION OR PURCHASE OPTIONS (TABLE NO. 8, AFEP-MEDEF CODE)

No stock options were granted since 2008.





## RECORD OF PERFORMANCE SHARE AWARDS (TABLE NO. 9, AFEP-MEDEF CODE)

	Plan No. 2015	Plan No. 2016	Plan No. 2017
Date of Shareholders' Meeting	24/04/13	27/04/16	27/04/16
Managing Board meeting date	27/02/15	02/06/16	10/04/17
Total number of shares granted, including the number granted to:	2,465,000	2,200,000	2,693,000
<b>The corporate officers</b>			
Carlos TAVARES	130,000	130,000	130,000
Jean-Baptiste CHASSELOUP de CHATILLON	65,000	60,000	60,000
Maxime PICAT	40,000 <sup>(1)</sup>	40,000 <sup>(1)</sup>	60,000
Jean-Christophe QUÉMARD	65,000	60,000	60,000
Vesting date of shares	31/03/17 for French tax residents 31/03/19 for non-French tax residents	03/06/19 (Fraction 1) 03/06/20 (Fraction 2)	14/04/20 (Fraction 1) 14/04/21 (Fraction 2)
End date of lock-up period	31/03/19	N/A	N/A
Performance conditions	(2)	(2)	(2)
Number of shares vested on 31/12/2017 (most recent date)	2,019,000	N/A	N/A
Number of options cancelled, expired or forfeited	67,000	33,500	31,500
Number of performance shares outstanding at year-end	379,000	2,166,500	2,661,500

(1) Free Shares allocated under the plan, to a named beneficiary before appointment to the Managing Board.

(2) Performance conditions are defined in Section 3.2.1.

## TABLE SUMMARISING LONG-TERM COMPENSATION PAID TO MEMBERS OF THE MANAGING BOARD (TABLE NO. 10 OF THE AFEP-MEDEF CODE)

None.

**TABLE OF COMMITMENTS CONCERNING MEMBERS OF THE MANAGING BOARD  
(TABLE NO. 11 OF THE AFEP-MEDEF CODE)**

	Employment contract		Supplementary pension plan <sup>(2)</sup>		Compensation or benefits due or that may be due on termination or change in position		Non-competence indemnity		Commitments under the executive pension plan at 31/12/2016 <sup>(2)</sup>	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Carlos TAVARES Chairman of the Managing Board since 31/03/2014		✓	✓			✓		✓		✓
Jean-Baptiste CHASSELOUP de CHATILLON Member of the Managing Board since 13/03/2012	✓ <sup>(1)</sup>		✓			✓		✓		✓
Maxime PICAT Member of the Managing Board since 01/09/2016	✓ <sup>(1)</sup>		✓			✓		✓		✓
Jean-Christophe QUÉMARD Member of the Managing Board since 13/03/2012	✓ <sup>(1)</sup>		✓			✓		✓		✓

(1) Employment contract suspended upon their appointment.

**(2) Pension scheme:**

A new pension system has been in place since 1 January 2016, for Executive Directors of the Managing Board and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective 31 December 2015. The service cost recognised in 2015 under the former defined benefit plan for the Group's Executive Directors and the members of the Executive Committee amounted to €5.6 million, before taking into account the reversal of the related provision due to the plan's termination. Termination of the plan led to the reversal of a €34 million provision in the 2015 consolidated financial statements, net of the cost of transitioning to the new system. The Managing Board redistributed to all employees the savings from the executive pension plan. This redistribution was in addition to the previous Group compensation and profit-sharing plans and was recognised as an expense in 2015.

Under the new system, the Company no longer offers guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation).

The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance. The combined value of the annual top-up contributions and the vested benefits described below may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). In respect of 2017, the annual top-up contribution awarded to members of the Management Board for the performance of their duties amounted to €925,988 for Carlos TAVARES, €345,435 for Jean-Baptiste CHASSELOUP de CHATILLON, €350,097 for Maxime PICAT and €364,581 for Jean-Christophe QUÉMARD (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown).

The charge recognised in 2017 for the defined-contribution pension plan for members of the Managing Board and the other Executive Committee members amounted to €4.7 million, comprised of €2.35 million paid to a pension fund and €2.35 million paid in cash to beneficiaries (taking into account a scheme based on up-front taxation).

To compensate for the loss of vested benefits accumulated up until end-2015 under the terminated defined benefit plan, plan participants were awarded a payment corresponding to the value attributed to the benefits less a deduction for age, seniority in the Group and length of participation in the plan. Based on these criteria, the payments awarded to members of the Managing Board ranged from 5% to 30% of their projected benefits under the terminated defined benefit plan. 50% of the payment was in the form of a contribution to an external fund that will be paid out when the executive concerned takes retirement, and the other 50% was in cash. Payment of the balance of entitlements is being spread over three years. Backspace, hence yearly for the Managing Board members: €470,000 for Carlos TAVARES, €332,000 for Jean-Baptiste CHASSELOUP de CHATILLON, €38,743 for Maxime PICAT and €510,000 for Jean-Christophe QUÉMARD (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown).

50% of the payment was in the form of a contribution to an external fund that will be paid out when the executive concerned takes retirement, and the other 50% was in cash. The payments are being spread over three years (2016, 2017 and 2018). The second payment was made in respect of the 2017 financial year. Each payment is conditional on the individual concerned continuing to be employed by the Group at the end of the year concerned.

Consulted prior to the implementation of the plan, the AFEP-MEDEF High Committee on corporate governance ruled that this plan complied with the recommendations set out in the AFEP-MEDEF Corporate Governance Code for listed companies. In addition, the Peugeot S.A. Works Council issued a unanimously favourable opinion on this new system.

The pension scheme was approved under regulated commitments at the Shareholders' General Meeting of 27 April 2016 (4th resolution) and again at the Shareholders' General Meeting of 10 May 2017 (4th resolution) on account of the renewal of appointments to the Managing Board.

### 3.2.5. Details of the compensation for the Chairman and Members of the Supervisory Board

For information, in respect of 2017, the Chairman of the Supervisory Board once again waived the compensation awarded to him (€300,000), and the attendance fees (of €70,000) which should have been paid to him on the basis of his attendance at meetings of the Board and the committees.

The amounts allocated to Louis GALLOIS, Chairman of the Supervisory Board, in compensation for the work he performed in connection with his office, are shown in the table below, presented in the format of summary table No.2 as recommended by the AFEP-MEDEF Code. These amounts will not be paid to him in respect of the 2017 financial year, since the Chairman waived them.

Louis GALLOIS – Chairman of the Supervisory Board	Amounts for financial year 2016		Amounts for financial year 2017	
	Due	Paid in 2016	Due	Paid or awarded for 2017
Fixed compensation <sup>(1)</sup>	€300,000	€0	€300,000	€0
Variable compensation	N/A	N/A	N/A	N/A
Attendance fees	€70,000	€0	€70,000	€0
Exceptional compensation	N/A	N/A	N/A	N/A
Company car	€2,796	€2,796	€2,796	€2,796
Medical insurance benefit	N/A	N/A	N/A	N/A
<b>TOTAL</b>	<b>€372,796</b>	<b>€2,796</b>	<b>€372,796</b>	<b>€2,796</b>

### ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED IN RESPECT OF THE FINANCIAL YEAR 2017 BY NON-EXECUTIVE DIRECTORS (MEMBERS OF THE SUPERVISORY BOARD) (TABLE NO. 3, AFEP-MEDEF CODE)

Members of the Supervisory Board	Amounts paid during the financial year 2016	Amounts paid during the financial year 2017
<b>Louis GALLOIS<sup>(1)</sup></b> Chairman and member of the Supervisory Board		
Attendance fees, other compensation	0 <sup>(1)</sup>	0 <sup>(1)</sup>
<b>Geoffroy ROUX de BEZIEUX</b> Vice-Chairman of the Supervisory Board <sup>(2)</sup>		
Attendance fees	37,333	40,000
Attendance fees (attendance at committee meetings)	33,200	35,000
Other compensation (as Vice-Chairman of the Supervisory Board) <sup>(2)</sup>		20,000
<b>Marie-Hélène PEUGEOT RONCORONI</b> Permanent Representative of EPF on the Supervisory Board Vice-Chairman of the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	28,200	30,000
Other compensation (as Vice-Chairman of the Supervisory Board)	40,000	40,000
<b>Jack AZOULAY</b> Vice-Chairman of the Supervisory Board until June 2017		
Attendance fees	9,333	20,000
Attendance fees (attendance at committee meetings)	8,850	12,750
Other compensation (as Vice-Chairman of the Supervisory Board)	10,000	20,000
<b>ZHU Yanfeng</b> Permanent representative of DMHK until June 2017 Vice-Chairman of the Supervisory Board until June 2017		
Attendance fees	26,667	17,000
Attendance fees (attendance at committee meetings)	25,500	10,500
Other compensation (as Vice-Chairman of the Supervisory Board)	40,000	20,000

	Amounts paid during the financial year 2016	Amounts paid during the financial year 2017
<b>Members of the Supervisory Board</b>		
<b>Anne GUÉRIN</b> Permanent representative of Bpifrance Participations since 25 July 2017 Vice-Chairman of the Supervisory Board until 25 July 2017		
Attendance fees		20,000
Attendance fees (attendance at committee meetings)		13,500
Other compensation (as Vice-Chairman of the Supervisory Board)		20,000
<b>Daniel BERNARD</b> Permanent representative of Lion Participations since 25 July 2017		
Attendance fees		20,000
Attendance fees (attendance at committee meetings)		15,000
<b>Catherine BRADLEY</b> Member of the Supervisory Board		
Attendance fees	30,667	40,000
Attendance fees (attendance at committee meetings)	35,100	45,000
<b>Pamela KNAPP</b> Member of the Supervisory Board		
Attendance fees	40,000	37,000
Attendance fees (attendance at committee meetings)	30,000	30,000
<b>Jean-François KONDRATIUK</b> Member of the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
<b>Helle KRISTOFFERSEN</b> Member of the Supervisory Board		
Attendance fees	24,000	40,000
Attendance fees (attendance at committee meetings)	19,250	25,500
<b>LIU Weidong</b> Permanent representative of DMHK since 25 July 2017 Vice-Chairman of the Supervisory Board since 25 July 2017		
Attendance fees	37,333	37,000
Attendance fees (attendance at committee meetings)	35,000	31,000
Other compensation (as Vice-Chairman of the Supervisory Board)		20,000
<b>AN Tiecheng</b> Member of the Supervisory Board since 25 July 2017		
Attendance fees		17,000
Attendance fees (attendance at committee meetings)		16,000
<b>Robert PEUGEOT<sup>(3)</sup></b> Permanent representative of FFP on the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	35,000	35,000
<b>Henri Philippe REICHSTUL</b> Member of the Supervisory Board		
Attendance fees	37,333	40,000
Attendance fees (attendance at committee meetings)	25,500	30,000
<b>Anne VALLERON<sup>(4)</sup></b> Member of the Supervisory Board		
Attendance fees	0	0
Attendance fees (attendance at committee meetings)	0	0
<b>Bénédicte JUYAUX<sup>(4)</sup></b> Member of the Supervisory Board since 25 July 2017		
Attendance fees		0
Attendance fees (attendance at committee meetings)		0





	Amounts paid during the financial year 2016	Amounts paid during the financial year 2017
<b>Members of the Supervisory Board</b>		
<b>Florence VERZELEN</b> Permanent representative of SOGEPA, member of the Supervisory Board until 10 May 2017		
Attendance fees	40,000	17,333
Attendance fees (attendance at committee meetings)	30,000	13,000
<b>Florence VERZELEN</b> Member of the Supervisory Board from 10 May 2017 until 25 July 2017		
Attendance fees		2,667
Attendance fees (attendance at committee meetings)		2,000
<b>Frédéric BANZET</b> Non-voting member of the Supervisory Board		
Attendance fees	20,000	20,000
<b>Aymeric DUCROCQ</b> Non-voting member of the Supervisory Board until June 2017		
Attendance fees	16,000	10,000
<b>WEI Wenqing</b> Non-voting member of the Supervisory Board until June 2017		
Attendance fees	20,000	10,000
<b>Alexandre OSSOLA</b> Non-voting member of the Supervisory Board since 25 July 2017		
Attendance fees		8,500
<b>LV Haitao</b> Non-voting member of the Supervisory Board since 25 July 2017		
Attendance fees		10,000
<b>TOTAL</b>	<b>884,266</b>	<b>1,040,750</b>

- (1) In 2017, Louis GALLOIS waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2016.  
Anne VALLERON (employee shareholders' representative until 10 May 2017) also waived her attendance fees.  
Bénédicte JUYAUX (employee shareholders' representative) also waived her attendance fees in 2017.
- (2) Geoffroy ROUX de BÉZIEUX (Senior Independent Member) has sat as Vice-Chairman since 25 July 2017.
- (3) Robert PEUGEOT also received €46,500 from Faurecia for 2017 and €49,500 for 2016 as compensation for his office as a director and member of the management committee of that company. As a former executive of the Group, he receives an additional pension of €160,030 per year (former Article 39 scheme) paid by Axa.

In 2017, attendance fees were prorated for Florence VERZELEN, Jack AZOULAY, Anne VALLERON, ZHU Yangfeng, the non-voting member of the Supervisory Board Messrs WEI Wenqing and Aymeric DUCROCQ, whose term of office expired during the year (in June 2017), and for Bpifrance (Anne GUÉRIN) and Lion Participations (Daniel BERNARD), Bénédicte JUYAUX, AN Tiecheng, Alexandre OSSOLA and LV Haitao, who were appointed to corporate offices during the financial year 2017 (July 2017).

Anne VALLERON and Bénédicte JUYAUX waived their entitlement to the attendance fees payable to them in respect of the 2017 financial year.

In addition, for information, the attendance fees of Messrs Jack AZOULAY and Aymeric DUCROCQ were paid to the State (the Public Treasury), and the attendance fees payable to Messrs ZHU Yanfeng, LIU Weidong, WEI Wenqing and LV Haitao were paid to DMHK.

# ANALYSIS OF THE BUSINESS AND GROUP OPERATING RESULTS IN 2017 AND OUTLOOK

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## 4.1. ANALYSIS OF CONSOLIDATED ANNUAL RESULTS

The Group's operations are organised around five main business segments described in Note 4 to the consolidated financial statements at 31 December 2017. Subsequent events are presented in Note 19 to the financial statements.

### 4.1.1. Group profit (loss) for the period

(in million euros)	31 December 2016	31 December 2017	Change
Revenue	54,030	65,210	11,180
<b>Recurring operating income</b>	<b>3,235</b>	<b>3,991</b>	<b>756</b>
As a percentage of revenue	6.0%	6.1%	
Non-recurring operating income and expenses	(624)	(904)	(280)
Operating income	2,611	3,087	476
Net financial income (loss)	(268)	(238)	30
Income taxes	(517)	(701)	(184)
Share in net earnings of companies at equity	128	217	89
Profit (loss) from operations held for sale or to be continued in partnership*	195	(7)	(202)
<b>Consolidated profit (loss) for the period</b>	<b>2,149</b>	<b>2,358</b>	<b>209</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>1,730</b>	<b>1,929</b>	<b>199</b>

\* Including "Other expenses related to the non-transferred financing of operations to be continued in partnership".

### 4.1.2. Group revenue

The table below shows consolidated revenue by division:

(in million euros)	31 December 2016	31 December 2017	Change
Automotive Peugeot Citroën DS	37,066	40,735	3,669
Automotive Opel Vauxhall	-	7,238	7,238
Faurecia	18,710	20,182	1,472
Other businesses and eliminations*	(1,746)	(2,945)	(1,199)
<b>REVENUE</b>	<b>54,030</b>	<b>65,210</b>	<b>11,180</b>

\* Including the activities of Banque PSA Finance not covered by the partnership signed with Santander Consumer Finance.

**Peugeot Citroën DS (PCD) Automotive revenues** were up 9.9% compared to 2016, mainly thanks to the favourable effect of product mix (+4.5%), of volumes and country mix (+4.9%) and of sales to partners (+1.5%) that more than compensates the negative impact of adverse exchange rate changes (-1.6%).

**Opel Vauxhall (OV) Automotive revenues** amounted to €7,238 M for the last 5 months of 2017.

At constant exchange rates and perimeter (excluding OV), **Group revenues** were up 12.9% compared to 2015, year of reference of Groupe PSA strategic plan of profitable growth Push to Pass.

### 4.1.3. Group Recurring Operating Income

The following table shows Recurring Operating Income by business segment:

(in million euros)	31 December 2016	31 December 2017	Change
Automotive Peugeot Citroën DS	2,225	2,965	740
Automotive Opel Vauxhall	-	(179)	(179)
Faurecia	970	1,170	200
Other businesses and eliminations*	40	35	(5)
<b>RECURRING OPERATING INCOME</b>	<b>3,235</b>	<b>3,991</b>	<b>756</b>

\* Including the activities of Banque PSA Finance not covered by the partnership signed with Santander Consumer Finance.

In 2017, the **PCD Automotive recurring operating margin**, which corresponds to the ratio of the PCD Automotive recurring operating income to the PCD Automotive revenues, stood at 7.3% compared to 6% in 2016. **OV Automotive recurring operating margin** stood at -2.5% for the last 5 months of 2017.

**Group recurring operating margin excluding OV** stood at 7.1% and **Group recurring operating margin including OV** stood at 6.1% compared to 6% in 2016.

The 33.3% increase in the **PCD Automotive recurring operating income** was due to the company's improved performance (+€1 270 million), despite an unfavourable operating environment (-€530 million):

- the negative effect of the **PCD Automotive division's operating environment** stemmed from a (€492) million effect of "foreign exchange and others", associated essentially with the weakening

of the pound sterling and of the Argentinian peso and higher raw material and other external costs amounting to (€358) million. These effects were partially offset by stronger markets totalling +€320 million;

- the improved **performance of the PCD Automotive business** was due essentially to a very positive product mix effect amounting to +€904 million, as well as lower production and fixed costs amounting to +€498 million, and improved market share and country mix for +€38 million. These effects were partially offset by a negative price and product enrichment effect of (€44) million, as well as other effects (-€134 million).

**OV Automotive recurring operating income** stood at (€179) million for the last 5 months of 2017.

**Faurecia's recurring operating income** was €1 170 million, up €200 million.

### 4.1.4. Other items contributing to Group profit (loss) for the period

**Non-recurring operating income and expenses** represented a net expense of (€904) million compared to (€624) million in 2016. They primarily included PCD Automotive division restructuring costs totalling (€426) million – mainly in Europe for (€375) million, OV Automotive division totalling (€440) million – and Faurecia Group for (€86) million.

**Net financial income and expenses** amounted to (€238) million, an improvement of €30 million versus 2016. See Note 12 to the consolidated financial statements at 31 December 2017.

The **income tax expenses** amounted to (€701) million in 2017 compared to (€517) million in 2016. See Note 14 to the Consolidated Financial Statements at 31 December 2017.

The **share in net earnings of companies at equity** totalled €217 million in 2017, compared to €128 million in 2016.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented (€30) million, down €272 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of (€24) million in 2017 compared to (€292) million in 2016. See Note 11.3 to the consolidated financial statements at 31 December 2017.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €201 million, up €20 million. See Note 11.3 to the consolidated financial statements at 31 December 2017.

The contribution of the joint ventures under the partnership between Banque PSA Finance and BNP Paribas covering the financing activity of OV amounted to €8 million in 2017<sup>(1)</sup>. See Note 11.3 to the consolidated financial statements at 31 December 2017.

The **profit from operations held for sale or to be continued in partnership**, including "Other expenses related to the non-transferred financing of operations to be continued in partnership", amounted to (€7) million compared to 195 million euros in 2016.

The net **income, Group share**, of €1,929 million was up €199 million. **Basic earnings per share** were €2.18 versus €2.16 in 2016. And **diluted earnings per share** were €2.05 up from €1.93 in 2016.

A **dividend** of €0.53 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on May 2<sup>nd</sup> 2018, and the payment date on May 4<sup>th</sup> 2018.

(1) This contribution represents 2 months of activity of Opel Vauxhall Finance since the date of the closing on November, 1<sup>st</sup> 2017.

### 4.1.5. Banque PSA Finance

The results (at 100%) of finance companies are presented below<sup>(1)</sup>.

(in million euros)	31 December 2016	31 December 2017	Change
Revenue	1,405	1,476	71
Net banking revenue	1,026	1,145	119
Cost of risk <sup>(2)</sup>	0.24%	0.27%	+0.03 pt
<b>Recurring operating income</b>	<b>571</b>	<b>632</b>	<b>61</b>
Penetration rate	30.8%	30.0%	(0.8) pt
Number of new contracts (leasing and financing)	767,848	845,755	77,907

(1) These results of BPF for 2017 include the result of 2 months of Opel Vauxhall Finance activities since November, 1st 2017.

(2) As a percentage of average net loans and receivables

### 4.1.6. Faurecia

(in million euros)	31 December 2016	31 December 2017	Change
Revenue	18,710	20,182	1,472
<b>Recurring operating income</b>	<b>970</b>	<b>1,170</b>	<b>200</b>
As a % of revenue	5.2%	5.8%	
<b>Operating income</b>	<b>864</b>	<b>1,075</b>	<b>211</b>
Net financial income (expense)	(163)	(133)	30
<b>Consolidated profit (loss) for the period</b>	<b>706</b>	<b>708</b>	<b>2</b>
Free cash flow	1,011	129	(882)
Net financial position	(475)	(646)	(171)

More detailed information about Faurecia is provided in its annual report which can be downloaded from [www.Faurecia.com](http://www.Faurecia.com).

## 4.2. FINANCIAL POSITION AND CASH

### 4.2.1. Net financial position and financial security of manufacturing and sales companies

The net financial position of manufacturing and sales companies are set out and described in Note 12 to the Group's consolidated financial statements at 31 December 2017.

The **net financial position of manufacturing and sales companies** at 31 December 2017 was a net cash position of €6,194 million, down €619 million compared with 31 December 2016. Within this positive net financial position, Faurecia had €646 million in net debt at 31 December 2017, compared to €475 million in net debt at end-December 2016.

The Group continued to actively manage its debt in 2017. In order to extend the average maturity of its debt, Peugeot S.A. issued a bond of 600 M€ bond maturing in March 2024 and, in May, a tap bond of 100 M€ with the same maturity. In addition, the European International Bank (EIB) granted a seven-year loan of 250 M€ to PSA Automobiles SA for the financing research and development investments on future emission requirements.

**Liquidity reserves** for the manufacturing and sales companies amounted to €17,522 million at 31 December 2017, versus €16,974 million at 31 December 2016, with €13,322 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,200 million in undrawn lines of credit (see Note 12.4 to the consolidated financial statements at 31 December 2017).

## 4.2.2. Detail of Free Cash Flow of manufacturing and sales companies

The Free Cash Flow of manufacturing and sales companies is defined in Note 16 to the consolidated financial statements at 31 December 2017.

The **Free Cash Flow** generated over the period amounted to €500 million, including a €129 million contribution from Faurecia. The Free Cash Flow over the period mainly stemmed from:

- €5,823 million in cash flows generated by recurring operations of which a contribution of €(336) million of OV;
- €(618) million in cash flows related to restructuring plans including €(12) million for OV;
- €8 million improvement in the working capital requirement, including €1,179 million in trade payables, (€ 476) million in trade receivables, and €(167) million in inventories. New vehicle inventory levels are presented below ; OV contribution amounts to €(610) million ;

- €(4,277) million in capitalised capital expenditure and research & development, including Faurecia's share which represented €(1,214) million and the share of OV which represented €(509) million at 31 December 2017 and of which €(436) million in exceptional investments/asset disposals, including Faurecia's share which represented €(218) million at the end of 2017. Total research and development expenses incurred increased in 2017 compared to 2016 and are presented in Note 5 to the consolidated financial statements at 31 December 2017.

**New vehicle inventory levels** for PCD and in the independent PCD dealer network:

<i>(in thousands of new vehicles)</i>	31 December 2017	31 December 2016	31 December 2015
Group	97	99	107
Independent dealer network	319	307	243
<b>TOTAL</b>	<b>416</b>	<b>406</b>	<b>350</b>

**New vehicle inventory levels** for OV and in the independent OV dealer network:

<i>(in thousands of new vehicles)</i>	31 December 2017	31 December 2016	31 December 2015
Group	135	NA	NA
Independent dealer network	129	NA	NA
<b>TOTAL</b>	<b>264</b>	<b>NA</b>	<b>NA</b>

Excluding Free Cash Flow, the changes in net financial position represented €(1,119) million. These are mainly related to dividends paid to Group shareholders in the amount of €(431) million as well

as the dividends paid to Faurecia minority shareholders for €(129) million and to the exercise of warrants in the amount of €288 million as well as €(662) million of OV debt consolidation.

## 4.2.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 13.4 and 13.5 to the consolidated financial statements at 31 December 2017.

## 4.2.4. Provisions for warranties

Please refer to Note 10 to the consolidated financial statements at 31 December 2017.

## 4.2.5. Pensions and other post-employment benefits

Please refer to Note 7.1 to the consolidated financial statements at 31 December 2017.

## 4.2.6. Information regarding any restrictions on the use of capital

Please refer to Note 15.1 to the consolidated financial statements at 31 December 2017.

## 4.2.7. Information regarding the anticipated sources of funds needed to fulfil certain commitments

Please refer to Section 4.2.4 above.

# 4.3. PARENT-COMPANY RESULTS

Peugeot S.A. performs senior management, oversight and supervisory functions and provides services for which it receives a flat fee.

Peugeot S.A.'s assets mainly correspond to:

- equity investments in direct subsidiaries;
- treasury shares classified as marketable securities.

Peugeot S.A. is also head of a tax group set up with its more than 95%-owned subsidiaries in France.

Other Financial Income was €5 million, stable compared with 2016. Reversals on provisions for impairment in value of equity investments and treasury shares totalled €20 million, *versus* €1,071 million in 2016.

Financial expense for depreciation, amortisation and provisions amounted to €22 million, *versus* €104 million in 2016.

Interest and similar expenses amounted to €119 million, compared with €151 million in 2016.

After taking these items into account, net financial income for the year was positive at €245 million, *versus* a gain of €1,497 million in 2016.

## Results

### NET OPERATING INCOME

Operating income – which primarily comprises management fees received from the main subsidiaries, re invoiced personnel costs and rental income – amounted to €147 million in 2017, *versus* €244 million in 2016.

The management fees are calculated as a percentage of the operating divisions' revenue, and cover the operating expenses incurred by the Company for its corporate functions; those fees amounted to €89 million *versus* €112 million in 2016. These fees are invoiced to direct Peugeot S.A. subsidiaries based on the consolidated revenue of the division concerned.

Operating expenses amounted to €171 million in 2017, *versus* €258 million in 2016, and mainly corresponded to payroll costs, other purchases and external charges.

Thus, net operating income was negative, at €24 million compared with a negative €14 million in 2016.

### NET FINANCIAL INCOME (EXPENSE)

Financial income consists largely of income from shares in subsidiaries and affiliates.

Income from shares in subsidiaries and affiliates amounted to €360 million, compared with €676 million in 2016.

### NET NON-RECURRING INCOME

Net non-recurring income (see Note 20) of a positive €18 million in 2017, primarily consists of reversals of provisions for contingencies.

### Profit (Loss) of the Period

Taking into account the net income tax benefit of €177 million, determined in accordance with the rules governing the tax consolidation of Peugeot S.A. and its 95% or more controlled subsidiaries, Peugeot S.A. reported €416 million in net profit, compared with €1,611 million for 2016.

## Balance Sheet

### ASSETS

Equity investments in subsidiaries and affiliates constitute the major share of non-current assets.

Before deducting provisions, the gross value of equity investments was €18,955 million at 31 December 2017, an increase of €2,373 million over 2016. Impairments of equity investments totalled €644 million at 31 December 2017, unchanged compared with 2016. These movements are described in Note 5 to the Company financial statements.

After deducting provisions, the net value of equity investments was €18,311 million at 31 December 2017, compared with €15,939 million in 2016.

In 2017, the loans to GIE PSA Trésorerie were repaid in the amount of €1,361 million.

Current assets primarily correspond to (i) liquidity deposits of €3,599 million at 31 December 2017 as against €3,271 million in 2016 (see Note 11) and marketable securities which totalled €217 million net of provisions at 31 December 2017, *versus* €178 million at 31 December 2016 (see Note 10).

The 11,315,735 treasury shares held at 31 December 2017 are categorised as marketable securities, including 5,282,000 shares appropriated for free share plans, and 6,033,735 for future LTI plans. (see Note 10.A).

## LIABILITIES & EQUITY

Shareholders' equity at 31 December 2017 was €19,759 million, *versus* €18,831 million at 31 December 2016. On 17 May 2017, Peugeot S.A. paid dividends of €431 million. Given the results achieved by Groupe PSA, the Supervisory Board approved the Managing Board's proposal to pay dividends for financial year 2017.€.

During financial year 2017, Peugeot S.A. bought back treasury shares to cover the employee shareholding programme and future LTI plans. A free share plan was established during 2017 (see Note 11.A).

Provisions for contingencies and charges totalled €145 million at 31 December 2017 *versus* €167 million in 2016. More detailed information can be found in Note 12 to the Financial Statements.

Interest and similar expenses came to €2,270 million, compared with €1,870 million in 2016. In 2017, Peugeot S.A. redeemed maturing bonds for a total amount of €304 million (see Note 15). On 23 March 2017, Peugeot S.A. issued €700 million in fixed-rate 2% bonds maturing in April 2024.

Of the €62 million due to suppliers of fixed assets, €57 million corresponds to the uncalled portion of the commitment to the FAA fund set up to support automotive equipment suppliers (see Note 16).

In as much as Peugeot S.A. is a holding company, the trade payables are not significant. Trade payables amounted to €17 million.

Peugeot S.A. settles payments to suppliers 30 days end of month from invoice date, in compliance with the provisions of France's LME Act.

## INVOICES RECEIVED AND DUE BUT NOT YET PAID AT THE CLOSE OF THE PERIOD

At 31 December 2017, payments due to suppliers amounted to €17.0 million and broke down as follows in the financial statements:

- trade payables amounted to €17.0 million;
- less: deferred expenses for this item: €16.7 million.

Or, €0.3 million.

This amount of late payments breaks down as follows:

Article D. 441 I. 1.: Invoices received and due but not yet paid at the close of the period					
(In thousands of euros)	0 day	1 to 30 days	31 to 60 days	More than 91 days	Total (1 day and more)
<b>(A) Late payment tranches</b>					
Number of invoices involved	1	5	2		7
<b>TOTAL VALUE OF INVOICES INVOLVED (INCL. TAX)</b>	<b>9</b>	<b>103</b>	<b>206</b>		<b>309</b>
Percentage of the total value of purchases in the period (incl. tax)	0.02%	0.20%	0.41%		0.61%
<b>(B) Invoices excluded from (A) in connection with contested trade payables</b>					
Number of excluded invoices					
<b>TOTAL VALUE OF EXCLUDED INVOICES (INCL. TAX)</b>					
<b>(C) Reference payment terms: Article L. 441-6</b>					
Payment terms used for calculating late payments	Legal term: 30 days				

## INVOICES RECEIVED AND DUE BUT NOT YET PAID AT THE CLOSE OF THE PERIOD

At 31 December 2017, trade receivables amounted to €57.0 million and broke down as follows in the financial statements:

- trade receivables: €57.0 million;
- less: invoices to be issued for this item: €54.3 million.

Or, €2.7 million.

This amount of late payments breaks down as follows:

Article D. 441 I. 1.: Invoices issued and due but not yet paid at the close of the period					
(In thousands of euros)	0 day	1 to 30 days	31 to 60 days	More than 91 days	Total (1 day and more)
<b>(A) Late payment tranches</b>					
Number of invoices involved	42			4	4
<b>TOTAL VALUE OF INVOICES INVOLVED (INCL. TAX)</b>	<b>730</b>			<b>13</b>	<b>13</b>
Percentage of revenue for the period (incl. tax)	0.49%			0.01%	0.01%
<b>(B) Invoices excluded from (A) in connection with contested trade receivables</b>					
Number of excluded invoices				18	18
<b>TOTAL VALUE OF EXCLUDED INVOICES (INCL. TAX)</b>				<b>1,914</b>	<b>1,914</b>
<b>(C) Reference payment terms: Article L. 441-6</b>					
Payment terms used for calculating late payments				Legal term: 30 days	

## 4.4. MAJOR CONTRACTS

### 4.4.1. Acquisition of Opel Vauxhall and GM Financial's european business

On 6 March 2017, Groupe PSA announced the proposed acquisition of General Motors' Opel Vauxhall subsidiary and the creation of a car finance joint venture with BNP Paribas, to support the development of the Opel and Vauxhall brands (the "**Transaction**") as they are described in Section 4.4, "Major contracts" of the 2016 Registration Document, together with the contractual terms of the Transaction.

The Transaction includes all the car manufacturing activities of Opel Vauxhall, which comprise the Opel and Vauxhall brands, six assembly plants and five part production plants, an engineering centre (Rüsselsheim, Germany) and about 35,000 employees.

On 1 August 2017, Groupe PSA announced the closing of the acquisition of the Opel and Vauxhall subsidiaries of General Motors, for which the agreement had been signed on 6 March 2017, followed on 1 November 2017 by the closing of the joint acquisition of the Opel Vauxhall captive finance companies, also announced on 6 March 2017.

With Opel and Vauxhall, Groupe PSA becomes the second largest European car manufacturer. Building on this transaction and now with five complementary, well-positioned car brands, Groupe PSA will strengthen its presence in the major European markets and this will serve as a foundation for profitable growth worldwide.

The following are Groupe PSA's aims in acquiring Opel Vauxhall:

- strengthening the Group's position on certain European markets where its presence was historically weaker, such as Germany and the United Kingdom, thanks to the complementary geographical coverage of Groupe PSA and Opel Vauxhall;
- raising the Company to the rank of Europe's second largest car manufacturer, with more than 4 million vehicles per year and a market share in Europe of 17% <sup>(1)</sup>;
- to achieve substantial economies of scale and synergies in the area of purchasing, production and R&D; thus, synergies of €1.7 billion per year are expected between now and 2026, a significant proportion of which should materialise between now and 2020;
- the achievement by Opel Vauxhall of a recurring operating margin<sup>(2)</sup> of 2% between now and 2020 and of 6% by 2026, and the generation of positive operational free cash flow<sup>(3)</sup> by 2020.

The key objectives of the strategic partnership with BNP Paribas are, mainly:

- to support sales of Opel Vauxhall vehicles and to develop the network of concessionaires;
- to develop Opel Vauxhall's financing business using the combined expertise of BNP Paribas Personal Finance and Banque PSA Finance.

(1) European market share excluding Russia and Turkey, calculated on the basis of Opel Vauxhall's revenue in 2016 (€17.7 billion) (data corresponding to the transferred scope) (source: IHS Automotive).

(2) IFRS. Subject to full review of US GAAP - IFRS differences.

(3) Defined as recurring operating income + D&A - restructuring costs - capex - capitalised R&D - change in working capital.

#### 4.4.2. Banque PSA Finance, signature of a framework agreement with the BNP Paribas Group to form a car financing Partnership for Opel Vauxhall vehicles

On 6 March 2017, when the Master Agreement was concluded with General Motors, the Company simultaneously signed a Framework Agreement with BNP Paribas and BNP Paribas Personal Finance, to organise the joint purchase of Opel Vauxhall's finance companies and the setting up of a car financing partnership for Opel Vauxhall vehicles.

The acquisition of Opel Vauxhall's finance companies will be completed through a holding company. This joint venture, owned in equal shares and on the same terms by Banque PSA Finance and

BNP Paribas Personal Finance, will from an accounting point of view retain the current European platform and staff of GM Financial. The Opel Vauxhall finance companies will distribute financial and insurance products over a territory initially including the following countries: Germany, United Kingdom, France, Italy, Sweden, Austria, Ireland, Netherlands, Belgium, Greece and Switzerland. The cooperation may potentially be extended thereafter to other countries where Opel Vauxhall has a presence.

## 4.5. CAPITAL EXPENDITURE IN RESEARCH & DEVELOPMENT

4

### Automotive Expertise to deliver useful technologies

Innovation, research and development are powerful levers for developing competitive advantages by addressing the major challenges faced in the automotive industry (environmental, safety, emerging mobility and networking needs, etc.).

Every year, Groupe PSA invests in research and development to stay ahead, technologically, of environmental and market changes.

#### 4.5.1. The R&D strategy in the “Push to Pass” plan

##### 4.5.1.1. R&D AT THE HEART OF THE “CORE MODEL STRATEGY”

Through its “Push to Pass” strategic plan, the Group has decided to launch a product offensive focused on both its customers and on its leading profit pools world-wide by releasing one new car per region, per brand and per year from 2018 (“Core Model Strategy”), to be developed on the basis of a targeted range of:

- 26 passenger cars;
- 8 light commercial vehicles, including a new one-ton pickup.

9 Opel Vauxhall launches will bolster the Groupe PSA product offensive.

To roll out this ambitious product plan and optimise its efficiency, Groupe PSA's R&D Department develops its vehicles through multi-brand and multi-region programmes, based on modular multi-energy platforms that enable it to maximise the reuse of parts.

Accordingly, the Group is developing all of its body models through global programmes each of which caters for the interests of the six regions and the brands for the segment it targets.

These body designs are created over two lighter, multi-energy platforms, and offer greater modularity in terms of length, height

and wheel diameter, to address the challenges faced in terms of mass, environment and functionalities.

- The mid- and hi-end body designs of all the Group's brands (sedans, coupés, MPVs, SUVs and LCVs) are developed on the EMP2 Efficient Modular Platform, launched in 2013. In addition to petrol and diesel engines, this platform will cater for the plug-in hybrid petrol-electric powertrain (PHEV).
- The segment B city car models up to the compact SUVs, as well as the new segment C sedans, dedicated mainly to urban use, will be developed on the Common Modular Platform (CMP), established in collaboration with Dongfeng Motor Corporation. This platform, to be launched in 2018, will by 2019 be available with an electric powertrain variant.

This modular approach, coupled with programme-based organisation, will enable the reuse of basic parts and modules but also body parts, generating a 20% saving on R&D costs and a 30% saving on capital expenditure (CAPEX) compared to an entirely new model.

The new Opel and Vauxhall cars will also be developed on these multi-energy EMP2 and CMP platforms.

#### 4.5.1.2. THE “CORE TECHNOLOGY STRATEGY”

Via its “Core Model Strategy”, Groupe PSA offers a targeted range of technologies that aims to provide its customers with a diverse selection of technological options to meet all of their responsible and sustainable mobility needs, thus reflecting the social changes that have a direct impact on the automotive industry: energy transition, increased urbanisation, the ageing of the population, digital advances and hyper-connectivity, globalisation, mobility and changes in habits.

Groupe PSA has therefore identified three R&D strategic focus areas through which it will offer all its customers new types of automotive

experience, tailored to the individual user habits around the world; To design and develop:

- cars that are ever more environmentally friendly;
- connected, autonomous cars to assist drivers during the most monotonous moments of driving;
- attractive, pleasurable cars, that match the DNA of each of the Group's three automotive brands.

Given the increasing technological complexity of vehicles, the safety of the driver, the passengers and other road users remains at the very heart of the Groupe PSA's work. The Group's performance in this regard is presented in Section 2.3.2.

### 4.5.2. Groupe PSA technological response

#### 4.5.2.1. “CLEAN TECHNOLOGIES”

The transport industry affects the control of greenhouse gases emissions and air quality. For this reason, regulations are becoming stricter across the globe.

Approximately 50% of the Groupe PSA's R&D budget is dedicated to developing technologies to improve the environmental efficiency and performance of its vehicles.

Concerned to adopt a sustainable mobility approach (see Section 2.1.2) and to meet the challenge of energy transition, the Group has made the “clean car” a strategic focus of its R&D. Thus, the performance of its internal-combustion and electrical powertrains can and will enable it to respond to the CO<sub>2</sub> issues, to reduce pollutant emissions and to accommodate the change in the petrol/diesel fuel mix at work in Europe, and particularly in France.

##### 4.5.2.1.1. Optimisation of internal combustion engines

Groupe PSA possesses a range of high-performing powertrains.

- Among petrol engines, the 3- and 4-cylinder PureTech family (formerly THP) is particularly efficient from the standpoint of consumption, weight and emissions.
  - The 3-cylinder 1.2l turbo version received the International Engine of the Year award in its category for 3 consecutive years, from 2015 to 2017.
  - The new generation of this engine range was launched in May 2017. Intended to conquer world markets, this range complies with the Euro 6d-temp standard (which came into force on 1 September 2017 for new vehicles) and, furthermore, with the more stringent Chinese China6b standard.
  - Groupe PSA has also developed a particulate filter, the GPF (gasoline particle filter) for direct-injection petrol engines. As measured by number of particles filtered, this technology is 75% more efficient. Since end 2017, this development has been generalised to all Groupe PSA's direct-injection petrol engines.

The EC engine family rolled out across all regions completes this range of Groupe PSA petrol engines.

- For diesel engines, Groupe PSA has followed the most efficient technological options, rather than the least costly.
  - Following the widespread use of the particulate filter since 2011, SCR technology (selective catalytic reduction), launched in 2013, is today widely used on all diesel Euro 6b BlueHDi engines.
  - The new-generation 1.5 BlueHDi engines, launched in 2017, adheres to a real driving emissions (RDE) compliance factor of 1.5 instead of the required 2.1 for No<sub>x</sub> emissions, three years

ahead of the regulations. This is a compact engine, boasting an upgraded BlueHDi depollution system with enhanced No<sub>x</sub> treatment efficiency. Its design and engineering were 100% digital.

- In 2017, Groupe PSA also expanded its gearbox offer with a new 6-gear manual box developed using 100% digital engineering, and an 8-gear automatic box (EAT8), thereby achieving further, still more drastic vehicle consumption gains while offering the highest standard of driving comfort.

Besides developing technologies of ever-increasing efficiency from the standpoint of consumption and emissions, Groupe PSA is committed to a policy approach of transparency to its customers regarding the true consumption of its vehicles. It partnered with the NGOs Transport & Environnement (T&E) and *France Nature Environnement* (FNE), and with the Bureau Veritas certification agency to define a reliable protocol for measuring Real-World fuel consumption. The measurements obtained through this protocol make it possible to estimate the consumption in real-world driving conditions of more than 1,000 versions of Peugeot, Citroën and DS vehicles. This initiative, a first in the automotive world, won the ECOBEST 2017 award.

##### 4.5.2.1.2 New electric powertrains

To respond to energy transition issues, Groupe PSA has committed itself to electrifying its vehicle range, with clear aims:

- from 2019 onwards, every new model produced will be available in an Electric or Hybrid version;
- by 2023, the electric offer will extend to 80% of vehicles in the “core model strategy”.

In addition, the PACE! strategic plan affirms acceleration in the move of Opel and Vauxhall cars to electrical technology. Accordingly, 4 electric versions will be marketed by 2020 and, by 2024, all passenger cars of the Opel and Vauxhall brands will offer an electric version.

The electric powertrains are developed on the EMP2 and CMP multi-energy platforms, enabling Groupe PSA to adapt flexibly to the energy mix required on the different markets.

#### The plug-in petrol hybrid

Groupe PSA is developing a plug-in full-hybrid powertrain coupled with a petrol engine developed on the EMP2 multi-energy modular platform. This technology will provide its customers with, among others, benchmark dynamic product performances, spacious passenger compartments and boot; a 60km<sup>(1)</sup> range full electric mode.

The plug-in petrol hybrid range will be launched simultaneously in Europe and in China from 2019 with the DS7 Crossback.

(1) NEDC cycle.

## Electric vehicles

The Groupe PSA electric powertrain is developed on the new common modular platform (CMP) to be launched in 2018. This platform use will allow the offer of a new generation of multi-purpose electric vehicles with long range (up to 450 km [274 miles]<sup>(9)</sup>, ranging from city cars to compact sedans and SUVs, to cater for every type of use.

The first vehicles will be simultaneously launched in Europe and China from 2019.

For end-to-end control of the value chain from design to production in the area of electrification, and to offer the best-performing technologies in order to maintain its technological leadership already established in internal-combustion engines, Groupe PSA has teamed up with the world leader in electrical machinery, Nidec Leroy Somer, in a joint venture to develop a range of electric and hybrid engines embodying state-of-the-art technology.

### 4.5.2.2. "SMART" CARS: AUTONOMOUS AND CONNECTED

Customers want their cars to provide them with independence but also to contribute to a collective well-being. The autonomous and connected cars of tomorrow will focus on this social change, encouraging the emergence of new transport and mobility models, while saving customers time and energy. Groupe PSA is actively involved in this transition.

#### 4.5.2.2.1. The communicating connected car

The communicating connected car marks the transition from a closed-off vehicle to a more open vehicle, with mobile devices connected to the *cloud*. It broadens the range of mobility opportunities.

Thus, the motor vehicle is becoming part of the Internet of Things (IoT), in order to provide new experiences. This digital revolution

requires organising and managing car data security. TO this end, Groupe PSA is developing an automotive IoT software platform with world coverage, the connected vehicle modular platform (CVMP).

- The CVMP will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality.
- CVMP will make it possible to introduce new services such as remote on-demand car diagnostics and remote control solutions such as battery charging and pre-heating; over-the-air car software updates, traffic information and navigation; car sharing and corporate fleet management; and customised onboard services such as personal assistant solutions.

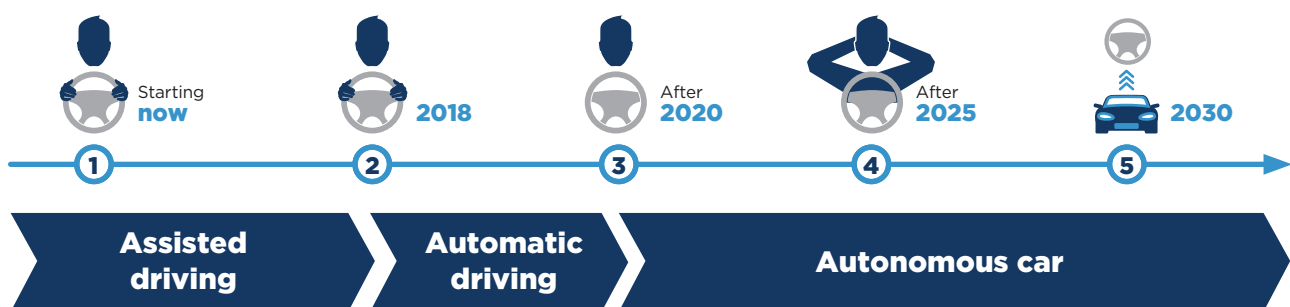
In November 2017, Groupe PSA announced that it was partnering with Huawei to develop this platform. Huawei is one of the world leaders in Information and Communication Technology, and its world-renowned expertise guarantees implementation of the highest standards of data security and regulations.

The first applications of the new platform will be launched for customers in Europe and China in 2018 and subsequently in the rest of the world. New services adjusted to customer needs will be rolled out gradually.

#### 4.5.2.2.2. Self-driving: towards the autonomous car

In order to offer increasingly safer cars to its customers, cars that take the pressure off the driver during tedious driving conditions, and thereby make daily life easier, Groupe PSA is launching a wide range of assistance functions that will gradually lead to the option to partially, and then totally, hand over responsibility to the car, with total peace of mind, should the driver choose to do so.

As such, the autonomous car is becoming a reality, with increasing elements of automation and regulated autonomy, as shown in the timeline below.



The Groupe PSA cars are equipped with the first technology building blocks, which are the precursors of tomorrow's autonomous car:

- new-generation driver assistance functions deployed in the Group's models since 2016;
- driver-supervised automatic driving functions launched on the DS 7 Crossback:
  - DS CONNECTED PILOT, which controls the vehicle's speed in relation to the vehicle ahead of it, and positions it precisely in its lane,
  - DS PARK PILOT: the vehicle parks by itself in line with adjacent vehicles or in side-by-side parking slots without steering-wheel or pedal action by the driver. The vehicle also detects a parking space that will accommodate its size,

- DS NIGHT VISION, which detects the presence of pedestrians or animals on the road up to 100 metres ahead using an infra-red camera located in the radiator cowl, to alert the driver to hazards detected,
- DS DRIVER ATTENTION MONITORING, which detects any fall in driver vigilance via a camera with infra-red LEDs located above the steering wheel, and backed up by a camera at the top of the windscreen. It alerts the driver whenever an anomaly is detected.

The Group will deploy the Autonomous Driving functions after 2020. These Hands Off then Eyes Off functions will allow care-free delegation of driving to the vehicle, first partially, then totally, to free the driver for other activities, and make journeying time more congenial.

As proof of its technological maturity, Groupe PSA is the first car manufacturer to have obtained, in July 2015, the necessary French authorisations to allow its autonomous prototypes to travel on the open road then, in March 2017, for conducting tests with layman drivers.

At the end of 2017, 20 Groupe PSA prototypes were travelling the roads of Europe. These drivers travelled over 150,000 km in autonomous driving mode. Two new prototypes also arrived in China at the year-end, and open-road travelling began.

Additionally, in 2017, Groupe PSA signed a strategic partnership agreement with nuTonomy for the testing of fully autonomous vehicles in Singapore.

#### 4.5.2.2.3. **Connected, autonomous cars that are safe and reliable: a new electronic architecture**

Groupe PSA is designing a new electronic architecture as the nervous system of tomorrow's connected, autonomous car: NEA "New Electronic Architecture", presented at the Innovation Days in June 2017. This architecture imparts safety and reliability to connected, autonomous cars.

- NEA accesses all the car's automation and connectivity functions with maximum operating dependability and data protection (cybersecurity).
- NEA's design is ingenious and disruptive:
  - it is modular, adjusting to our customers' needs the degree of equipment sophistication, the vehicle's onboard electrical and electronic capabilities, and the purchase cost;
  - it is open-ended, so that innovations can be added without overhauling the electronic architecture, and can be offered to our customers rapidly.
- From 2020, all vehicles designed on the EMP2 platform will be equipped with NEA. This architecture will subsequently be phased in to all the Group's cars.

### 4.5.3. **Groupe PSA Innovation**

Innovation guarantees a genuine potential for differentiation in a demanding, fast-evolving market. Innovation enables Groupe PSA to stand out from the competition and bring to birth the car of tomorrow.

Groupe PSA commands a portfolio of high-value innovations protected by industrial property rights, particularly featuring a large number of patents.

In 2017, Groupe PSA published 1,021 patents in France, an increase compared to 2016 (930). This high number of patents is testament to the Group's commitment to protecting and promoting its innovations. In fact, innovation is central to the Group's strategy.

#### 4.5.3.1. **OPEN INNOVATION**

To increase the scope of opportunities available (reduction of development expenditure, detection of new trends and Time to Market acceleration), Groupe PSA structures its work around an

#### 4.5.2.3. **ATTRACTIVE CARS**

##### 4.5.2.3.1 **Brand differentiation**

Groupe PSA's R&D innervates the DNA of its three historic brands...

- Peugeot: Excellence, Allure, Emotion;
- Citroën: Optimistic, Human, Smart;
- DS: Avant-garde, Refinement, Technology;

...and that of the two new brands:

- Opel: Innovation accessible to all;
- Vauxhall: Great Design and ingenious technology.

The new body styles launched in 2017 illustrate this clear differentiation:

- for Peugeot: the new 5008;
- for Citroën: C5 Aircross and C3 Aircross;
- for DS: DS 7 Crossback;
- for Opel: Grandland X and Crossland.

##### 4.5.2.3.2 **The in-car experience**

Given the changes to the ways in which we use our cars, the driver and passenger experience has become a key element in the design of Groupe PSA cars. This experience notably involves new HMI's (human machine interface), capable of creating new relationships with our cars.

In 2016, Groupe PSA opened its "User Experience Cockpit Team" workspace; a new approach to envisioning the in-car experience of the future. This approach has seen practical embodiments in 2017 on all the new models.

Open Innovation initiative which links it to a wide range of partners that enable it to detect new trends, identify technological and/or scientific gems and to assist in its international expansion:

**The "individuals" ecosystem** incorporates Group employees, customers, and users of mobility services in general. The aim is to involve customers in the innovation process, right from the beginning. In support of this approach, incubators were set up in France as early as 2015, followed by Latin America in 2016. The scoreboard in 2017 is 455 candidate projects and 19 transformed, including the 3D-printed parts project for the DS3 Darkside.

**The "academic" ecosystem** focuses on scientific partnerships with the most advanced universities and laboratories in their respective fields. They are targeted so as to benefit from their expertise and explore ways to branch out into new research. In this respect, Groupe PSA created Stellab in 2010 to lead its scientific partnerships. Stellab is part of a network that today includes 17 OpenLabs and 6 academic chairs that are managed in direct collaboration with the PSA university.

In 2017, Groupe PSA launched a new OpenLab in Morocco, entitled "Sustainable mobility for Africa", based on an agreement with five Moroccan universities, two American universities with a presence in Morocco, an Écoles Centrales engineering school based in Morocco, and a technology centre at the International University of Rabat.

The "institutions" ecosystem incorporates ministries, local administrations, the French National Research Agency (ANR), Agency for the Environment and Energy Management (ADEME), competitiveness clusters and the European Commission. Under this ecosystem, Groupe PSA is an active member of automotive industry competitiveness clusters (MOV'EO, Véhicule du Futur, ID4car) which foster collaborative projects, close relationships with SMEs and startups and encourage meetings with new potential partners.

In 2017, Groupe PSA participated in 22 projects with European funding in a number of areas, among them:

- the connected autonomous vehicle, particularly through the SCOOP and L3PILOT projects;
- new urban-mobility objects through the EU-LIVE project;
- the factory of the future, featuring the Thomas, Versatile and Scalable projects;

some ten projects supported by the French State, chiefly through the French National Research Agency (*Agence Nationale de la Recherche*), the Public Investment Bank (*Banque Publique*

*d'Investissement*) and the Agency for the Environment and Energy Management (ADEME), in a variety of areas such as:

- adapting the autonomous-vehicle automation strategy to the needs and condition of drivers with the AutoConduct project;
- passenger-compartment air quality with the QAlcars project;
- development of innovative battery packs with the *Équipements Innovants du Véhicule Electrique* project (innovative equipment for electric vehicles).

The "business" ecosystem incorporates SMEs, VSEs, startups and businesses from a variety of industries involved in the innovation process to enhance business agility and help seize new scientific, technological and businesses opportunities as early as possible.

In 2017,

- Groupe PSA, in partnership with Le Village by CA Paris, issued a call for innovations to start-ups and SMEs of the the circular economy: "My Car, designed for second life". 68 candidate projects were submitted. They were analysed to identify collaborative opportunities that could be taken up during 2018;
- Groupe PSA and the nuTonomy start-up signed a strategic partnership agreement for the testing of fully autonomous vehicles in Singapore;
- Ericsson, Orange and Groupe PSA signed a partnership agreement for technical experimentation around 5G in order to validate potential automotive uses of this technology.

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## 4.5.4. R&D effectiveness

### 4.5.4.1. THE R&D BUDGET

In 2017, capitalised R&D investment and expenditure amounted to €4,713 million (including €436 million in non-recurring investment), of which €1,432 million for Faurecia, compared with €2,673 million in 2016, of which €389 million for Faurecia (including income of €604 million from the sale of the Automotive Exteriors activity), and €2,695 million in 2015, including €915 million for Faurecia. Groupe PSA will continue its programme to optimise and make more effective its R&D expenses and investments, keeping them within a controlled scope. For further information, please refer to Note 5.3 to the 2017 consolidated financial statements, Section 5.6, below.

2017 featured a good many commercial launches throughout the world, illustrating the deployment of the Core Model and the Core Technology Strategy:

- new body styles: Peugeot 5008 (Europe and China), Citroën C5 Aircross (China) and C3 Aircross (Europe), and the Opel Grandland X and Cross land X (Europe) developed with the Opel Vauxhall teams;
- aboard the new DS 7 Crossback, unveiled in 2017 and marketed in early 2018, are the first automatic driving functions and the 3rd generation of the Connect Nav electronic data system. It will be launched in Europe, then in China;
- "Updated" cars: Peugeot 308 and 301 (Europe) and Partner (Latin America), restyled Citroën C5 (China), Elysée (Europe) and Partner (Latin America);
- KD (Knocked Down) projects, conducted with our local vehicle production and marketing partners: Peugeot Pick up (Africa), Peugeot Expert and Citroën Jumpy (Uruguay), Peugeot 3008 (Vietnam);
- the e-Mehari 2, in partnership with Bolloré;
- the launch of the new-generation Puretech and BlueHDi engines;
- the two new gearboxes: the 6-gear manual box developed using 100% digital technology, and the 8-gear automatic box (EAT8).

### 4.5.4.2. GLOBAL IMPACT OF R&D

Groupe PSA's R&D has a global reach and is built around four clusters that support the Group's international development:

#### ■ an R&D cluster in Europe

- the main base in **France**, in charge of the early phase, the design and engineering of vehicles and subassemblies:
  - divided between three R&D centres and their three testing sites: Vélizy/La Ferté-Vidame, Sochaux/Belchamp and La Garenne-Colombes/Carrières sous Poissy,
  - with a workforce of 9,425 employees at end 2017 working within the PCD scope;
- an Opel Vauxhall technical development centre at Rüsselsheim, in Germany, with a workforce of 7,550 employees at the end of 2017;

#### ■ an R&D cluster in China:

- with three R&D centres:
  - two sites with our partner Dongfeng Motors: Shanghai (the Group's China Tech Centre) and Wuhan, in charge of developing new prototype vehicles, modifying engines and fostering local integration,
  - one site with our partner Changan in Shenzhen, responsible for local integration and manufacturing;
- with a workforce of 2,650 people, of whom 2,000 are involved in the two joint ventures;

#### ■ an R&D cluster in Latin America, at São Paulo, dedicated to local integration and industrialisation, with a workforce of 500 people;

#### ■ an R&D centre in Morocco, located in Casablanca since July 2017, to support Groupe PSA's development in the Africa Middle East Region, mainly as part of the construction of the Kenitra industrial site scheduled for completion in 2019. At end 2017, the MTC (Morocco Technical Center) employed a workforce of 202 staff;

#### 4.5.4.3. PRESERVATION OF OUR CORE COMPETENCIES

The R&D jobs and skills strategy aims to focus available resources on the most strategic areas for the business:

- by subcontracting part of the highly standardised activities to core engineering suppliers (*fournisseurs majeurs d'ingénierie* – FMI) selected by the Group;
- via its expertise network established in 2010 which today includes 21 senior experts, 161 experts and 521 specialists who provide the Group with key competencies;
- via internal reconversions: 1,850 career paths were designed by the Quality and Engineering Department (DQI) as part of the internal reconversion programme called “Top Compétences” since it was launched, enabling employees to focus on and acquire skills that are highly valuable for the Group’s R&D;
- via targeted recruitments: the number of targeted recruitments in 2017 for DQI is 170 during the applicability period of the “New Momentum for Growth” agreement.

As part of the “New Momentum for Growth”, the DQI is fully incorporated within the Group with a view to enhancing employee experience through:

- the development of home and distance working (1484 home workers and 4694 distance workers at end 2017);
- establishing collaborative working areas, now commonplace in Vélizy and deployed at the Sochaux/Belchamp and Carrières-sous-Poissy sites.

#### 4.5.4.4. PERFORMANCE

Improving the effectiveness of Groupe PSA's R&D relies on three key factors:

- a targeted product and technology strategy and programme-based organisation to maximise the reuse of parts (see paragraph 4.5.1.);
- the transformation of its R&D and a revolutionary internal performance plan;
- the sharing of R&D costs under joint arrangements.

##### 4.5.4.4.1 The transformation of R&D and the performance plan

R&D has committed to show a performance gain of €1.5 billion between 2014 and 2018, with 5% productivity gains per year. To achieve this, the Quality and Engineering Department is heading a performance plan (called “DRIVE”) recurrent productivity gains of €100 million over five years.

In 2017, the DRIVE plan generated savings of €115 million. The major drivers contributing to this achievement are:

- reductions in costs entailed in the impact of R&D by optimising average subcontracting costs and reducing the number of

subcontractors to achieve the break-even defined in Push to Pass;

- the “Digital Validation Boost” project which is aimed at tipping the balance between digital validations and physical validations in favour of digital, so as to reduce the number of physical resources:
  - elimination of style models (in 2017, 100% of the physical perceived-quality models were eliminated),
  - reduction in the number of pre-series vehicles dedicated to integration and validation testing,
  - designing powertrains without prototypes (in 2017, the new 1.5 BlueHdi and the new manual 6-gear box were launched, having been developed without a prototype);
- compression of the SOD operational development programme – development plan – by 13% in 2017, thereby accelerating product marketing;
- narrowing the range of technical diversity;
- optimisation of floor areas occupied by Groupe PSA R&D (down 26% since 2013 at the end of 2017 with a target of -40% for the end of 2018).

#### 4.5.4.4.2 Partnerships

Groupe PSA is developing internationally by curbing its R&D expenses thanks to its network of partnerships for joint developments in terms of technologies and vehicles:

- the CMP platform and its electrified version eCMP with Dongfeng Motor Corporation;
- diesel engines with Ford;
- the e-Mehari with Bolloré to add to our range of electric vehicles;
- a segment vehicles (Peugeot 108 and Citroën C1) with Toyota;
- commercial vehicles with Fiat and Toyota.

Local partnerships also offer support to Groupe PSA in terms of production and marketing of its vehicles:

- in Iran under our two Joint Ventures: IKAP (Iran-Khodro/Peugeot in Teheran) and SCCO (SAIPA/Citroën in Kashan);
- in Malaysia with our partner NAZA;
- in Vietnam, with the Vietnamese group THACO;
- in Kazakhstan for the production of vehicles in DKD (301, 3008, 508, Partner) with our partner Kazakh AMH;
- in Belarus with the partner Belarus PC-AUTO for KD production (301, 3008, 508, Partner, C-Elysée, Citroën Berlingo);
- in Nigeria for the ongoing production of the Peugeot 301 and the 508;
- in Ethiopia for the marketing of the Peugeot 301, 208 and 2008 launched at the end of 2016;
- in Uruguay, with EASA and Nordex for the production of the new Peugeot Expert and Citroën Jumpy since the second half of 2017.

## 4.6. RECENT EVENTS AND OUTLOOK

### 4.6.1. Trend Information

#### Market Outlook

In 2018, the Group anticipates a stable automotive market in Europe, growth of 4% in Latin America, 10% in Russia, and 2% in China.

#### Operational Targets

The Push to Pass plan sets the following targets for Groupe PSA (excluding Opel Vauxhall):

- deliver over 4.5% automotive<sup>(1)</sup> recurring operating margin on average in 2016-2018, and target more than 6% by 2021;
- deliver 10% Group revenue growth by 2018<sup>(2)</sup> vs 2015, and target additional 15% by 2021<sup>(2)</sup>.

The targets for Opel Vauxhall are:

- recurring operating margin<sup>(3)</sup> of 2% for the Automotive Division by 2020, with a target of 6% by 2026;
- positive free operational free cash flow by 2020<sup>(3)</sup>.

### 4.6.2. Profit Forecasts or Estimates

The Group has not made any profit forecasts or estimates.



(1) Recurring operating as a percentage of revenue.

(2) At constant (2015) exchange rates and constant perimeter (excluding OV).

(3) Defined as recurring operating income + depreciation and impairment - restructuring costs - capital expenditure and capitalised R&D - fluctuations in working capital.



# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017



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The consolidated financial statements of the PSA Group are presented for the years ended 31 December 2017 and 2016. The 2015 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 24 March 2016 under no. D.16-0204.

## 5.1. CONSOLIDATED STATEMENTS OF INCOME

(in million euros)	Notes	2017			
		Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Continuing operations</b>					
<b>Revenue</b>	5.1	<b>65,094</b>	<b>139</b>	<b>(23)</b>	<b>65,210</b>
Cost of goods and services sold		(53,017)	(98)	23	(53,092)
Selling, general and administrative expenses		(5,862)	(27)	-	(5,889)
Research and development expenses	5.3	(2,238)	-	-	(2,238)
<b>Recurring operating income (loss)</b>		<b>3,977</b>	<b>14</b>	<b>-</b>	<b>3,991</b>
Non-recurring operating income	5.4 -8.3	202	3	-	205
Non-recurring operating expenses	5.4 -8.3	(1,106)	(3)	-	(1,109)
<b>Operating income (loss)</b>		<b>3,073</b>	<b>14</b>	<b>-</b>	<b>3,087</b>
Financial income		163	4	-	167
Financial expenses		(404)	(1)	-	(405)
<b>Net financial income (loss)</b>	12.2	<b>(241)</b>	<b>3</b>	<b>-</b>	<b>(238)</b>
<b>Income (loss) before tax of fully consolidated companies</b>		<b>2,832</b>	<b>17</b>	<b>-</b>	<b>2,849</b>
Current taxes		(552)	(13)	-	(565)
Deferred taxes		(139)	3	-	(136)
<b>Income taxes</b>	14	<b>(691)</b>	<b>(10)</b>	<b>-</b>	<b>(701)</b>
Share in net earnings of companies at equity	11.3	(9)	226	-	217
Other expenses related to the non-transferred financing of operations to be continued in partnership		-	-	-	-
<b>Consolidated profit (loss) from continuing operations</b>		<b>2,132</b>	<b>233</b>	<b>-</b>	<b>2,365</b>
<i>Attributable to equity holders of the parent</i>		1,709	227	-	1,936
<b>Operations held for sale or to be continued in partnership</b>					
<b>Profit (loss) from operations held for sale or to be continued in partnership</b>		<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>
<b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>		<b>2,125</b>	<b>233</b>	<b>-</b>	<b>2,358</b>
<i>Attributable to equity holders of the parent</i>		1,702	227	-	1,929
<i>Attributable to minority interests</i>		423	6	-	429

(in euros)

Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)	2.18
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)	2.18
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)	2.06
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)	2.05

		2016					
		Notes	Manufacturing and sales companies	Finance companies	Eliminations	Total	
<i>(in million euros)</i>							
<b>Continuing operations</b>							
<b>Revenue</b>	5.1		<b>53,884</b>	<b>161</b>	<b>(15)</b>	<b>54,030</b>	
Cost of goods and services sold			(43,599)	(125)	15	(43,709)	
Selling, general and administrative expenses			(5,136)	(35)	-	(5,171)	
Research and development expenses	5.3		(1,915)	-	-	(1,915)	
<b>Recurring operating income (loss)</b>			<b>3,234</b>	<b>1</b>	<b>-</b>	<b>3,235</b>	
Non-recurring operating income	5.4 -8.3		117	-	-	117	
Non-recurring operating expenses	5.4 -8.3		(741)	-	-	(741)	
<b>Operating income (loss)</b>			<b>2,610</b>	<b>1</b>	<b>-</b>	<b>2,611</b>	
Financial income			298	4	-	302	
Financial expenses			(570)	-	-	(570)	
<b>Net financial income (loss)</b>	12.2		<b>(272)</b>	<b>4</b>	<b>-</b>	<b>(268)</b>	
<b>Income (loss) before tax of fully consolidated companies</b>			<b>2,338</b>	<b>5</b>	<b>-</b>	<b>2,343</b>	
Current taxes			(588)	(8)	-	(596)	
Deferred taxes			90	(11)	-	79	
<b>Income taxes</b>	14		<b>(498)</b>	<b>(19)</b>	<b>-</b>	<b>(517)</b>	
Share in net earnings of companies at equity	11.3		(67)	195	-	128	
Other expenses related to the non-transferred financing of operations to be continued in partnership			-	(10)	-	(10)	
<b>Consolidated profit (loss) from continuing operations</b>			<b>1,773</b>	<b>171</b>	<b>-</b>	<b>1,944</b>	
<i>Attributable to equity holders of the parent</i>			<i>1,358</i>	<i>167</i>	<i>-</i>	<i>1,525</i>	
<b>Operations held for sale or to be continued in partnership</b>							
<b>Profit (loss) from operations held for sale or to be continued in partnership</b>			<b>174</b>	<b>31</b>	<b>-</b>	<b>205</b>	
<b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>			<b>1,947</b>	<b>202</b>	<b>-</b>	<b>2,149</b>	
<i>Attributable to equity holders of the parent</i>			<i>1,532</i>	<i>198</i>	<i>-</i>	<i>1,730</i>	
<i>Attributable to minority interests</i>			<i>415</i>	<i>4</i>	<i>-</i>	<i>419</i>	

*(in euros)*

Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)	1.90
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)	2.16
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)	1.70
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)	1.93

## 5.2. CONSOLIDATED COMPREHENSIVE INCOME

	2017		
	Before tax	Income tax benefit (expense)	After tax
<i>(in million euros)</i>			
<b>Consolidated profit (loss) for the period</b>	<b>3,059</b>	<b>(701)</b>	<b>2,358</b>
<b>Items that may be recycled through profit or loss</b>			
Fair value adjustments to cash flow hedges	35	(8)	27
▸ of which, reclassified to the income statement	(4)	4	-
▸ of which, recognised in equity during the period	39	(12)	27
Gains and losses from remeasurement at fair value of available-for-sale financial assets	6	(1)	5
▸ of which, reclassified to the income statement	-	-	-
▸ of which, recognised in equity during the period	6	(1)	5
Exchange differences on translating foreign operations	(424)	-	(424)
<b>Total other items of comprehensive income that may be recycled through profit or loss</b>	<b>(383)</b>	<b>(9)</b>	<b>(392)</b>
<b>Items that may not be recycled through profit or loss</b>			
Actuarial gains and losses on pension obligations	(104)	26	(78)
<b>Total other items of comprehensive income</b>	<b>(487)</b>	<b>17</b>	<b>(470)</b>
▸ of which, companies at equity	114	-	114
<b>CONSOLIDATED COMPREHENSIVE INCOME</b>	<b>2,572</b>	<b>(684)</b>	<b>1,888</b>
▸ of which, attributable to equity holders of the parent			1,574
▸ of which, attributable to minority interests			314

Items recognised in comprehensive income correspond to all changes in equity resulting from transactions with third parties other than shareholders.

# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Consolidated comprehensive Income

	2016		
	Before tax	Income tax benefit (expense)	After tax
<i>(in million euros)</i>			
<b>Consolidated profit (loss) for the period</b>	<b>2,666</b>	<b>(517)</b>	<b>2,149</b>
<b>Items that may be recycled through profit or loss</b>			
Fair value adjustments to cash flow hedges	53	(19)	34
› of which, reclassified to the income statement	63	(10)	53
› of which, recognised in equity during the period	(10)	(9)	(19)
Gains and losses from remeasurement at fair value of available-for-sale financial assets	11	(2)	9
› of which, reclassified to the income statement	-	-	-
› of which, recognised in equity during the period	11	(2)	9
Exchange differences on translating foreign operations	(52)	-	(52)
<b>Total other items of comprehensive income that may be recycled through profit or loss</b>	<b>12</b>	<b>(21)</b>	<b>(9)</b>
<b>Items that may not be recycled through profit or loss</b>			
Actuarial gains and losses on pension obligations	37	(1)	36
<b>Total other items of comprehensive income</b>	<b>49</b>	<b>(22)</b>	<b>27</b>
› of which, companies at equity	(78)	-	(78)
<b>CONSOLIDATED COMPREHENSIVE INCOME</b>	<b>2,715</b>	<b>(539)</b>	<b>2,176</b>
› of which, attributable to equity holders of the parent			1,762
› of which, attributable to minority interests			414







## 5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2017			
		Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in million euros)</i>					
<b>Consolidated profit (loss) from continuing operations</b>		<b>2,132</b>	<b>233</b>	<b>-</b>	<b>2,365</b>
Other expenses related to the non-transferred financing of operations to be continued in partnership		-	-	-	-
Adjustments for non-cash items:					
› depreciation, amortisation and impairment	16.2	2,667	13	-	2,680
› provisions		225	(5)	-	220
› changes in deferred tax		137	(3)	-	134
› (gains) losses on disposals and other		(134)	(5)	-	(139)
Share in net (earnings) losses of companies at equity, net of dividends received		240	(88)	-	152
Revaluation adjustments taken to equity and hedges of debt		28	-	-	28
Change in carrying amount of leased vehicles		(90)	-	-	(90)
<b>Funds from operations</b>		<b>5,205</b>	<b>145</b>	<b>-</b>	<b>5,350</b>
Changes in working capital	6.4.A	8	(82)	1	(73)
<b>Net cash from (used in) operating activities of continuing operations<sup>(1)</sup></b>		<b>5,213</b>	<b>63</b>	<b>1</b>	<b>5,277</b>
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		81	4	-	85
Capital increase and acquisitions of consolidated companies and equity interests	16.3	(840)	(525)	270	(1,095)
Proceeds from disposals of property, plant and equipment and of intangible assets		323	-	-	323
Investments in property, plant and equipment <sup>(2)</sup>	8.2.B	(2,351)	-	-	(2,351)
Investments in intangible assets <sup>(3)</sup>	8.1.B	(1,753)	(16)	-	(1,769)
Change in amounts payable on fixed assets		(239)	-	-	(239)
Other		66	2	-	68
<b>Net cash from (used in) investing activities of continuing operations</b>		<b>(4,713)</b>	<b>(535)</b>	<b>270</b>	<b>(4,978)</b>
Dividends paid:					
› to Peugeot S.A. shareholders		(431)	-	-	(431)
› intragroup		-	-	-	-
› net amounts received from (paid to) operations to be continued in partnership		-	-	-	-
› to minority shareholders of subsidiaries		(129)	(6)	-	(135)
Proceeds from issuance of shares		305	270	(270)	305
(Purchases) sales of treasury shares		(137)	-	-	(137)
Changes in other financial assets and liabilities	12.3.B	43	-	(1)	42
Other		2	-	-	2
<b>Net cash from (used in) financing activities of continuing operations</b>		<b>(347)</b>	<b>264</b>	<b>(271)</b>	<b>(354)</b>
<b>Net cash related to the non-transferred debt of finance companies to be continued in partnership<sup>(4)</sup></b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership<sup>(4)</sup></b>		<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>
Effect of changes in exchange rates		(119)	(2)	-	(121)
<b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>		<b>27</b>	<b>(210)</b>	<b>-</b>	<b>(183)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>11,464</b>	<b>530</b>	<b>(8)</b>	<b>11,986</b>
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16.1	<b>11,491</b>	<b>320</b>	<b>(8)</b>	<b>11,803</b>

(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

(2) Of which for the manufacturing and sales activities, €743 million for the Automotive Equipment segment and €1,462 million for the Peugeot Citroën DS Automotive segment.

(3) Of which for the manufacturing and sales activities, €134 million for the Peugeot Citroën DS Automotive segment, excluding research and development.

(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.5.

# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Consolidated Statements of cash flows

		2016			
		Manufacturing and sales companies	Finance companies	Eliminations	Total
(in million euros)					
Notes					
<b>Consolidated profit (loss) from continuing operations</b>		<b>1,773</b>	<b>171</b>	<b>-</b>	<b>1,944</b>
Other expenses related to the non-transferred financing of operations to be continued in partnership		-	11	-	11
Adjustments for non-cash items:					
› depreciation, amortisation and impairment	16.2	2,477	20	-	2,497
› provisions		(31)	(28)	-	(59)
› changes in deferred tax		(93)	5	-	(88)
› (gains) losses on disposals and other		(139)	(7)	-	(146)
Share in net (earnings) losses of companies at equity, net of dividends received		355	(102)	-	253
Revaluation adjustments taken to equity and hedges of debt		76	(1)	-	75
Change in carrying amount of leased vehicles		48	-	-	48
<b>Funds from operations</b>		<b>4,466</b>	<b>69</b>	<b>-</b>	<b>4,535</b>
Changes in working capital	6.4.A	471	1,287	177	1,935
<b>Net cash from (used in) operating activities of continuing operations<sup>(1)</sup></b>		<b>4,937</b>	<b>1,356</b>	<b>177</b>	<b>6,470</b>
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		608	202	-	810
Capital increase and acquisitions of consolidated companies and equity interests		(349)	(71)	-	(420)
Proceeds from disposals of property, plant and equipment and of intangible assets		242	1	-	243
Investments in property, plant and equipment <sup>(2)</sup>	8.2.B	(2,106)	(1)	-	(2,107)
Investments in intangible assets <sup>(3)</sup>	8.1.B	(1,449)	(18)	-	(1,467)
Change in amounts payable on fixed assets		237	-	-	237
Other		144	-	10	154
<b>Net cash from (used in) investing activities of continuing operations</b>		<b>(2,673)</b>	<b>113</b>	<b>10</b>	<b>(2,550)</b>
Dividends paid:					
› to Peugeot S.A. shareholders		-	-	-	-
› intragroup		434	(434)	-	-
› net amounts received from (paid to) operations to be continued in partnership		-	120	-	120
› to minority shareholders of subsidiaries		(123)	(11)	-	(134)
Proceeds from issuance of shares		332	(5)	-	327
(Purchases) sales of treasury shares		-	-	-	-
Changes in other financial assets and liabilities	12.3.B	(1,548)	-	(443)	(1,991)
Other		-	-	(4)	(4)
<b>Net cash from (used in) financing activities of continuing operations</b>		<b>(905)</b>	<b>(330)</b>	<b>(447)</b>	<b>(1,682)</b>
<b>Net cash related to the non-transferred debt of finance companies to be continued in partnership<sup>(4)</sup></b>		<b>-</b>	<b>(2,615)</b>	<b>305</b>	<b>(2,310)</b>
<b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership<sup>(4)</sup></b>		<b>(255)</b>	<b>1,097</b>	<b>1</b>	<b>843</b>
Effect of changes in exchange rates		(93)	16	-	(77)
<b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>		<b>1,011</b>	<b>(363)</b>	<b>46</b>	<b>694</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>10,453</b>	<b>893</b>	<b>(54)</b>	<b>11,292</b>
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16.1	<b>11,464</b>	<b>530</b>	<b>(8)</b>	<b>11,986</b>

(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

(2) Of which for the manufacturing and sales activities, €666 million for Automotive Equipment Division and €1,440 million for the Automotive Division.

(3) Of which for the manufacturing and sales activities, €78 million for Automotive Equipment Division, excluding research and development.

(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.5.

## 5.5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Revaluations - excluding minority interests							Equity - Attributable to equity holders of the parent	Equity - Minority interests	Total equity
	Share capital	Treasury shares	Retained earnings excluding revaluations	Cash flow hedges	Available- for-sale financial assets	Actuarial gains and losses on pension obligations	Effect of changes in exchange rates			
(in million euros)										
<b>At 31 December 2015</b>	<b>808</b>	<b>(238)</b>	<b>10,090</b>	<b>(28)</b>	<b>9</b>	<b>(82)</b>	<b>(4)</b>	<b>10,555</b>	<b>1,664</b>	<b>12,219</b>
Income and expenses recognised in equity for the period	-	-	1,730	34	9	51	(62)	1,762	414	2,176
Measurement of stock options and performance share grants	-	-	8	-	-	-	-	8	10	18
Redemption of convertible bonds	-	-	(4)	-	-	-	-	(4)	(5)	(9)
Effect of changes in scope of consolidation and other	-	-	(4)	-	-	-	-	(4)	9	5
Issuance of shares	52	-	278	-	-	-	-	330	15	345
Treasury shares	-	-	10	-	-	-	-	10	(13)	(3)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(133)	(133)
<b>At 31 December 2016</b>	<b>860</b>	<b>(238)</b>	<b>12,108</b>	<b>6</b>	<b>18</b>	<b>(31)</b>	<b>(66)</b>	<b>12,657</b>	<b>1,961</b>	<b>14,618</b>
Income and expenses recognised in equity for the period	-	-	1,929	22	5	(80)	(302)	1,574	314	1,888
Measurement of stock options and performance share grants	-	-	29	-	-	-	-	29	11	40
Repurchase of treasury shares	-	(116)	(18)	-	-	-	-	(134)	(22)	(156)
Effect of changes in scope of consolidation and other	-	-	(6)	-	-	-	-	(6)	27	21
Issuance of shares	45	-	243	-	-	-	-	288	17	305
Equity warrants Peugeot S.A. equity warrants delivered to General Motors	-	-	541	-	-	-	-	541	-	541
Treasury shares delivered to employees	-	84	(53)	-	-	-	-	31	-	31
Dividends paid by Peugeot S.A.	-	-	(431)	-	-	-	-	(431)	-	(431)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(137)	(137)
<b>AT 31 DECEMBER 2017</b>	<b>905</b>	<b>(270)</b>	<b>14,342</b>	<b>28</b>	<b>23</b>	<b>(111)</b>	<b>(368)</b>	<b>14,549</b>	<b>2,171</b>	<b>16,720</b>

## 5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2017

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## 1.2. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in order to determine the reported amounts of certain assets, liabilities, income and expense items, as well as certain amounts disclosed in the notes to the financial statements relating to contingent assets and liabilities.

The estimates and assumptions used are those deemed by management to be the most pertinent and accurate in view of the Group's circumstances and past experience. Estimates and assumptions are reviewed periodically.

Nevertheless, given the uncertainty inherent in any projections, actual results may differ from initial estimates.

For the preparation of the 2017 annual financial statements, special attention was paid to the following items:

- fair value of the assets acquired and liabilities assumed in the course of a business combination (see Note 2 on the acquisition of the Opel Vauxhall operations);
- the recoverable amount of the Peugeot Citroën DS and Opel Vauxhall Automotive Divisions intangible assets and property,

plant and equipment (see Note 8.3), and the recoverable amount of investments in companies at equity (see Note 11.3);

- provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 5.4.B, Note 7.1 and Note 10);
- sales incentives (see Note 5.1.A);
- residual values of vehicles sold with buyback commitment (see Note 8.2.C and Note 9.2);
- deferred tax assets (see Note 14).

## 1.3. PERFORMANCE INDICATORS

In its financial communications, the Group publishes performance indicators that are not directly discernible from the summary consolidated financial statements. The main indicators defined in the notes to the financial statements are as follows:

- recurring operating income (loss) by segment (see Note 4.1 and Note 5);
- free cash flow and Operating free cash flow (see Note 16.5);
- net financial position (see Note 12.3);
- financial security (see Note 12.4).

## NOTE 2 ACQUISITION OF THE OPEL VAUXHALL BUSINESS

On 6 March 2017, General Motors Co. (GM) and Groupe PSA signed an agreement for the acquisition of a majority interest in the Opel Vauxhall subsidiaries of General Motors and the European operations of GM Financial in partnership with BNP Paribas. These transactions were finalised in the second half of 2017 as follows.

### 2.1. ACQUISITION OF THE AUTOMOTIVE BUSINESS OF OPEL VAUXHALL

On 31 July 2017, Groupe PSA completed the acquisition of Opel's and Vauxhall's automotive subsidiaries from GM.

#### A. Description of the transaction

The transaction includes the bulk of Opel Vauxhall's automotive business, comprising the Opel and Vauxhall brands, six assembly and five component-manufacturing facilities, one engineering centre (Rüsselsheim in Germany). Opel Vauxhall will also continue to benefit from intellectual property licenses from GM until its vehicles progressively convert to Groupe PSA platforms over the coming years.

The purchase price paid by Groupe PSA, for the automotive business of Opel and Vauxhall was €1,018 million (see details in 2.1.F).

#### B. Opening balance sheet

(in million euros)

	31 July 2017
<b>Purchase price</b>	<b>1,018</b>
Intangible assets acquired	1,792
Property, plant and equipment acquired	1,577
Other non-current assets acquired	517
Current assets acquired	4,120
Cash acquired	301
Provisions assumed	(1,390)
Financial liabilities assumed	(785)
Trade payables assumed	(3,171)
Other liabilities assumed	(3,753)
<b>Assets acquired and liabilities assumed</b>	<b>(792)</b>
<b>GOODWILL</b>	<b>1,810</b>





**(b) Specific method**

Certain subsidiaries outside the euro zone carry out most of their transactions in euros or US dollars, which is accordingly recognised as their functional currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end exchange rate. The resulting translation gains and losses are recognised directly in profit or loss.

The Group does not operate in hyperinflationary countries within the meaning of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

**(2) Translation of transactions in foreign currencies**

In compliance with IAS 21, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date.

At each balance sheet date, monetary items are translated at the closing rate and the resulting translation adjustment is recognised in profit or loss, as follows:

- in recurring operating income, for commercial transactions carried out by all Group companies and for financing transactions carried out by the Banque PSA Finance Group;
- in interest income or finance costs for financial transactions carried out by the manufacturing and sales companies.

**3.2. COMPOSITION OF THE GROUP**

The Group consists of the Peugeot S.A. holding company, listed on Euronext, and its affiliates consolidated in accordance with Note 3.1.

The Group's operations are organised around five main segments (see Note 4):

- the Peugeot Citroën DS Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands. It mainly comprises wholly owned subsidiaries, as well as jointly controlled subsidiaries for the production of vehicles or subassemblies in Europe and for industrial and commercial activities in China. These jointly controlled subsidiaries are consolidated in accordance with IFRS 11 (see Note 3.1);
- the Opel Vauxhall Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Opel and Vauxhall brands. It mainly comprises wholly owned subsidiaries;
- the Automotive Equipment segment, corresponding to the Faurecia Group comprising the Interior Systems, the Automotive

Seating and the Clean Mobility businesses. Faurecia is listed on Euronext. Peugeot S.A. holds 46.3% of Faurecia's capital and 63.09% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;

- the Finance segment, corresponding to the Banque PSA Finance Group, which provides retail financing to customers of the Peugeot, Citroën, DS and Opel Vauxhall brands and wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. This mainly stems from the partnership between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnership with BNP Paribas for the Opel Vauxhall brands.

The Group's other activities are housed under "Other businesses", which notably includes the Peugeot S.A. holding company, and minority stakes in the GEFCO Group as well as in Peugeot Scooters (Peugeot Motorcycles) both consolidated by the equity method.

	31 December 2017	31 December 2016
<b>Fully consolidated companies</b>		
Manufacturing and sales companies <sup>(1)</sup>	317	278
Finance companies	18	18
	<b>335</b>	<b>296</b>
<b>Joint operations</b>		
Manufacturing and sales companies	3	3
<b>Companies at equity</b>		
Manufacturing and sales companies	55	50
Finance companies <sup>(2)</sup>	43	29
	<b>98</b>	<b>79</b>
<b>CONSOLIDATED COMPANIES</b>	<b>436</b>	<b>378</b>

(1) 39 new companies fully consolidated, of which 34 for the Automotive Division Opel Vauxhall.

(2) 14 new companies accounted at equity, of which 12 for the Finance Division Opel Vauxhall.







**B. Key figures***(in million euros)*

	2017	2016
Sales of vehicles and other goods	63,444	52,526
Service revenue	1,650	1,358
Financial services revenue	116	146
<b>TOTAL</b>	<b>65,210</b>	<b>54,030</b>

Sales of goods consist mainly of sales of vehicles and automobile parts, sub-assemblies and components.

Service revenues primarily comprise auto repairs and servicing by captive dealers, and vehicle leasing services as described in Note 8.2.C.

Financial services revenue corresponds for the most part to interest income, insurance premiums and other gross revenues.

**5.2. RECURRING OPERATING EXPENSES ANALYSED BY NATURE**

Broken down by type, operating expenses include staff costs and the depreciation or amortisation of intangible assets and property, plant and equipment, explained below. Other recurring operating expenses are analysed by each segment at its own appropriate level with the result that they cannot be presented on a consistent basis at Group level.

**Staff costs**

Group staff costs included in the Recurring Operating Income are as follows:

*(in million euros)*

	2017	2016
Automotive segment Peugeot Citroën DS <sup>(1)</sup>	(4,537)	(4,641)
Automotive segment Opel Vauxhall	(1,101)	-
Automotive Equipment segment <sup>(2)</sup>	(3,177)	(3,059)
Finance companies <sup>(3)</sup>	(7)	(9)
Other businesses	(98)	(70)
<b>TOTAL</b>	<b>(8,920)</b>	<b>(7,779)</b>

(1) Including €4,030 million representing staff costs of manufacturing activities of the Peugeot Citroën DS Automotive segment (€4,109 million in 2016).

(2) In 2016, €225 million representing staff costs were reclassified in activities to be sold or continued in partnership.

(3) In 2016, €17 million representing staff costs were reclassified in activities to be sold or continued in partnership.

The Competitiveness and Employment Tax Credit (CICE) has been deducted from personnel expenses in the amount of €103 million (€96 million in 2016).

Details of pension costs are disclosed in Note 7.

**Depreciation and Amortisation Expense**

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

*(in million euros)*

	2017	2016
Capitalised development expenditure	(845)	(825)
Other intangible assets	(98)	(100)
Specific tooling	(636)	(650)
Other property, plant and equipment	(1,057)	(1,001)
<b>TOTAL</b>	<b>(2,636)</b>	<b>(2,576)</b>
<i>Of which Opel Vauxhall Automotive segment</i>	<i>(24)</i>	<i>-</i>

### 5.3. RESEARCH AND DEVELOPMENT EXPENSES

#### A. Accounting policies

Research and development expenses include the cost of scientific and technical activities, industrial property, and the education and training necessary for the development, production or implementation and marketing of new or substantially improved materials, methods, products, processes, systems or services.

Under **IAS 38 "Intangible Assets"**, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

- its intention to complete the intangible asset and use or sell it, as well as the availability of adequate technical, financial and other resources for this purpose;
- that it is probable that the future economic benefits attributable to the development expenditure will flow to the entity;
- that the cost of the asset can be measured reliably.

Capitalised development costs include related borrowing costs (see Note 12.2.A).

Expenses for the year include research costs, non-capitalised study and development costs under the above criteria, and the amortisation of capitalised development costs.

#### (1) Peugeot Citroën DS and Opel Vauxhall Automotive segment

Development expenditure on vehicles and mechanical sub-assemblies (engines and gearboxes) incurred between the project launch (corresponding to the styling decision for vehicles) and the start-up of pre-series production is recognised in

intangible assets. It is amortised from the start-of-production date over the asset's useful life, representing up to seven years for vehicles and ten years for mechanical sub-assemblies and modules. The capitalised amount mainly comprises payroll costs of personnel directly assigned to the project, the cost of prototypes and the cost of external services related to the project. No overheads or indirect costs related to research and development activities are included, such as rent, building depreciation and information system utilisation costs. The capitalised amount also includes the portion of qualifying development expenditure incurred by the Group under cooperation agreements that is not billed to the partner. Generally, development costs billed to the Group by its partners under cooperation agreements are also capitalised, when they are meeting capitalisation criteria. All development expenditure incurred to develop mechanical sub-assemblies compliant with new emissions standards is monitored on a project-by-project basis and capitalised.

#### (2) Automotive Equipment Division

Development work is undertaken for all programmes covered by specific customer orders. Where development costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer, the costs incurred during the period between the customer's acceptance of the commercial offer and the start-of-production date of the parts or modules are recognised in intangible assets. The intangible asset is amortised based on the quantity of parts delivered to the customer, provided that accumulated amortisation at each year-end does not represent less than the amount that would be recognised if the asset were amortised on a straight-line basis over five years. If the contract includes a payment guarantee, the development expenditure is recognised in inventories and work-in-progress.

#### B. Research and development expenses, net

(in million euros)

	Notes	2017	2016
Total expenditure <sup>(1)</sup>		(2,932)	(2,361)
Capitalised development expenditure <sup>(2)</sup>		1,536	1,267
<b>Non-capitalised expenditure</b>		<b>(1,396)</b>	<b>(1,094)</b>
Amortisation of capitalised development expenditure	8.1	(842)	(821)
<b>TOTAL</b>		<b>(2,238)</b>	<b>(1,915)</b>

(1) Including €2,055 million for the Peugeot Citroën DS Automotive segment (€1,924 million in 2016), €408 million for the Opel Vauxhall automotive segment and €469 million for Faurecia (€437 million in 2016).

(2) In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 "Borrowing costs" (Revised) (see Note 12.2.A).

The amounts presented in the above table are stated net of research funding received by the Group.

## 5.4. NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in million euros)</i>	Notes	2017	2016
Net gains on disposals of real estate assets		164	101
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	8.3.B	12	10
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment		1	-
Other non-recurring operating income on other CGUs		28	6
<b>Total non-recurring operating income</b>		<b>205</b>	<b>117</b>
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	8.3.B	(107)	(143)
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment		(38)	-
Impairment loss on Faurecia CGUs and other Faurecia assets	8.3.C	-	-
Restructuring costs	5.4.B	(951)	(547)
Other non-recurring operating expenses on other CGUs		(13)	(51)
<b>Total non-recurring operating expenses</b>		<b>(1,109)</b>	<b>(741)</b>

## A. Impairment test on CGU, provisions for onerous contracts and other depreciations

The detail of impairment testing, provisions for onerous contracts and other impairment is disclosed in Note 8.3.

## B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

<i>(in million euros)</i>	2017	2016
Peugeot Citroën Automotive segment	(426)	(456)
Opel Vauxhall Automotive segment	(440)	-
Automotive Equipment segment	(86)	(90)
Other businesses segment	1	(1)
<b>TOTAL</b>	<b>(951)</b>	<b>(547)</b>

## Peugeot Citroën DS Automotive segment

In 2017, Peugeot Citroën DS Automotive segment restructuring costs amounted to €426 million.

They relate chiefly to the recognition of the restructuring plans covering the Group's industrial sites in Europe (Jobs and Skills Matching System -DAEC-, Jobs and Skills Reallocation Plan -PREC-, Employment Safeguarding Plan -PSE- and older employee plans) in the amount of €375 million and the reorganisation of its commercial operations in Europe in the amount of €32 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €16 million.

## Opel Vauxhall Automotive segment

In 2017, Opel Vauxhall Automotive segment restructuring costs amounted to €440 million.

## Automotive Equipment segment (Faurecia Group)

In 2017, Faurecia Group restructuring costs totalled €86 million, including €78 million in provisions for redundancy costs, mainly in Germany, France, the United States and in the Netherlands.

## NOTE 6 REQUIREMENTS IN WORKING CAPITAL OF MANUFACTURING AND SALES COMPANIES

### 6.1. INVENTORIES

Inventories are stated at the lower of cost and net realisable value, in accordance with **IAS 2 "Inventories"**.

Cost is determined by the first-in-first-out (FIFO) method and includes all direct and indirect variable production expenses, plus fixed production expenses based on the normal capacity of each production facility.

The net realisable value of inventories intended to be sold corresponds to their selling price, as estimated based on market conditions and any relevant external information sources, less the estimated costs necessary to complete the sale (such as variable

direct selling expenses, refurbishment costs not billed to customers for used vehicles and other goods).

The Automotive Equipment segment performs development work and manufactures or purchases specific tooling to produce parts or modules for programmes covered by specific customer orders. When the contract includes a payment guarantee, the development costs are recognised in inventories and work-in-progress and the corresponding revenue is recognised when the customer signs off on each technical phase.

	31 December 2017			31 December 2016		
	Gross	Allowance	Net	Gross	Allowance	Net
<i>(in million euros)</i>						
Raw materials and supplies	1,272	(153)	1,119	807	(140)	667
Semi-finished products and work-in-progress	1,049	(30)	1,019	949	(31)	918
Goods for resale and used vehicles	1,204	(83)	1,121	911	(110)	801
Finished products and replacement parts	4,289	(227)	4,062	2,107	(146)	1,961
<b>TOTAL</b>	<b>7,814</b>	<b>(493)</b>	<b>7,321</b>	<b>4,774</b>	<b>(427)</b>	<b>4,347</b>
<i>Of which Opel Vauxhall Automotive segment</i>			2,862			

### 6.2. TRADE RECEIVABLES

A provision for impairment is recorded on the manufacturing and sales companies' trade receivables if the Group believes that there is a risk that the receivables will not be recovered. Indications of probable impairment include the existence of unresolved claims or litigation, the age of the receivables and the obligor's significant financial difficulties.

In accordance with IAS 39, the Group derecognises receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. In analysing the transfer of risks, dilution risk is not

included inasmuch as it has been defined and correctly segregated notably from the risk of late payment. Transferred receivables are not derecognised when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognised in financial expense.

In segment reporting, this rule also applies to the Peugeot Citroën DS and Opel Vauxhall Automotive segments' debts transferred to the Group's finance companies and to the finance companies in partnership.

	31 December 2017	31 December 2016
<i>(in million euros)</i>		
Trade receivables	2,674	1,726
Allowances for doubtful accounts	(307)	(166)
<b>Total - manufacturing and sales companies</b>	<b>2,367</b>	<b>1,560</b>
Elimination of transactions with the finance companies	(34)	(19)
<b>TOTAL</b>	<b>2,333</b>	<b>1,541</b>
<i>Of which Opel Vauxhall Automotive segment</i>	724	-

Assignments of trade receivables to financial institutions are disclosed in Note 12.6.E.

## 6.3. OTHER RECEIVABLES AND OTHER PAYABLES

## A. Other receivables

(in million euros)	31 December 2017	31 December 2016
State, regional and local taxes excluding income tax <sup>(1)</sup>	1,198	908
Personnel-related payables	41	38
Due from suppliers	195	196
Derivative instruments	274	41
Prepaid expenses	444	361
Miscellaneous other receivables	484	219
<b>TOTAL</b>	<b>2,636</b>	<b>1,763</b>
Of which Opel Vauxhall Automotive segment	434	-

(1) In 2017, the Group sold €43 million worth of French research tax credits and €94 million worth of French competitiveness and employment tax credits (see Note 12.6.E).

## B. Other payables

(in million euros)	31 December 2017	31 December 2016
Taxes payable other than income taxes	1,108	660
Personnel-related payables	1,207	1,019
Payroll taxes	358	354
Payable on fixed asset purchases	1,625	597
Customer prepayments	2,004	1,569
Derivative instruments <sup>(1)</sup>	203	17
Deferred income	943	800
Miscellaneous other payables	430	350
<b>TOTAL</b>	<b>7,878</b>	<b>5,366</b>
Of which Opel Vauxhall Automotive segment	2,058	-

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge currency risks on current or forecast operating receivables and payables. These instruments are analysed by maturity in Note 12.7.A "Management of financial risks".

## 6.4. CHANGE IN WORKING CAPITAL REQUIREMENTS OF MANUFACTURING AND SALES COMPANIES

## A. Analysis of the change in working capital

(in million euros)	2017	2016
(Increase) decrease in inventories	(167)	(365)
(Increase) decrease in trade receivables	(476)	291
Increase (decrease) in trade payables	1,179	389
Change in income taxes	(124)	4
Other changes	(404)	152
	<b>8</b>	<b>471</b>
Net cash flows with Group finance companies	17	(38)
<b>TOTAL</b>	<b>25</b>	<b>433</b>

## B. Analysis of the Change in balance sheet Items

### (1) Analysis by type

2017 (in million euros)	At 1 January	At 31 December
Inventories <sup>(1)</sup>	(4,347)	(7,321)
Trade receivables	(1,560)	(2,367)
Trade payables <sup>(2)</sup>	9,352	13,362
Income taxes	21	(113)
Other receivables	(1,763)	(2,636)
Other payables <sup>(3)</sup>	5,366	7,878
	<b>7,069</b>	<b>8,803</b>
Net cash flows with Group finance companies	(15)	1
<b>TOTAL</b>	<b>7,054</b>	<b>8,804</b>

Of which Opel Vauxhall Automotive segment at 31 December 2017:

(1) €(2,863) million.

(2) €2,906 million.

(3) €2,099 million.

### (2) Movements of the year

(in million euros)	2017	2016
<b>At 1 January</b>	<b>7,069</b>	<b>6,379</b>
Cash flows from operating activities	(41)	484
Cash flows from investing activities	(144)	400
Changes in scope of consolidation and other <sup>(1)</sup>	1,920	1
Translation adjustment	28	(164)
Revaluations taken to equity	(29)	(31)
<b>AT 31 DECEMBER</b>	<b>8,803</b>	<b>7,069</b>

(1) Of which €1,785 million related to the acquisition of Opel Vauxhall in 2017.

The change in working capital in the consolidated statement of cash flows at 31 December 2017 (€8 million positive effect) corresponds to cash flows from operating activities (€41 million negative effect), exchange differences (€15 million positive effect), change in the ineffective portion of currency options (€28 million positive effect) and other movements (€6 million positive effect).

(in million euros)	2017	2016
<b>Cash flows from operating activities of manufacturing and sales companies</b>	<b>(41)</b>	<b>484</b>
Exchange differences	15	51
Change in the ineffective portion of currency options	28	(45)
Other changes	6	(19)
<b>Change in working capital in the statement of cash flows</b>	<b>8</b>	<b>471</b>























## NOTE 9 OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

### 9.1. OTHER NON-CURRENT ASSETS

(in million euros)

	Notes	31 December 2017	31 December 2016
Excess of payments to external funds over pension obligations	7.1.E	630	729
Investments in non-consolidated companies and units in the FAA funds		462	254
Derivative instruments <sup>(1)</sup>		6	28
Guarantee deposits and other		607	364
<b>TOTAL</b>		<b>1,705</b>	<b>1,375</b>
<i>Of which Opel Vauxhall Automotive segment</i>		118	-

(1) Corresponding to the non-current portion of derivative instruments hedging commodity risks.

The Group has invested in the two *Fonds d'Avenir Automobile* (FAA - tier 1 and tier 2). The Group has committed €204 million to these two funds, €145 million of which has been paid to date. These units have been classified as "available-for-sale" in accordance with

IAS 39 and are therefore measured at fair value (see Note 12.8.C.(3)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

### 9.2. OTHER NON-CURRENT LIABILITIES

(in million euros)

	Notes	31 December 2017	31 December 2016
Liabilities related to vehicles sold with a buyback commitment	5.1.A.(1).(a)	4,180	3,126
Other		100	162
<b>TOTAL</b>		<b>4,280</b>	<b>3,288</b>
<i>Of which Opel Vauxhall Automotive segment</i>		863	-





## NOTE 11 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

The share in earnings of equity-accounted companies represents the Group's share of the earnings of those companies, plus any impairment of investments in equity-accounted companies.

Gains on disposals of investments in equity-accounted companies are recorded in operating income.

Companies accounted for by the equity method include:

- joint ventures with Dongfeng Motor Group (see Note 11.4.A) and Changan (see Note 11.4.B), located in China;
- finance companies in partnership with:
  - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following

countries: France, the United-Kingdom, Malta, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland (see Note 11.4.C),

- BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Germany, France, the Netherlands, the United-Kingdom, Sweden and Switzerland (see Note 11.4.D),
- as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly GEFCO and since 2015 Peugeot Scooters.

### 11.1. CHANGES IN THE CARRYING AMOUNT OF INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

(in million euros)	31 December 2017	31 December 2016
<b>At beginning of period</b>	<b>3,014</b>	<b>2,637</b>
Dividends and profit transfers <sup>(1)</sup>	(369)	(381)
Share of net earnings	217	128
Newly consolidated companies <sup>(2)</sup>	555	484
Capital increase (reduction) <sup>(3)</sup>	57	42
Changes in scope of consolidation and other	108	188
Translation adjustment	(110)	(84)
<b>AT PERIOD-END</b>	<b>3,472</b>	<b>3,014</b>
O/w Dongfeng Peugeot Citroën Automobiles goodwill	75	82
O/w Dongfeng Peugeot Citroën Automobiles Finance Company Ltd goodwill	2	3
O/w Saipa Citroën Company goodwill	90	-
O/w GEFCO goodwill	57	57

(1) Dividends and profit transfers in 2017 included €200 million in net dividends paid to the Group by the companies in partnership with DPCA, of which €10 million withheld.

(2) Concerns mainly companies in partnership with BNP Paribas.

(3) Concerns mainly companies in partnership with Santander.





## 11.4. KEY FINANCIAL DATA OF EQUITY-ACCOUNTED COMPANIES

The detailed data about the equity-accounted companies are the following.

### A. Dongfeng Motor Group cooperation agreement in the automotive activities

PSA Group and Dongfeng Motor Group have three joint ventures:

- Dongfeng Peugeot Citroën Automobiles (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot and Dongfeng Citroën brands in China and Fengshen;

- Dongfeng Peugeot Citroën Automobiles Sales Co (DPCS), based in Wuhan, over which the Group has significant influence. It markets in China the vehicles produced by DPCA;

- Dongfeng Peugeot Citroën Automobiles International Co (DPCI), based in Singapore, over which the Group has significant influence. It markets outside China, in the ASEAN zone the vehicles produced by DPCA.

Another jointly controlled company is being created in charge of research and development.

The amounts below represent the combined financial statements of DPCA and DPCS.

### EARNINGS ITEMS AT 100%

	in million euros		in million yuans	
	2017	2016	2017	2016
Revenue	5,404	7,455	41,355	54,795
Recurring operating income (loss)	59	524	498	3,858
Operating income (loss)	(138)	568	(1,060)	4,181
<i>Of which depreciation and impairment</i>	<i>(548)</i>	<i>(299)</i>	<i>(4,172)</i>	<i>(2,202)</i>
Net financial income (loss)	51	55	384	402
Income taxes	26	(138)	211	(1,015)
<b>Profit (loss) from continuing operations</b>	<b>(61)</b>	<b>485</b>	<b>(465)</b>	<b>3,568</b>
Profit (loss) from discontinued operations	-	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(61)</b>	<b>485</b>	<b>(465)</b>	<b>3,568</b>
Group's share in the profit (loss) for the period (Share in net earnings of companies at equity)	(30)	242		
Income and expenses recognised in equity, net	-	-		
<b>Other information</b>				
Net dividend received from the joint venture(s) by PSA Group	200	260		

The amount of depreciation and impairment recorded in 2017 for 4,172 million yuan includes notably the overall depreciation of assets as identified by the two partners for 1,515 million yuan.







**D. BNP Paribas agreement in the financing activities**

The combined financial statements of all the joint ventures with BNP Paribas are presented in summary form in the tables below. The scope of the partnership with BNP Paribas includes at 31 December 2017 six European countries.

## EARNINGS ITEMS AT 100%

(in million euros)	2017
<b>Net banking revenue</b>	<b>66</b>
General operating expenses and others	(43)
<b>Gross operating income</b>	<b>23</b>
Cost of risk	(1)
<b>Operating income</b>	<b>22</b>
Non operating items	-
Income taxes	(6)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>16</b>
Group's share in the profit (loss) for the period (Share in net earnings of companies at equity)	8
Income and expenses recognised in equity, net	-
<b>Other information</b>	
Net dividend received from the joint venture(s) by PSA Group	-

## BALANCE SHEET ITEMS AT 100%

(in million euros)	31 December 2017
Customer loans and receivables	9,157
Other assets	1,020
<b>TOTAL ASSETS</b>	<b>10,177</b>
Financing liabilities	7,133
Other liabilities	2,057
Equity	987
<b>TOTAL LIABILITIES</b>	<b>10,177</b>

**11.5. RELATED PARTY TRANSACTIONS - EQUITY-ACCOUNTED COMPANIES**

Transactions with equity-accounted companies are billed on arm's length terms.

Sale and purchase transactions carried out by the consolidated manufacturing and sales companies with equity-accounted companies are as follows:

(in million euros)	2017	2016
Sales to manufacturing and sales companies <sup>(1)</sup>	675	857
Sales and assignments to companies in partnership with Santander	5,171	5,172
Purchases <sup>(2)</sup>	(2,257)	(2,043)

(1) Of which €546 million in sales to companies in partnership with DCPA (€735 million in 2016) and €23 million in sales to CAPSA (€33 million in 2016).

(2) Of which €1,856 million in purchases from GEFCO (€1,684 million in 2016).

Receivables and payables with equity-accounted companies are as follows:

(in million euros)	31 December 2017	31 December 2016
Long-term loans	48	51
Loans - due within one year	116	27
Accounts receivable	318	315
Accounts payable	(364)	(325)

Dealings between PSA Group and the financial companies are largely unchanged following Santander's investment in the joint ventures.

## NOTE 12 FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

### 12.1. ACCOUNTING POLICIES

The principles governing the measurement of financial assets and liabilities within the meaning of IAS 32 and IAS 39 are described in Note 12.8.

### 12.2. NET FINANCIAL INCOME (LOSS)

(in million euros)	2017	2016
Interest income <sup>(1)</sup>	42	95
Finance costs	(208)	(335)
Other financial income	121	203
Other financial expenses	(196)	(235)
<b>NET FINANCIAL INCOME (LOSS)</b>	<b>(241)</b>	<b>(272)</b>

(1) Including €30 million for the Automotive Division and Other Businesses (€85 million in 2016).

Finance costs include in 2016 an exceptional charge of €65 million for the early redemption of bonds by Peugeot S.A.

#### A. Finance costs

Finance costs are actual expense less the capitalised portion of assets in development.

(in million euros)	2017	2016
Financial costs	(337)	(447)
Foreign exchange gain (loss) on financial transactions and other	2	(15)
<b>Finance costs incurred</b>	<b>(335)</b>	<b>(462)</b>
<i>Of which Automotive Division and Other Businesses</i>	<i>(216)</i>	<i>(311)</i>
Capitalised borrowing Costs	127	127
<b>TOTAL</b>	<b>(208)</b>	<b>(335)</b>

#### Capitalised borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment or an intangible asset that takes at least twelve months to get ready for its intended use are capitalised as part of the cost of that asset (the “qualifying asset”). Group inventories do not meet the definition of qualifying assets under **IAS 23 “Borrowing Costs”** and their carrying amount does not therefore include any borrowing costs.

When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation corresponds to the actual borrowing costs incurred during the period less any investment income on the temporary investment of any borrowed funds not yet used.

When funds borrowed for general corporate purposes are used to obtain a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate equal to the weighted average borrowing costs for the period of the operating segment that obtains the qualifying asset.























































































# PEUGEOT S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017



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# COMBINED SHAREHOLDERS' MEETING ON 24 APRIL 2018



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## COMBINED SHAREHOLDERS' MEETING ON 24 APRIL 2018

Report of the Managing Board on the Resolutions presented at the Combined Shareholders' Meeting on 24 April 2018

### COMPONENTS OF THE 2017 COMPENSATION AND BENEFITS DUE OR AWARDED TO CARLOS TAVARES, CHAIRMAN OF THE MANAGING BOARD (SIXTEENTH RESOLUTION)

Type of compensation/ Related benefits	Amounts or accounting value submitted for approval	Presentation
Fixed compensation	€1,300,000	Gross salary set by the Supervisory Board on 22 February 2017, based on the recommendation of the Appointments, Compensation and Governance Committee.
Variable compensation	€2,403,954	<p>Gross bonus set by the Supervisory Board on 28 February 2018 based on the recommendation of the Appointments, Compensation and Governance Committee.</p> <p>On 28 February 2018, the Supervisory Board reviewed the degree to which the targets that had been set at its meeting of 22 February 2017 had been achieved and established that:</p> <ul style="list-style-type: none"> <li>the double trigger threshold for the payment of the variable component had been achieved (positive recurring operating income for the Automotive Division and positive Group operating free cash flow for 2017).</li> <li>the overachievement of the financial targets set for all members of the Managing Board brought the rate of achievement to 110.97% for Carlos TAVARES (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum individual variable compensation, and vehicle and service quality accounting for 8%).</li> <li>the 100% achievement of Carlos TAVARES' individual targets (Group recurring operating income (+100% BPF +50% China JV) accounting for 10% and workplace safety accounting for 10% of the maximum individual variable compensation).</li> </ul> <p>As a result, the Supervisory Board considered that Carlos TAVARES had achieved 108.78% of his 2017 targets and therefore awarded him variable compensation of €2,403,954, i.e. 184.92% of his fixed compensation, <i>versus</i> a target of 200%.</p> <p>For more details, see Section 3.2 of the 2017 Registration Document</p>
Deferred compensation	N/A	No deferred compensation plan.
Long-term incentive bonus	N/A	No long-term incentive bonus plan.
Stock options or other forms of long-term compensation (other than performance shares)	Stock options = N/A	No stock option plan.
Exceptional compensation	€1,000,000	<p>Exceptional compensation awarded by the Supervisory Board on 24 October 2017, based on the recommendation of the Appointments, Compensation and Governance Committee.</p> <p>This exceptional compensation relates to the development and implementation of the "PACE!" recovery plan for Opel Vauxhall, following the acquisition of the latter, designed to boost the economic recovery of Opel Vauxhall. For more details, see Section 3.2 of the 2017 Registration Document.</p>









































# ADDITIONAL INFORMATION



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## ADDITIONAL INFORMATION

Persons responsible for the Registration Document

# 9.1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

## Person responsible for the 2017 Registration Document

Carlos TAVARES

Chairman of the Peugeot S.A. Managing Board

## Statement by the person responsible for the 2017 Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Peugeot S.A. and of the companies in the consolidated group, and (ii) the Report of the

Managing Board, whose contents are described on pages 311 and 312, presents a true and fair view of the business development, results and financial position of Peugeot S.A. and the companies in the consolidated group, together with a description of the main risks and uncertainties they face.

I have obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

Carlos TAVARES

Chairman of the Peugeot S.A. Managing Board

## Person responsible for financial information

Andrea Bandinelli

Head of Financial Communication and Investor Relations

andrea.bandinelli@mpsa.com









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**PEUGEOT S.A.**

Incorporated in France with issued capital of €904,828,213

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