

# CORPORATE SOCIAL RESPONSIBILITY

REPORT



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## 1.1. A CSR PROGRAMME FULLY INTEGRATED INTO THE GROUP STRATEGY

### 1.1.1. Message from the Chairman of the Managing Board

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#### 2016 brought new forward momentum for the PSA Group. The year can be summed up in three words: performance, responsibility, transparency.

First, **performance**. The efforts made in 2014 and 2015 as part of the "Back in the Race" plan have paid off. The Group has rebuilt its economic fundamentals, while its CSR performance remains one of the best in the world: it features in the CDP's A List, and for the first time in its history has joined the Dow Jones Sustainability Index, where it is the second highest performing car manufacturer. It is also listed in all of the leading global SRI indices. In parallel, our three automotive brands have consolidated their pricing power. The product offensive that began in 2016 will continue, with the Core Model Strategy offering our customers new vehicles showcasing the technological achievements of our Core Technology Strategy.

This year has seen a stream of new product announcements, technological choices hailed for their environmental performance, a new brand poised to revolutionise mobility services, equity investments in numerous start-ups, new partnerships, and the penetration of new markets with new production plants.

I firmly believe that lasting performance is only possible if a company can offer sustainable responses to its stakeholders: its customers, employees, shareholders and long-term investors, supply partners and host countries. Our new strategic plan Push to Pass, unveiled in the spring of 2016, is a performance plan that effectively distils their expectations over the long term. Our responsibility towards these valued stakeholders is the mainspring of our performance.

Second, then: **responsibility**. Our Group has a long-standing commitment to Corporate Social Responsibility. It has consistently renewed its support for the ILO conventions and the principles of the UN Global Compact, and has long embraced its responsibility towards society and the environment. These are deeply embedded in its culture and values. The PSA Group supports the 17 global Sustainable Development Goals published in September 2015 by the Member States of the United Nations in a bid to put an end to poverty, fight inequality and injustice and tackle climate change.

**“2016: PERFORMANCE,  
RESPONSIBILITY,  
TRANSPARENCY”**

 I FIRMLY BELIEVE THAT LASTING  
PERFORMANCE IS ONLY POSSIBLE  
**IF A COMPANY CAN OFFER SUSTAINABLE  
RESPONSES TO ITS STAKEHOLDERS** 

Our commitments and initiatives are enshrined in a proactive roadmap based on the three pillars of our Company's Corporate Social Responsibility policy: sustainable mobility, a contribution to local economic development and socially minded co-innovation.

- In sustainable mobility, our ambition is to become our customers' preferred mobility services provider through our Core Mobility Services Strategy. Modern society has a growing need for mobility. As a solutions provider, we have a major role to play. Our strategy is based on a clear choice: first, to channel our R&D investments into solutions that reduce pollutant emissions from our vehicles, while ensuring that our technology appeals to the mass market and is priced accordingly so that it can have a real environmental impact; second, to be present in the strategic segments of new mobility through equity investments in start-ups. All of our mobility solutions come under the umbrella of our new brand Free2Move, which was launched in September 2016.
- In addition, the Group is fully conscious of its responsibilities as a core player in economic development for its host countries. Through its supplier network, it implements a local supplier integration policy in each of its major operational regions, accompanied by responsible purchasing founded on CSR principles. It is also a committed player in the social and solidarity economy of its host countries. Through its foundation, it works to put an end to the hardship that can hinder the mobility of the most vulnerable members of society.
- Lastly, the Group builds on its long tradition of social dialogue to co-invent innovative solutions with employee representatives to support its transformation and sustain its growth. With its Global Framework Agreement on Corporate Social Responsibility, it has chosen to involve more than 90 unions around the world in its strategy. Under the agreement, the Group is bound to respect and promote the fundamental human rights enshrined in the Universal Declaration of Human Rights.

For the Group, accountability also means being committed to business ethics right across the board. This alone can guarantee a strong and fair economy. There can be no accountability without transparency.

**Transparency.** Clearly 2016 marked a major turning point for the Group. Having always had the lowest CO<sub>2</sub> emissions, we decided that we had a responsibility towards our customers and civil society to be open about our vehicles' fuel consumption in real driving conditions. In partnership with two NGOs, Transport and Environment and France Nature Environnement, we developed a brand new protocol to measure these emissions, thus demonstrating that business and civil society can work together in the common interest. This measurement protocol is now open source. We are the only car manufacturer to date that has chosen to publicly disclose all of its CO<sub>2</sub> emissions, and invite other car manufacturers to follow our lead in this. We will continue this policy in 2017 by developing a measurement protocol for nitrogen oxide emissions.

Our duty is to provide all of our stakeholders with accurate and pertinent information so that they can make informed buying, collaboration and investment decisions.

Our annual CSR Report describes how we harness our values and expertise to implement a sustainable business model creating shared and lasting value.

We hope you enjoy reading it.



CARLOS TAVARES

## 1.1.2. PSA Group: a global car manufacturer pioneering efficiency and a leading mobility services provider

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### Automotive, central to the Group's identity and performance

#### CONSOLIDATED REVENUE BY BUSINESS

(in million euros)	Automotive Division	Automotive Equipment Division	Other businesses and eliminations*	Total
<b>2016 NET REVENUE</b>	<b>37,066</b>	<b>18,710</b>	<b>(1,746)</b>	<b>54,030</b>
2015 net revenue	37,514	18,770	(1,608)	54,676

\* Including the activities of BANQUE PSA FINANCE not covered by the partnership signed with Santander Consumer Finance.

#### 1.1.2.1. MOBILITY: PSA GROUP IDENTITY AND STRATEGY

##### 1.1.2.1.1. An identity built on the values of four strong brands

The Group is structured around four main segments:

- **the Automotive Division**, covering the design, manufacture and sale to individuals or corporate customers of passenger cars and light commercial vehicles under the PEUGEOT, CITROËN and DS brands, as well as mobility services under the Free2Move brand;
- **the Automotive Equipment Division**, corresponding to the FAURECIA Group comprising Interior Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies;
- **the Finance Division**, corresponding to the BANQUE PSA FINANCE Group, which provides retail financing to customers of the PEUGEOT, CITROËN and DS brands and wholesale financing to the brands' dealer networks.

In 2015, BANQUE PSA FINANCE and Santander Consumer Finance (SCF) formed a 50:50 partnership to develop BPF's business in Europe.

The partnership has significantly strengthened the competitiveness of the PSA Group's brands, improving their penetration of the automotive financing market. It also creates a sustainable and dynamic captive financing activity, with competitive offers dedicated to the Group's brands and customers;

- **other businesses**, which include the operations of Peugeot S.A., the Group's holding company.

This report reflects the Corporate Social Responsibility policies, commitments and results of the Automotive Division for 2016.

The Push to Pass strategic plan, unveiled on 5 April 2016 by the Chairman of the Managing Board, summarised the positioning of each brand and set quantitative and qualitative targets for each one in terms of delivering customer benefits.

##### The PEUGEOT brand: to become the best mainstream brand, with 700,000 connected customers in 2021

PEUGEOT FRACTAL



PEUGEOT implements its strategy with a strong commitment to its customers: an exciting and rewarding ride with uncompromising quality. It is partly why driving a PEUGEOT is such an emotive experience.

Its brand signature "MOTION & EMOTION" reminds the customer of its core values: Style, Discipline, Passion.

The brand's ambition is to become the best premium volume car manufacturer with:

- uncompromising quality, especially when it comes to safety;
- recognised technological and environmental efficiency: BlueHDi technology (combining DPF and SCR technology), with the PureTech and EAT6/25 versions offering world-class CO<sub>2</sub> efficiency;
- innovative cabin design, with the PEUGEOT i-Cockpit already standard on the PEUGEOT 208, 2008 and 308 saloon and SW.

PEUGEOT's upscaling is already apparent with the GT Line, GT and GTi versions, which account for 23% of the PEUGEOT sales mix. The target set for the PEUGEOT brand is to increase its pricing power, i.e. reduce the gap between the price at which it can market its vehicles (the price accepted by the market) and the price of competing models. Between 2015 and 2018, the gap needs to fall from -2.5% to -1.4%, reaching +0.5% by 2021.

PEUGEOT is the only brand to offer a complete range of mobility solutions, with passenger cars and light commercial vehicles, scooters, bicycles (expansion of the electric bike range with the high-tech premium HYbrid Bike models) and a full spectrum of services, including the short-term rental and car-sharing scheme Mu by PEUGEOT/PEUGEOT Rent.

The ambition of the PEUGEOT brand is to be ranked the top mainstream brand, offering a best-in-class customer experience with 700,000 connected customers in 2021.

Present in nearly 160 countries with over 10,000 points of sale, PEUGEOT sold 1.9 million vehicles worldwide in 2016.

##### The CITROËN brand: to become the "people-minded brand" and to be one of the top three brands most recommended by customers by 2021.

CITROËN CXPERIENCE



CITROËN harnesses creative flair and technology to enhance well-being. Since 1919, CITROËN has been instrumental in the democratisation of the car, offering practical and purposeful solutions to the issues faced in every era.

Today, the value of CITROËN models is essentially distilled in their design, well-being and user-friendly technology.

The values conveyed by the Brand – optimistic, human, smart – promise customers an experience which is as unique as they are. The brand promise is "Feel different, feel good".

With 10,000 points of sale and after-sales outlets in over 90 countries, CITROËN sold more than 1.1 million vehicles in 2016. The brand has also garnered eight Manufacturers' World Championship titles in the World Rally Championship, and a second consecutive Manufacturers' title in the FIA World Touring Car Championship in 2015.

The CITROËN range will consist of 12 world-class models by 2021, including seven by 2018, with projected growth in sales volumes of 30% by 2021.

With its products, services (My CITROËN app, CITROËN Advisor 360°), fair and transparent pricing policy and fluid customer relationship, the CITROËN brand has set its sights on being one of the three most recommended brands by 2021.

### The DS brand: the ultimate in French luxury

DS E-TENSE



A French brand conceived in Paris, DS was officially founded on 1 June 2014. Its stated ambition is to revive the tradition of premium vehicles in the French automotive industry. Drawing on the very best of French know-how, DS

perpetuates the values of innovation and distinction inherited from the CITROËN DS, launched in 1955. Designed for customers looking for a means to express themselves as individuals, the DS range combines exceptional styling, sensations and refinement with premium materials and advanced technology. Nowhere is this more apparent than on the new DS5, with its full-hybrid diesel powertrain (Hybrid 4x4).

Marketed in Europe at DS STORES and DS SALONS (dedicated areas within the CITROËN network), DS boasts its own network of sales outlets in China. At the end of 2016, the brand had more than 200 dedicated points of sale worldwide, including over 130 DS STORES in Europe. Its distribution network has doubled since its launch. The brand generated 86,000 sales in 2016, with almost 700,000 models sold since its launch.

For its customers, DS has come to represent a brand experience that goes beyond the product to include a range of exclusive premium services, in particular through the DS PRIVILEGE Club.

By 2021, the DS range will be joined by five new international models, which will be used to develop its image and story. DS has set itself the target of generating 77% of its sales outside the CITROËN or PEUGEOT brand marketing regions (i.e. to customers who are already owners of DS vehicles or who do not own vehicles from the other Group brands).

### Free2Move: mobility services



A long-standing mobility provider, and in line with its commitment to Corporate Social Responsibility, on 28 September 2016 the PSA Group announced the launch of its new Free2Move brand. This will bring all the new mobility services of the PSA Group together on the same platform to meet the different mobility needs of its customers:

- "Free2Move Car-sharing" – car-sharing services run by the Group;
- "Free2Move Smart Services" – connected services to simplify life and save time;
- "Free2Move Fleet-sharing" and "Free2Move Fleet Management" – corporate fleet services;
- "Free2Move Lease" – financial solutions to make vehicle ownership more affordable.

Free2Move will also offer the leasing and car-sharing services run by PEUGEOT, CITROËN and DS, as well as the PSA Group's partners.

Going forward, the PSA Group will continue to offer its range of mobility services through Free2Move. The platform will offer smart, safe, shared and sustainable mobility experiences for the mass market. This will allow the Group to build a unique relationship with each of its customers by meeting their specific needs and aspirations.

The PSA Group is targeting revenue of €300 million by 2021 from these services, including car-sharing for individual customers, vehicle fleet management and car-sharing for business customers, connected after-sales services, and big data analytics.

### 1.1.2.1.2. Push to Pass: the Group's roadmap

#### PSA Group: a global car manufacturer pioneering efficiency and a leading mobility services provider

The Push to Pass plan, unveiled on 5 April 2016, builds on the results of the previous plan Back in the Race, which enabled the Group to return to profit sooner than expected. This transformation plan is the Group's roadmap for 2016-2021. It addresses the mobility needs of customers by anticipating changes in vehicle usage. Driven by customers' shifting expectations, it will unlock the Company's potential by capitalising on the efficiency, operational excellence and agility generated by the Back in the Race plan.

With carefully managed R&D investment and rigorous control of fixed and production costs, the plan raises the bar for PSA Group's structural performance by targeting:

- average current operating margin of 4% for the Automotive Division for 2016-2018, with a target of 6% by 2021;
- 10% growth in the Group's revenue between 2015 and 2018, targeting an additional 15% by 2021.

#### A fluid business model

To achieve these targets, the Company is rethinking its business model. It will create more value by leveraging its existing customer base, while expansion will come from digitisation and its multi-brand offering of after-sales, leasing, used vehicle, mobility and fleet management services. Carefully targeted venture capital investments will broaden the portfolio of mobility solutions.

Brand development will be based on:

- a technology strategy that addresses environmental issues, notably with the launch of seven plug-in hybrid vehicles and four electric vehicles, and the implementation of the autonomous and connected vehicles programme;
- best-in-class product and service quality, underpinning the pricing power of the brands;
- a product offensive (26 passenger cars and 8 commercial vehicles, including a 1-tonne pick-up in which each brand launches one new vehicle per year in each region);
- a mobility services plan that meets customers' expectations (with the launch of its new brand Free2Move).

This plan will ensure sustainable and profitable organic growth across all of the Group's regions.

Push to Pass is the first step towards achieving the PSA Group's ambition to be a global car manufacturer pioneering efficiency and the leading mobility services provider.

Push to Pass is designed to merge the expectations of the Group's key stakeholders, including its customers, employees, investors, suppliers and host communities. The benefits for those stakeholders are described in section 1.3.3 of this document.

## CREATING SHARED AND LASTING VALUE

1.1. A CSR programme fully integrated into the Group strategy

### 1.1.2.2. A GLOBAL INDUSTRIAL FOOTPRINT MANAGED AS CLOSE TO MARKETS AS POSSIBLE

Due to the scope and breadth of their operations, automobile production sites have a considerable economic and social impact on their host communities. They create jobs and drive growth at the grass-roots level.

The PSA Group has sales operations in 160 countries. It is often the largest employer in its host communities.

#### Automotive manufacturing, R&D and sales establishments



#### MANUFACTURING LOCATIONS

- Automotive production plant  
( in joint venture, cooperation or partnership)  
( in the planning stage)
- Components factory, casting  
( in joint venture, cooperation or partnership)
- Assembly plant  
( in the planning stage)

#### OTHER LOCATIONS

- R&D centre

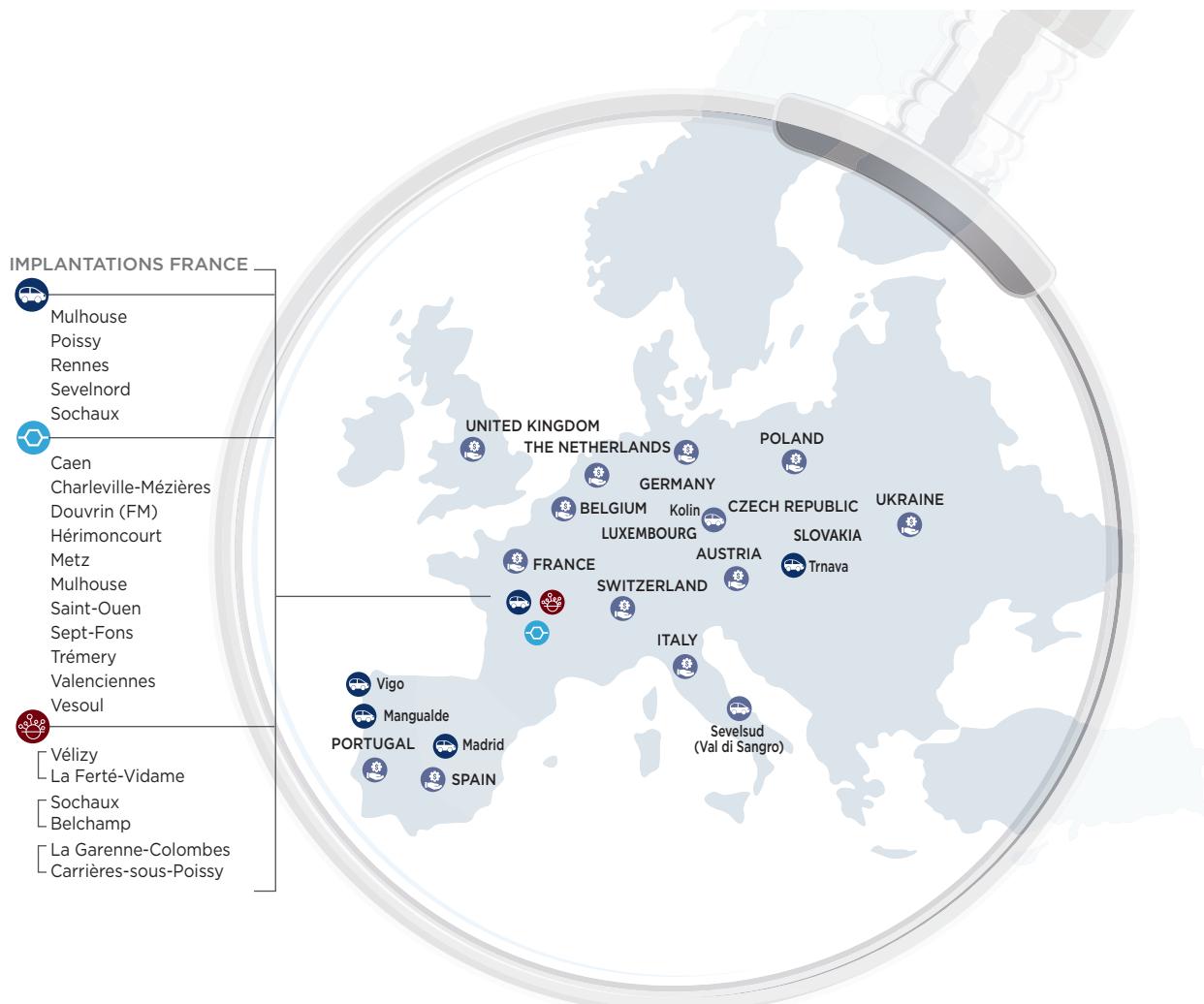
#### SALES LOCATIONS

- Countries where the Group operates with a commercial subsidiary.

Note: this does not include office facilities, head offices, IT sites, non-automotive businesses, or countries where Group vehicles are sold by an importer.

#### Manufacturing locations in the planning stage

- (1) This Peugeot pick-up assembly project for the Tunisian market is set to start in 2018 - partnership with STAFIM.
- (2) The first Peugeot vehicles (208, 2008 and 301) for the region will roll off the production lines of the Tehran plant in 2017 - partnership with Iran Khodro.
- (3) The first Citroën models for the Iranian market will roll off the production lines of the Kashan plant in 2018 - partnership with SAIPA.
- (4) The first vehicles (segments B and C), meeting the needs of the Moroccan region and customers, will roll off the production lines of the Kenitra plant in 2019.
- (5) The first vehicles and powertrains for the Indian market will roll out of the production plants of Tamil Nadu in 2020 - partnership with CK Birla.
- (6) This assembly project for the Peugeot 508, followed by the Peugeot 3008 Sport Utility Vehicle, for the Kenyan market, is set to begin in 2017 - partnership with URSIA.
- (7) This assembly project of new Peugeot Expert and Citroën Jumpy vehicles for Argentina and Brazil is scheduled to begin in 2017 - partnership with EASA and Nordex.



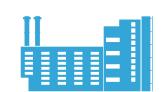
**160**

COUNTRY LOCATIONS



**89,927**

EMPLOYEES  
IN THE AUTOMOTIVE  
DIVISION



**50%**

OF THE AUTOMOTIVE CONSTRUCTION  
AND COMPONENTS PLANTS  
IN FRANCE ARE OWNED BY PSA GROUP

## Global organisation, local management

The Group is organised into six regions: Europe, China & Southeast Asia, Latin America, Eurasia, India-Pacific and Middle East & Africa, each one run by an operating unit. Each Chief Operating Officer, usually based locally, is responsible for economic profit and management of the Group's resources in that region, both for manufacturing and sales activities. This structure takes better account of the specific characteristics of each region, so as to identify the risks and capitalise on opportunities.

### MANUFACTURING PLANTS ARE LOCATED ACCORDING TO ITS MARKET PENETRATION PLAN

(Group's vehicle manufacturing only)

Manufacturing region	2006	2014	2015	% of total production 2015	% of total production 2016	
					2016	% of total production 2016
Latin America	189,302	152,434	127,451	4.27%	144,712	4.59%
China and Southeast Asia	201,862	744,416	710,791	23.84%	606,157	19.23%
Eurasia		13,361	4,909	0.16%	3,795	0.12%
Europe	2,962,694	1,951,150	2,079,304	69.73%	2,130,716	67.58%
Of which France	1,869,609	970,797	995,161	33.37%	1,008,351	31.98%
India-Pacific		21,455	22,678	0.76%	16,789	0.53%
Middle East & Africa	3,123	34,230	36,902	1.24%	250,618	7.95%
<b>TOTAL</b>	<b>3,356,981</b>	<b>2,917,046</b>	<b>2,982,035</b>	<b>100%</b>	<b>3,152,787</b>	<b>100%</b>

### A workforce distribution reflecting the commitment to the economic development of the host regions

#### NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY REGION

(Consolidated Group, excluding FAURECIA, at 31 December)

Permanent and temporary workforce (At 31 December)	Group's direct workforce (controlled and consolidated companies)	Distribution of total workforce by region (%)
China and Southeast Asia	887	1.0%
Eurasia	1,474	1.6%
Europe	81,471	90.2%
India-Pacific	129	0.1%
Latin America	6,116	6.8%
Middle East-Africa	261	0.3%
<b>TOTAL</b>	<b>90,338</b>	<b>100.00%</b>

Workforce of the DPCA (joint venture with DONGFENG MOTOR CORP) + CAPSA (joint venture with China CHANGANG PSA AUTOMOBILES) joint ventures: 14,709.

Workforce of the TPCA (joint operation with Toyota) joint venture: 2,353.

### 1.1.2.3. PRESENT IN ALL THE MAJOR MOBILITY MARKETS WORLDWIDE

#### VEHICLES SOLD IN 2016



**1,919,000**

**1,141,000**

**86,000**

With its three world-renowned brands, PEUGEOT, CITROËN and DS, the Group sold **3,146,000 vehicles worldwide in 2016**, compared with 2,973,000 in 2015, an increase of 5.8%. Sales have risen in Europe, Latin America, Middle East-Africa and India-Pacific, but have fallen slightly in China and Southeast Asia and Eurasia in a mixed market environment (decline in Russia but strong growth in Ukraine, for example).

Region	Vehicles sold in 2015	% of total sales 2015	Vehicles sold in 2016	% of total sales 2016	Change from 2015
Europe	1,864,000	62.7%	1,930,200	61.4%	+3.6%
China and Southeast Asia	736,000	24.8%	618,300	19.7%	-15.9%
Middle East-Africa	180,300	6.1%	383,400	12.2%	112.8%
Latin America	157,300	5.3%	183,900	5.8%	17.1%
India-Pacific	23,800	0.8%	19,800	0.6%	-16.4%
Eurasia	12,000	0.4%	10,400	0.3%	-12.6%
<b>TOTAL</b>	<b>2,973,000</b>	<b>100</b>	<b>3,146,000</b>	<b>100.0%</b>	<b>+5.83%</b>

The PSA Group recorded revenue of €54 billion in 2016, versus €54.6 billion in 2015.

#### CONSOLIDATED REVENUE BY REGION

(in million euros)	Europe	Eurasia	China and Southeast Asia	India-Pacific	Latin America	Middle East-Africa	North America	Total
<b>2016 REVENUE</b>	<b>38,959</b>	<b>339</b>	<b>3,191</b>	<b>916</b>	<b>3,781</b>	<b>2,323</b>	<b>4,521</b>	<b>54,030</b>
2015 Revenue	38,704	348	3,724	922	3,616	2,638	4,724	54,676

Detailed information on the breakdown of PSA Group revenue by business and by region can be found in Chapter 6 of the Group's Registration Document.

As part of its strategic plan, the Group is committed to launching 121 new vehicles across its global sales regions. It has also unveiled a three-step plan to become established in the United States over the next ten years: marketing of mobility services from 2017 (mainly in Los Angeles), followed by the development of mobility solutions based on the Group's vehicles, and finally vehicle sales once the right supply chain is available.

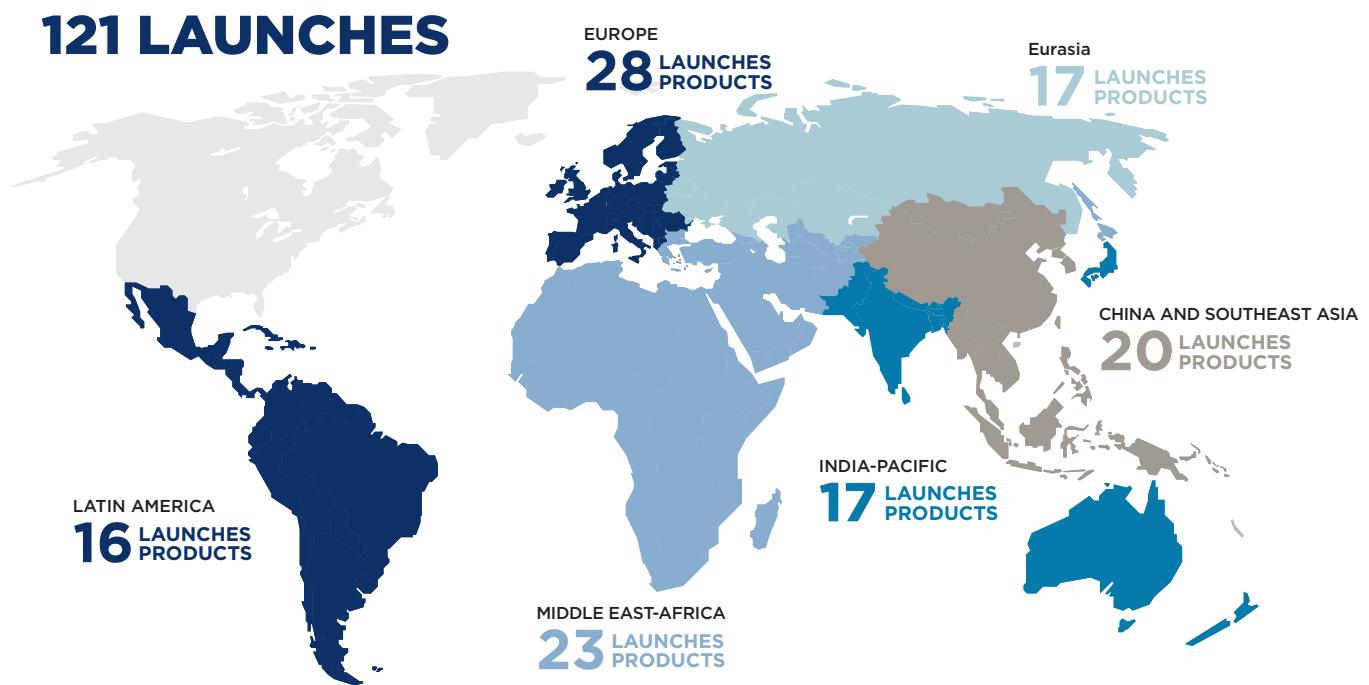
On 28 September 2016, the PSA Group, in association with Montreal-based investment fund MacKinnon, Bennett & Co. (MKB), announced that it had taken an equity stake in Communauto, North America's

leading car-sharing operator for the past 22 years. Communauto is present in seven Canadian cities, as well as in Paris.

The investment was managed jointly by the PSA Group and MKB, a merchant bank specialising in private investments in the renewable energy and smart cities sector. The transaction will help Communauto speed up its international expansion, consolidate its leadership position in North America and roll out its electrification strategy.

This partnership with a long-standing player in the North American car-sharing market is part of the Push to Pass strategic plan. The aim is twofold: to meet customers' various mobility needs, particularly through car-sharing, and target the North American market with a mobility services offering.

## New product launches to support growth in each region



### 1.1.2.4. OPERATIONAL EFFICIENCY: GROUP DNA

**Carlos Tavares**, Chairman of the Managing Board of PSA Group:

*“Our performance reflects the structural transformation of the business, its efficiency and the profound change in mindset within the Group. In an uncertain environment, all of our teams are striving for operational excellence and remain agile in the implementation of our strategic plan Push to Pass. ☺”*

### Operational efficiency: a prerequisite for financial security, investment capacity and implementation of the Group's strategy

Operational efficiency translates to all areas of the business:

- €1,500 million has been saved in R&D investment and spending, while a target of 5% in annual productivity gains has been set for the period 2019-2021;
- the average cost of production per vehicle will be reduced by €700 in Europe (taking into account compliance with Euro 6 standards) and by 20% in China between 2015 and 2018;
- fixed costs have also been streamlined to return to best practice levels (12% reduction in marketing costs/revenue; overhead expenses per commercial subsidiary cut to 1% of revenue; reduction in real estate costs of €150 million between 2015 and 2018; modernisation and streamlining of infrastructure, etc.).

Operational efficiency is a way for the Group to demonstrate its sustainable business management: the aim is to provide financial security, which is essential for the Group to implement its global strategy.

## BREAKDOWN OF INVESTMENTS AND OF ASSETS BY GEOGRAPHIC LOCATION OF THE SUBSIDIARY CONCERNED.

(in million euros)	Europe	Eurasia	China and Southeast Asia	India-Pacific	Latin America	Middle East-Africa	North America	Total
<b>2016 TANGIBLE ASSETS</b>	<b>9,686</b>	<b>160</b>	<b>407</b>	<b>118</b>	<b>472</b>	<b>62</b>	<b>388</b>	<b>11,293</b>
2015 Tangible assets	9,467	142	361	90	373	54	407	10,894

## LIQUIDITY RESERVES

(in million euros)	31/12/2014	31/12/2015	31/12/2016
Cash and cash equivalents*	8,477	10,465	11,576
Financial investments	266	352	110
Current & non-current financial assets	520	535	1,088
<b>TOTAL</b>	<b>9,263</b>	<b>11,352</b>	<b>12,774</b>
Credit lines (undrawn) - excluding FAURECIA	3,000	3,000	3,000
Credit lines (undrawn) - FAURECIA	1,200	1,200	1,200
<b>TOTAL FINANCIAL SECURITY</b>	<b>13,463</b>	<b>15,552</b>	<b>16,974</b>
o/w FAURECIA	2,297	2,234	2,840

\* Including €12 million in Argentina (€318 million at 31 December 2015).

Financial security is made up of available cash, other readily available financial assets and undrawn credit lines.

### 1.1.2.5. CHOOSING A CORE TECHNOLOGY STRATEGY TO MEET CUSTOMERS' EXPECTATIONS AND TACKLE CLIMATE CHANGE

The PSA Group has a four-part technology strategy:

- best-in-class powertrains in terms of emissions (vehicles fitted with SCR technology, PureTech petrol engine voted engine of the year 2015);
- electric technology programmes with the launch of seven plug-in hybrid vehicles and four new electric vehicles by 2021;
- technology that allows users to stay permanently connected while on the move;
- the continued deployment of technology foreshadowing the autonomous vehicle: in 2016, phase 1 of driver assistance systems; "hands-off" technology from 2020; "eyes-off" technology after 2020; "mind-off" technology from 2025.

The Group identifies and develops the most cost-effective technical solutions for its customers. It combines:

- a market approach segmented by region and by the type of usage, expectations and budget of its customers, to whom it offers the most decarbonised solution possible;
- with a cross-functional approach based on a portfolio of technologies that can be rolled out on a global scale, to capitalise on R&D investments through high production volumes and offer a broader response to environmental and public health challenges.

Climate change can only be tackled effectively and air quality can only be improved through mass-market adoption of the most efficient technology.

The Group will offer an electric powertrain for each series, with a tailored marketing approach depending on the identified market needs and the local regulations.

The PSA Group has consolidated its **leadership in terms of CO<sub>2</sub> emissions**, with an average of 102.4 g/km of CO<sub>2</sub> in 2016.

## CONSOLIDATED WORLDWIDE SALES FOR THE PSA GROUP BY ENERGY AND BY REGION

		China and ASEAN	Eurasia	Europe*	India and Pacific	Latin America	Middle East-Africa	Total	as a % of total annual sales	
<b>Petrol (and LPG)</b>	<b>2016</b>	<b>616,602</b>	<b>5,925</b>	<b>750,724</b>	<b>11,250</b>	<b>132,199</b>	<b>269,710</b>	<b>1,786,410</b>	<b>56.78%</b>	
	2015	733,231	8,278	622,689	13,725	116,230	51,687	1,545,840	52.00%	
	2014	740,361	30,886	530,038	14,956	163,880	57,535	1,537,656	52.32%	
<b>Diesel</b>	<b>2016</b>	<b>1,750</b>	<b>4,564</b>	<b>1,171,665</b>	<b>8,617</b>	<b>51,708</b>	<b>113,769</b>	<b>1,352,073</b>	<b>42.97%</b>	
	2015	2,717	3,719	1,231,946	10,054	40,848	128,448	1,417,732	47.69%	
	2014	2,246	12,943	1,216,292	7,388	35,989	111,754	1,386,612	47.18%	
<b>Hybrid</b>	<b>2016</b>			<b>1,536</b>	<b>2</b>		<b>2</b>	<b>1,540</b>	<b>0.05%</b>	
	2015		3	5,714	1		70	5,788	0.19%	
	2014	8	1	12,246	6		102	12,363	0.42%	
<b>Electric</b>	<b>2016</b>			<b>1</b>	<b>6,333</b>	<b>17</b>		<b>8</b>	<b>6,359</b>	<b>0.20%</b>
	2015			3,628	9		2	3,639	0.12%	
	2014			2,268				2,268	0.08%	

\* Europe includes 30 European countries, the Balkans and transiting vehicles.

## 1.2. CSR IN THE VALUE CREATION MODEL

### 1.2.1. Risks and opportunities in all areas of CSR as they relate to future financial performance and long-term prospects

G4-14

With a crucial role in developed economies, the automotive industry represents around 7% of GDP in Europe, a trade surplus of €100 billion and 12.2 million direct and indirect jobs. To meet the future challenges for mobility – when it will be even cleaner, safer and more connected – the automotive industry is focusing on innovation. Each year it spends more than €44.7 billion on research and development, and is the leading investor in R&D in Europe (source: European Automobile Manufacturers Association – Pocket Guide – 2016/2017).

It also has a significant impact on the environment throughout a vehicle's life cycle: from design, production and use through to end of life.

#### 1.2.1.1. RISKS IN VIEW OF THE KEY TRENDS FOR THE AUTOMOTIVE INDUSTRY OVER THE NEXT FEW YEARS

G4-18

G4-19

G4-20

G4-21

##### Potential threats to the business model

Car manufacturers are having to rethink their business model. They need to address the following questions:

- how can tier 1 suppliers, who have become huge global players, play a part in risk management in the areas of environmental issues and human rights, exercising vigilance within their own subcontracting chain?
- what strategic alliances can be formed between partners in different industries – such as geolocation – so that ecosystems can be developed that are conducive to the connected vehicle? How can the accident data transmitted by vehicles be used to improve road safety and be of benefit to the Company?
- who will our customers be, and how will they use vehicles in view of:
  - the major changes resulting from the transition from an ownership economy to a rental economy,
  - the autonomous car revolution (according to an international study by KPMG, fully autonomous cars could represent 10% of car sales by 2035, or 12 million vehicles a year, and a market of \$42 billion by 2025),

- the major changes linked to the fall in average disposable income in a large number of developed countries: total cost of ownership (TCO) is now a key factor in the decision-making process for car buyers. Apart from the costs of financing the purchase, the TCO of a vehicle is closely correlated to its environmental performance and quality: energy consumption; taxes on vehicle CO<sub>2</sub> and pollutant emissions; estimated resale value, which depends on the brand image and reputation of the model in terms of quality; insurance costs, which are linked to safety performance and increasingly to environmental performance,
- the major changes resulting from restrictions on vehicle access to city centres: for example, the initiative of the Cities Climate Leadership Group, formed in 2005 and covering 85 cities around the world – including Paris, Beijing, Sao Paulo and Moscow – to launch an appeal for innovative urban projects by encouraging investment in schemes to build sustainable and resilient cities.

##### Focus: risks related to climate change and financial impacts

Climate change generates two types of risks, which can have an impact on the Company's financial results:

- physical risks: the consequences of more frequent extreme weather events or natural disasters, which can damage production facilities owned by the Group and its supply chain, disrupt production and lead to costly delivery delays for the end customer, result in plant repair costs, etc. These have an impact on the cost of insurance;
- non-physical risks such as:
  - regulatory risks: standards and regulations are becoming more stringent and prolific in response to climate change issues. This entails both large-scale investment in R&D and active monitoring to ensure that products and services fully conform to the regulations. Regulations are also deterring investors from investing in carbon-intensive activities, with the result that manufacturers must upgrade their production facilities to make them less energy-intensive. Failing this, their assets will be devalued and their borrowing costs will increase,
  - technology risks: changes in consumers' mobility expectations amid rapid technological upheaval, the emergence of new competitors and financial penalties for carbon-intensive

products require manufacturers to keep pace with the market (as a minimum) and to invest heavily in new environmental technologies. If not, they will inevitably disappear from the market and the value of their assets will plummet,

- market risks: towns and cities are reviewing their transport policies and increasingly discouraging the use of cars; the average disposable income of consumers is falling in developed countries; demand is increasing in emerging countries in different economic conditions. Car manufacturers must rethink their business model so that new offerings can replace traditional revenue streams. Otherwise, the loss of revenue could affect profitability, leading to asset impairment and a fall in their securities valuation;
- reputation-related risks: these may be linked to the choice of partnerships and could undermine the brands' image and pricing power, thereby reducing the Company's direct revenue.

The PSA Group is introducing a risk management system (described in section 1.4.3) to manage or mitigate the impacts and capitalise on the opportunities that each of these aspects creates. New "low-carbon" mobility solutions and urban mobility markets (especially with the new technology used to develop the autonomous vehicle) – these are all new sources of revenue, operational efficiency and technological innovation, and thus enhance the image and value of the Group's brands.

Section 1.2.2. explains how the CSR issues considered material by the Group are evaluated, particularly in view of their long-term impact on the Group's performance.

For confidentiality reasons, the estimated amount of these impacts (in euros) is replaced in the CSR Report by a scale of 1 to 4. However, "economic insights" inserted in the various chapters of this report provide examples of risks and opportunities linked to strategic CSR issues, rated for their economic impact.

The mechanism set up by the Group to manage risks is described below. CSR risks are part of this mechanism. In general, all Group risks and associated control procedures are described in section 1.5 of the Group's Registration Document.

## CSR risk management system G4-14

Given its determination to take account of Corporate Social Responsibility in all its decisions and activities, the Group takes the same approach to managing CSR risks as it does for its other risks.

The Group has therefore adopted a risk management approach focusing on "Top Risks", which aims to identify, evaluate and address the most material risks that the Group is exposed to (for details of this approach, see sections 1.5 and 3.2.2 of the Registration Document). This approach fully covers the major CSR risks, such as emissions risks, supplier risks, industrial risks, environmental

risks and workplace health and safety risks. As a complement to this approach, the identification, evaluation and handling of less material risks are assumed by the operating entities within the Group's various divisions, both in France and abroad, either using the division's own risk management procedures, the crisis management process, the internal control procedures or any other ad hoc operational process.

CSR risks are identified in the relevant chapters of the CSR Report. For example, ethical risks and the associated risk management procedures are described in section 6.1.2, purchasing risks in section 4, and so on. A risk overview can be found in section 1.5 of the Registration Document.

Like other aspects, the CSR categories are subject to internal control and are specifically included in the Group's Internal Audit plan.

### 1.2.1.2. PSA GROUP'S STRATEGIC DECISIONS IN RESPONSE TO RISKS

All of the economic, sociological, regulatory, environmental and societal aspects described above pose a challenge for the automotive industry. To meet this challenge, each actor must rethink its value creation model. While this entails some risk, the PSA Group views it as an opportunity. Its Push to Pass strategic plan effectively illustrates its decision to update:

- its innovation processes: the traditional co-design process with suppliers is supplemented by taking a stake in or forming agile alliances with start-ups, which can now afford to test disruptive solutions in their beta version and correct them as required. The PSA Group has set up a €100 million investment fund for start-ups and has already announced partnerships in fields such as mobility and data (see section 2.0);
- its design processes: environmental and social responsibility throughout the entire life cycle requires special vigilance on hazardous materials, pollutant emissions and rare earths. The PSA Group has long deployed an eco-design approach. It is actively involved in the circular economy through managing the end-of-life of its products. (see section 2.4);
- its production processes: increasing use of standardised modules and platforms. Similarly, to reduce its carbon footprint, the Group is taking steps to reduce the energy intensity of its processes and increasingly switch to renewable energy. It is also looking at production processes based on disruptive technology (e.g. 3D metal printing in partnership with Divergent). (see Chapter 5);
- its marketing processes: digital tools are radically altering the relationship between brands and customers, while new actors are emerging as key influencers and shaping consumer opinion. The Group invests heavily in Customer Relationship Management

(CRM) and is present in the customer information market (investing in Autobuttler in 2016, an online quotation site for vehicle repairs). (see sections 2.3 and 2.5);

- its work arrangements and talent management: collaborative work, agile project teams, teleworking, integration of digital technology in the business lines, etc. (see Chapter 3);
- its products: development of plug-in hybrid petrol-electric powertrains; the need to improve the performance of electric vehicle batteries; downsizing; active monitoring of the development of new energies (hydrogen, fuel cell, new biofuels, etc.); the need to protect vehicles, passengers and other stakeholders not only from road safety risks, but increasingly from cybercrime. (see sections 2.1 and 2.3);
- its sites: to support the development of its sales in emerging markets such as Africa and the Middle East, the Group has announced new sites (Morocco, Algeria) and its return to Iran. At the same time, it is boosting the competitiveness of its production plant in countries where markets are stagnating or declining;
- its stakeholder communication: transparent, reliable information is key to the Group's stakeholder dialogue. Financial and non-financial reports are published in conformity with leading global standards after being audited by third parties. In November 2015, the PSA Group took the initiative in publishing its real-world vehicle consumption, in association with the environmental NGO Transport & Environment. (see sections 2.1 and 2.2);
- its risk management: technological advances and international expansion mean that data protection systems must be constantly updated, with reputational and legal monitoring to ensure an immediate response to threats. The financial consequences of risk management are increasingly measured by investors. The PSA Group has raised its game in internal control to provide an efficient and structured response to the risks it is exposed to, whether regulatory, consumer, financial or cybercrime-related. (see section 1.4.3.).

### 1.2.1.3. STAKEHOLDER DIALOGUE TO ANTICIPATE RISKS AND CREATE OPPORTUNITIES

#### Raising our levels of mutual understanding

The Group – a core player in the local economies where it operates – has maintained solid relations with all of its stakeholders for many years.

Effective dialogue means that it can gradually raise the mutual level of understanding and knowledge of the PSA Group and its stakeholders in key areas. This paves the way for the joint development of efficient solutions.

The experience gained through these relations allows the Group to better identify company, environmental or economic issues and risks. Continuously monitoring the changing expectations, needs and limitations of society allows for better mutual understanding. The advantages of this system are that it makes it easier to prevent risks and conflicts and helps the Group adapt to sociological and technological changes taking place within society.

By maintaining open lines of communication with stakeholders, the Group ensures that its most material issues are well identified and that actions are effectively engaged both to reduce the negative effects of its operations and to develop opportunities for value creation around these subjects.

The Group's financial performance is underpinned by decisions that are informed by the expectations and needs of stakeholders who, directly or indirectly, influence and sometimes shape its activities.

#### 1.2.1.3.1. A policy for ongoing dialogue

**G4-24**

**G4-25**

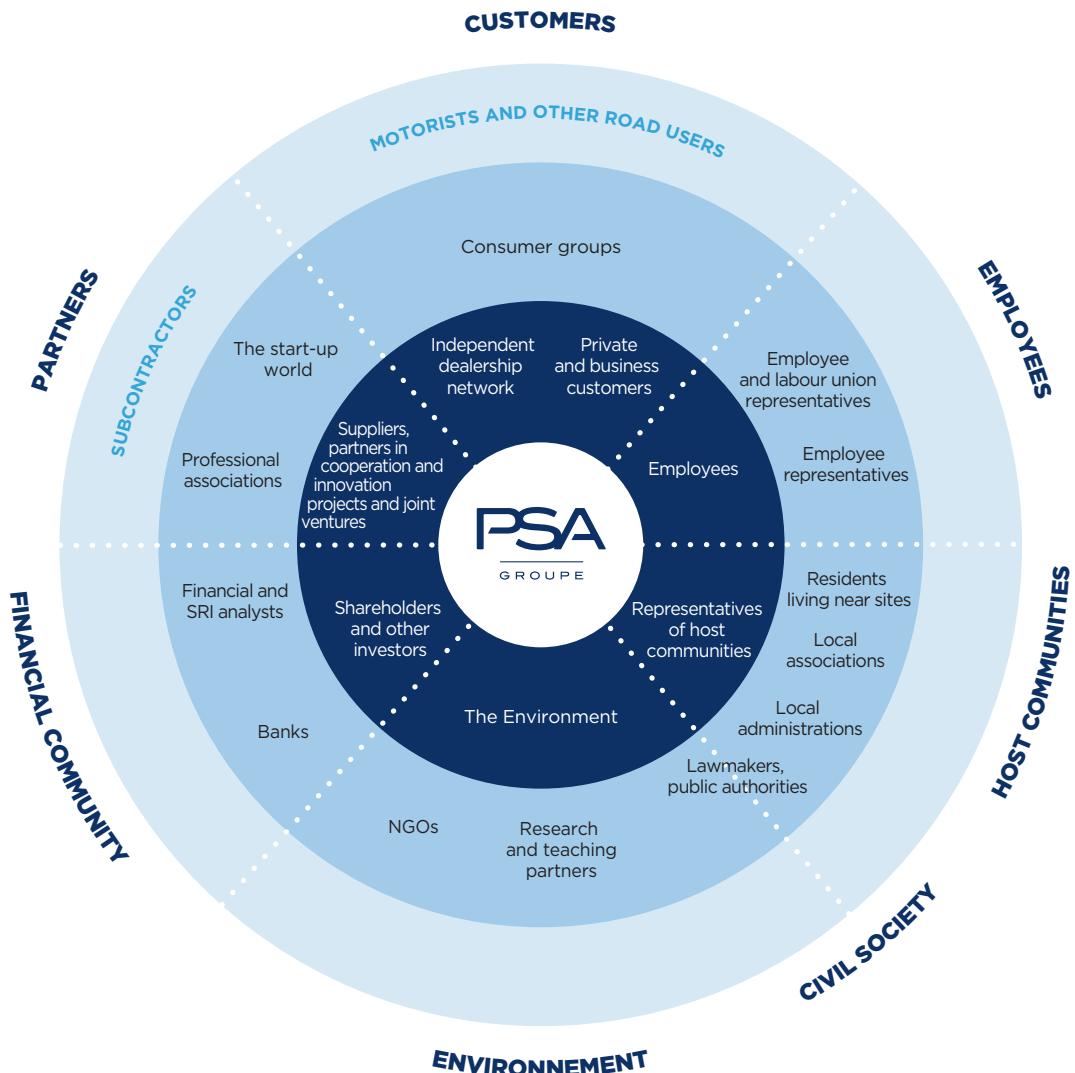
The Group's business activities have an impact on the decisions of a large number of stakeholders, both internal and external. The Group has identified its main stakeholder categories and has mapped below by type and the importance of their interactions with the Group. The outermost circle includes the stakeholders with whom the Group is in contact for operational purposes on a day-to-day basis.

The Group manages its relations with these different partners by maintaining continuous dialogue aimed at mutual understanding and the promotion of concrete actions.

It is by ensuring responsible dialogue with its stakeholders, engaging with them at the local and global levels, that the Group is best able to identify its most material CSR issues, remain attentive to concerns and propose solutions.

The entire list of stakeholders was drawn up by staff in each of the Group's business lines, on the basis of their day-to-day activities and the interactions involved.

## Mapping of PSA Group stakeholders



## Tools for dialogue set up by the PSA Group

**G4-24** **G4-25** **G4-26** **G4-27** **G4-45**

The PSA Group has established opportunities for dialogue specific to each type of stakeholder, providing a forum for ongoing discussions of all the issues raised by the parties concerned. The main types of dialogue are detailed in section 8.2 of this report, which specifies the type of discussion (information, debate, partnership) that takes place.

### 1.2.1.3.2. Dialogue initiated in 2016 by the PSA Group

Regular discussions with stakeholders serve as a reference for the Group's CSR ambitions and feed into the action plans it launches. Examples of dialogue can be found throughout this report.

In 2016, the Group's dialogue with its stakeholders was based on three core themes:

#### Future mobility: smart, shared, safe and sustainable

The Group has undertaken several joint initiatives in the field of sustainable mobility, the third pillar of its "stakeholder" dialogue.

■ **Partnership with the NGO Transport & Environment:** In line with its transparency approach, on 26 October 2015 the Group announced plans to publish real-world fuel economy figures for its main vehicles, with the process overseen by an independent body. The Group initiated this approach with Transport & Environment, an environmental NGO which performed the measurements using a different methodology to current homologation tests. The results were published in the spring of 2016 and can be found on the CITROËN, DS and PEUGEOT brand websites.

**Continuation of the first stakeholder dialogue for the automotive industry in France:** a panel of representatives from the French automotive industry and 15 representatives from civil society, NGOs, politicians and experts met on 9 July 2015. It was an opportunity to share an expanded vision of sustainable mobility and to define the role of the car within this. The conclusions were used to consolidate the Group's strategy and refine its choices in terms of shared and inclusive mobility and reducing its environmental impacts. The panel met again in 2016, when its discussions focused on two areas of inquiry: firstly, "What place does the car have in the mobility ecosystem?" and "What synergies and complementarities exist between actors?", and secondly, "What will the car of the future look like, and what services will it offer?" and "What new behaviours and applications will they address?"

**Continued dialogue with the PSA Group stakeholder panel:** the panel of representatives from civil society, set up in 2014, met three times in 2016 to reflect on the impacts of mobility on the environment and on the organisation of society. This dialogue brings together actors from civil society such as NGO representatives, researchers, economists, sociologists, etc. and a group of Group employees whose role requires them to develop and market sustainable mobility products and services. Having previously tackled the subjects of fine particles, sustainable mobility and the circular economy, it continues to inform the Group's thinking on the impact of the digital revolution and new mobility tools in particular.

**Participation in the work of the Laboratoire de la Mobilité Inclusive:** Through its foundation, the Group is involved in studies carried out with the government, NGOs and transport operators. This dialogue has given the Group an insight into the mobility needs of the least privileged, with a view to developing a suitable offering.



### RESULTS OF THIS DIALOGUE...

**The PSA Group's new mobility solutions :** The PSA Group invited its stakeholders to Mobility Days which took place in Paris on 8 and 9 September 2016. This was an opportunity to showcase how the Company has taken into account the various debates on future mobility, and how this has led to the development and marketing of new shared, safe and sustainable mobility solutions. The Group has launched a new brand, Free2Move, which will act as an umbrella for its entire mobility offering (see section 2.5 of the CSR Report). Dialogue on the subject of future mobility is ongoing. The idea is to co-invent solutions, the emphasis being on safe and convenient mobility products and services that help to protect the environment. The Group is conscious that its customers, with their growing sense of civic responsibility, will not want to compromise on this virtuous balance.

**An open-source protocol for measuring consumption in real driving conditions.**

**Support for solidarity garages:** The work of the Laboratoire de la Mobilité Inclusive justified the decision of the Group's Foundation to support solidarity garages.

## Employment and workforce policies

Given the crisis that has beset the European auto industry for several years, requiring necessary adjustments to its manufacturing capacity, and in order to carry out the necessary transformations as responsibly as possible, the Group has emphasised an ongoing dialogue with its most affected stakeholders (employee organisations, unions, local communities, government authorities and the automotive industry).



### RESULTS OF THIS DIALOGUE...

#### More secure and innovative solutions:

Since 2015, the Group has taken steps to set up a support framework for employees affected by these changes. New solutions have been introduced following dialogue with employee representatives, suppliers and business partners, government agencies and local administrations. These solutions include career mobility and transition platforms, with the career transition passport, which entitles each employee to long-term retraining, and the "temporary permanent contract", which should provide job security for 300 staff by 2017.

#### A "New Momentum for Growth":

Encouraged by all these tried-and-tested, innovative employment policies, on 8 July 2016 the Group and its employee representatives (five unions representing more than 80% of its employees) signed a performance agreement entitled "New Momentum for Growth". The aim of the new agreement is to support the roll-out of the Push to Pass strategic plan, sustaining the Group's growth and boosting its performance to forge a successful company in the interests of its employees. The PSA Group wanted the agreement to go beyond standard bargaining practices by turning the dialogue and trust built up with the unions into a competitive advantage for the Company. This means switching from a bargaining culture to one of working together, supporting the transformation by being upfront about the Company's strategy.

## Responsible purchasing: focus on conflict minerals and human rights

In 2016, the PSA Group was once again actively involved in educating suppliers on the principles of due diligence in supply chain, whether through bodies lobbying for CSR (MEDEF, AFEP, EpE, C3D, UDA, CCFA, etc.) or within the French automotive industry (via the Automotive platform), particularly with regard to responsible purchasing and guidance given to suppliers.



### RESULTS OF THIS DIALOGUE...

Dialogue with suppliers is an opportunity to explain the concepts of responsibility in supply chains and to define the basic measures that need to be taken, depending on the extent of the risks identified. The Group's Responsible Suppliers Charter has also been updated.

## 1.2.2. PSA Group's key issues and materiality matrix

G4-2 G4-21 G4-23 G4-45 G4-46 G4-48 G4-EC2 G4-EC8 G4-EN12

In all, 28 CSR issues covering six topics (labour, sustainable mobility, purchasing/supply chain, industrial ecology, ethics/governance/economy, society), are considered material by PSA Group experts and stakeholders. According to the GRI, material issues "are those that reflect the organisation's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders."

These issues are described in the relevant chapters of this CSR Report, with an indication for each one of whether its impacts are internal, external or both.

The CSR risk assessment was the first step in the process. The relative importance of the various CSR issues was then established, according to the impact of the issue on the Group's financial performance and the level of stakeholder expectation. The materiality matrix of the issues, presented below, puts in perspective

the issues which are the most strategic for the Group. For this mapping of its CSR issues, the Group followed the guidelines of the Global Reporting Initiative (GRI).

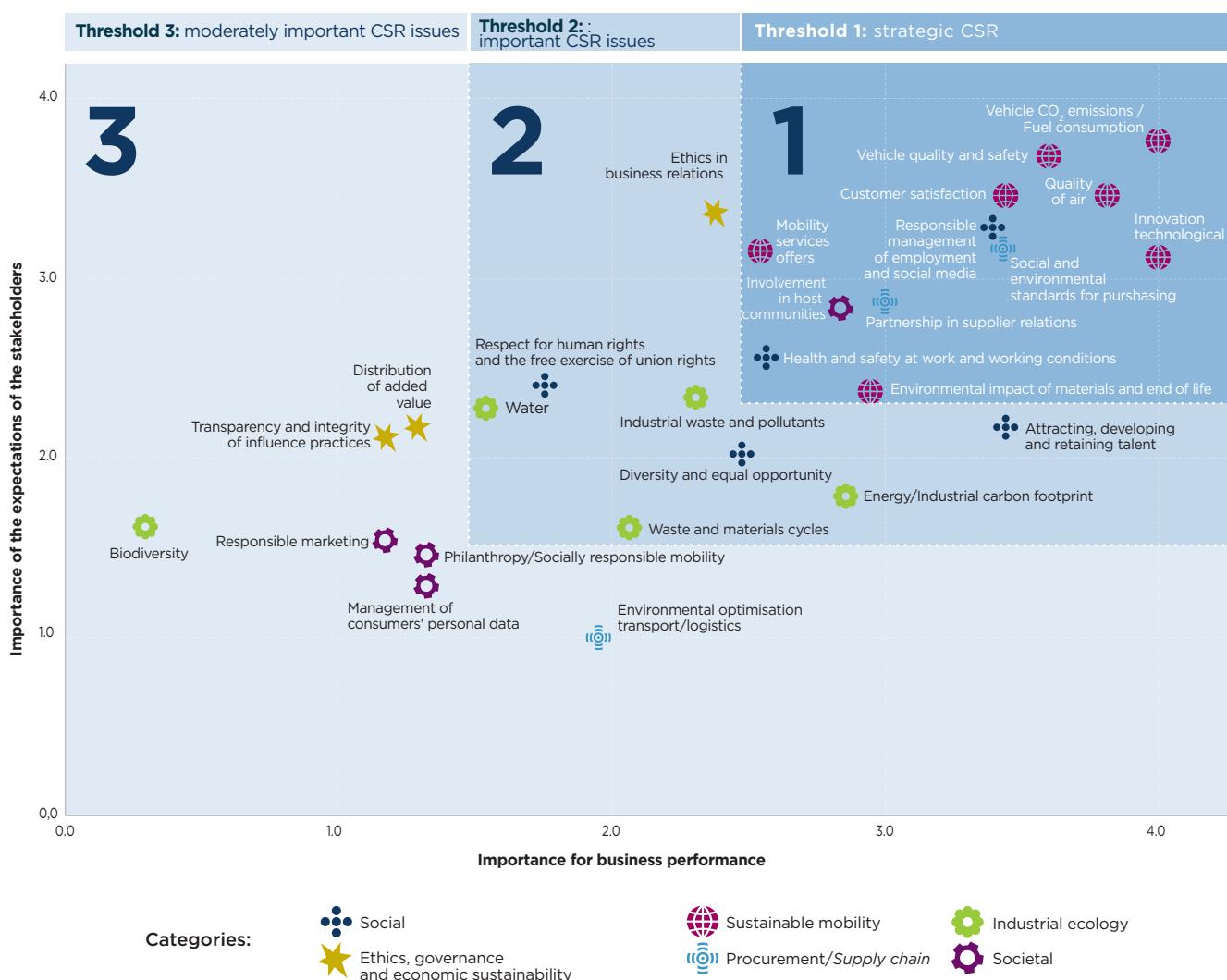
The method used to prepare and update the materiality matrix is described in section 8.4.2 of the CSR Report.

Once a year, as part of the process to update the CSR Report and the CSR chapter of the Registration Document, the Group's CSR issues are reviewed and validated by the Executive Committee, before being presented to the Supervisory Board.

The Group integrates each and every one of these issues within its value chain and its materiality matrix.

For each issue, the Group adopts measures proportionate to its position in the materiality matrix. These measures are described in the various chapters of this CSR Report.

**PSA Group materiality matrix**



NB: in 2016, the "mobility service offering" included strategic issues in line with the Push to Pass plan, which made mobility the second pillar of the Group. This means not only continuing to be a global car manufacturer pioneering efficiency, but to be the preferred supplier for mobility services by 2030.

## 1.2.3. PSA Group's value creation model

### 1.2.3.1. PSA GROUP'S CHOICE: RESPONSIBLE MANAGEMENT OF ITS TANGIBLE AND INTANGIBLE CAPITAL FOR SUSTAINABLE GROWTH

Everyone in society needs to pull together and take meaningful action to address the complex challenges of lasting development effectively, and businesses cannot avoid these issues.

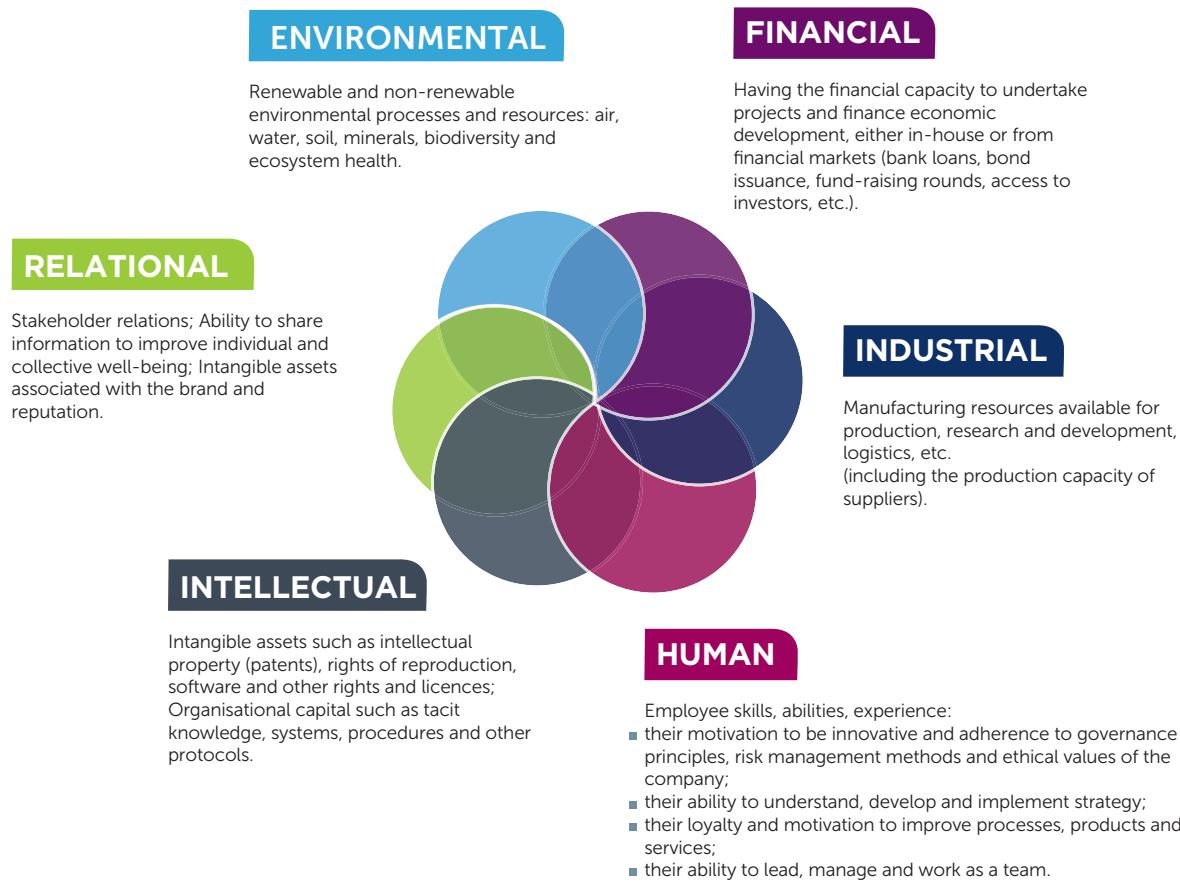
The Group relies on continuous dialogue with its various stakeholders (customers, suppliers, legislator, etc.) in order to build long-term responses to the challenges faced, whether they are economic, environmental, corporate or social. (see "stakeholder dialogue" inserts in each chapter).

The strategic choices emerge in the course of this dialogue.

To increase the positive impacts and reduce the negative impacts of its activities throughout the value chain, the Group takes specific action on each of the CSR issues that affect it.

These actions are designed to maintain or develop its environmental, relational, financial, human, industrial and intellectual capital. This is effectively a reservoir of value that, through its activities, the Group taps for the benefit of its stakeholders.

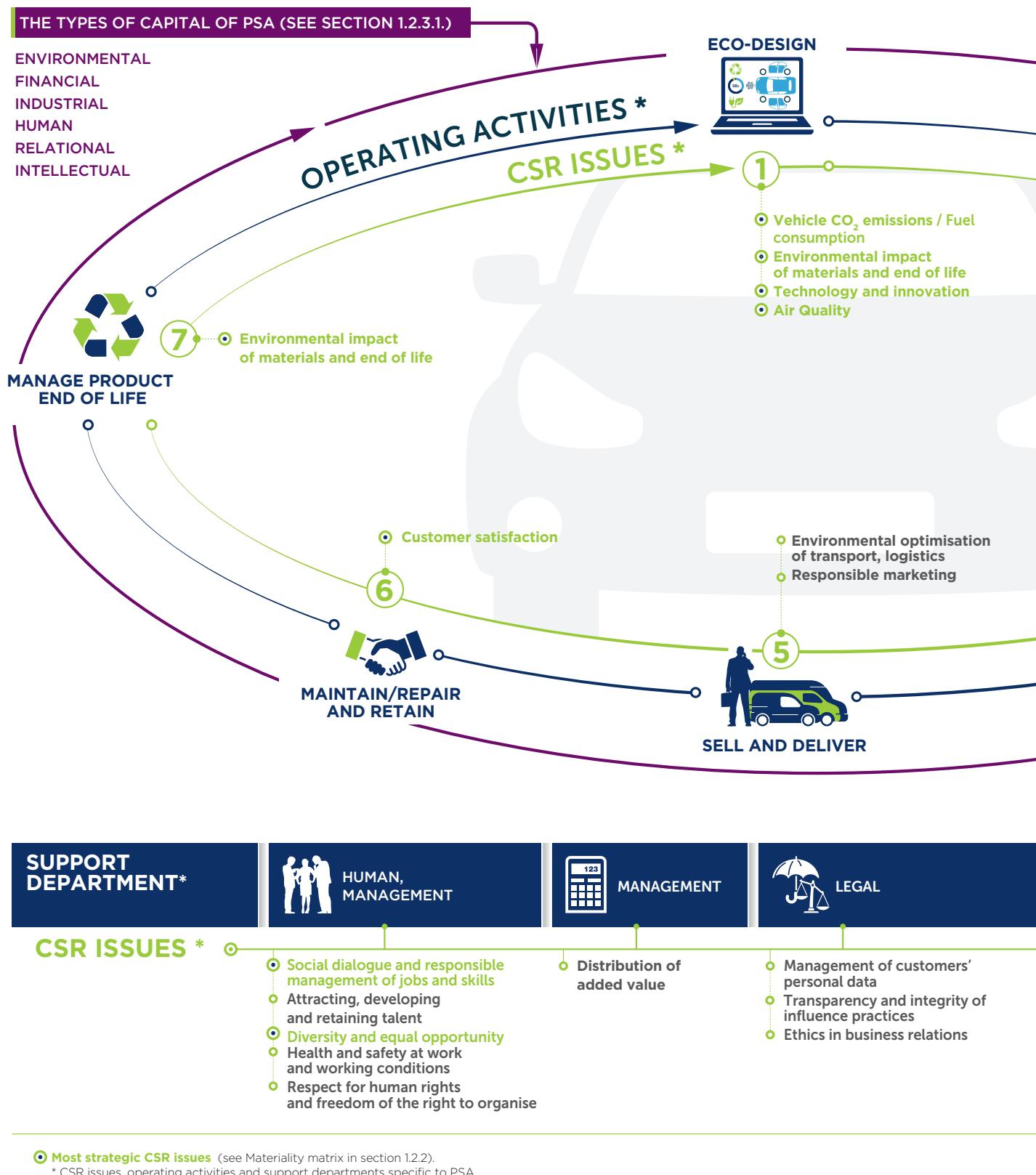
#### The types of tangible and intangible capital of the PSA Group

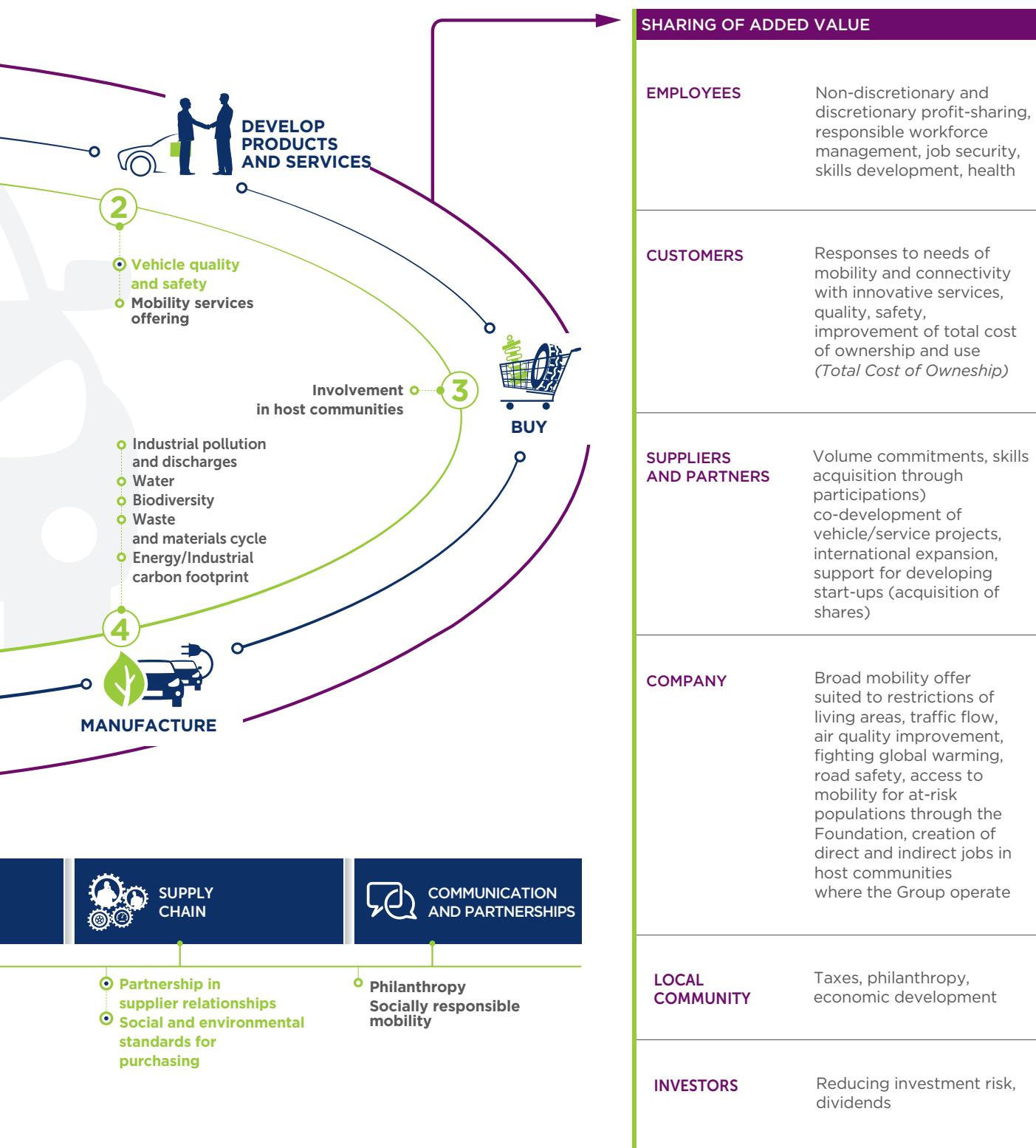


### 1.2.3.2. RESPONSIBILITY AT EACH STAGE OF THE VALUE CREATION MODEL

The Group's value chain, presented below, embraces a holistic, material and transparent approach to its growth model. The Group's CSR issues are an integral part of this process.

The Group's growth model can also be seen through "economic insights" relating to strategic CSR issues. These strategic elements are included in the relevant sections of this report.





## 1.3. TRANSPARENCY AND CSR COMMITMENT: TANGIBLE RESULTS FOR THE GROUP AND ITS STAKEHOLDERS

### 1.3.1. The Group's CSR policy

For the PSA Group, lasting development and financial performance depend on **responsible and transparent business conduct**. The Group has defined its Corporate Social Responsibility programme based on this principle, in line with the UN Global Compact which it joined in 2003. 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, the economic development of host regions and the implementation of innovative, thoughtful social practices focused on the individual.

#### SUSTAINABLE MOBILITY

- As a technology pioneer, the PSA Group is demonstrating its social responsibility by developing a portfolio of mobility services in response to the changing expectations of its stakeholders, be they consumers or host communities. Its strategy is to be present in all segments of the mobility market.
- With this in mind, it applies its **innovation** resources to reducing the environmental impacts of transport. Its core strategy is to introduce the most efficient technology **on as many vehicles as possible**, spearheading the fight against pollution and climate change.
- From the design and manufacturing stages, the PSA Group is committed to **optimising the use of resources** by incorporating green or recycled materials into its vehicles to make them recyclable, and **reducing the environmental footprint of its production sites and dealership networks** in terms of energy, water and waste;
- Vehicle use represents the bulk of emissions. Therefore, the Group:
  - extensively equips its ranges with efficient, **low-carbon** clean tech to preserve **air quality**, and sells best-in-class combustion vehicles alongside its hybrid and electric cars,
  - is developing a range of connected and mobility services in response to changes in **customer** behaviour and expectations,
  - through dialogue with civil society, is inventing the transport of the future by incorporating digital into vehicle DNA and installing driver assistance systems to improve safety and traffic flow, with the aim of bringing the **autonomous car** within reach of as many people as possible.

#### ECONOMIC DEVELOPMENT OF HOST REGIONS

The Group's activities have a considerable economic and social impact on their host communities. The PSA Group is mindful of the responsibility this entails. As such:

- it selects **suppliers** that are as close to its production sites as possible and that meet its strict **social and environmental standards**. By acting responsibly to increase the percentage of local purchases, the Group is demonstrating that its operations contribute towards the **sustainable economic development** of its host regions and countries;
- it supports the least privileged members of society through its corporate foundation, which funds mobility-based inclusion and access to education. It is a testament to the Group's **commitment to serving its host communities**.

#### HARNESSING TALENT AND PAVING THE WAY FOR SUCCESS

The PSA Group's economic and social performance are intrinsically linked. It is a question of channelling energy to succeed. The Group prioritises the relationship with its employee representatives to define innovative solutions and **foster trust and commitment**. Since 2010, to support its internationalisation and effectively implement its commitment to employees, it has relied on a frame of reference: the Global Framework Agreement on Social Responsibility.

At each of its sites, the PSA Group applies the principles of this agreement in response to employee-related issues. The Group:

- draws on its mature relationship with employee representatives and its philosophy of working together, to share its strategy and provide secure career paths for its employees via negotiated provisions and close support;
- confirms the need to **ensure workplace health and safety** and to develop workplace wellness;
- sees **talent development** and expression as the cornerstone of its strategy;
- guarantees **equal opportunities** based on merit;
- extends to its suppliers and partners its commitment to **uphold fundamental human rights**;
- invites each employee to abide by its **Code of Ethics** and rules of professional conduct.

The PSA Group regards its CSR policy as a collective and individual endeavour, ensuring that the principles of Corporate Social Responsibility are factored into each business decision.

## 1.3.2. CSR commitments and roadmaps: the PSA Group, an “impact player”

The CSR programme reflects the active commitment of the PSA Group to understand and address each of the issues identified. This mission is fully in keeping with the Group's ambition to guarantee responsible development.

For each issue, the Group undertakes a commitment and sets a target so as to lay out a specific path towards its goal, while monitoring its progress: the level of achievement against each target is published in the Group's annual CSR Report. The Group's commitments are defined jointly by the Sustainable Development Delegation and the departments concerned. The level of progress for each commitment in its roadmap is presented transparently in a scoreboard at the start of each chapter in this CSR Report.

The 28 CSR commitments effectively cover all aspects of the Group's Corporate Social Responsibility: management of human resources, social dialogue, workplace equality and diversity, ethics, manufacturing environment, product-related environmental impacts, procurement policy, sponsorship, etc.

These commitments are the concrete results of the Group's CSR approach and constitute its roadmap in these areas.

Actions to maintain or revise the CSR roadmap are initiated by members of the Executive Committee, depending on their area of responsibility.

Commitments in respect of strategic CSR issues are shown in the table below. These commitments are monitored by the Group's Executive Committee and presented to the Supervisory Board.

**GROUP'S COMMITMENTS  
TO ITS STRATEGIC CSR ISSUES AND 2025 ROADMAP**

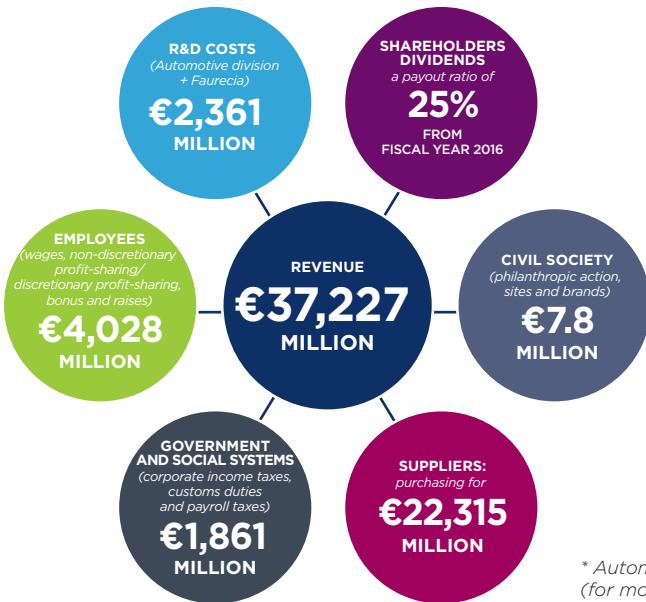
STRATEGIC CSR ISSUES	COMMITMENT	AMBITION 2025
<b>CO<sub>2</sub> EMISSIONS FROM VEHICLES AND FUEL CONSUMPTION</b>  <b>Organiser:</b> Executive Vice-President, Programmes	<b>Commitment 1:</b> Reduce by 30% the average emissions level of vehicles sold worldwide by the Group between 2012 and 2025.	Reduce average CO <sub>2</sub> emissions of vehicles sold worldwide by 30% compared with 2012 levels, to be achieved by: <ul style="list-style-type: none"> <li>■ a plug-in hybrid petrol-electric powertrain featured in the majority of models sold worldwide;</li> <li>■ a new range of electric vehicles;</li> <li>■ a range of high-performance engines and lighter vehicle platforms, helping to make the Group European leader in this area.</li> </ul>
<b>AIR QUALITY</b>  <b>Organiser:</b> Head of Research and Development	<b>Commitment 2:</b> Significantly reduce nitrogen oxide emissions of new diesel vehicles and particulate emissions of new direct-injection petrol-powered vehicles.	<ul style="list-style-type: none"> <li>■ Reduce nitrogen oxide emissions of new diesel vehicles by 80% compared with the Group's Euro 5 vehicles, mainly based on the deployment and optimisation of PSA's Selective Catalytic Reduction (SCR) technology.</li> <li>■ Fit all new direct-injection petrol-powered vehicles with particulate filters.</li> </ul>
<b>ENVIRONMENTAL IMPACT OF MATERIALS</b>  <b>Organiser:</b> Head of Research and Development	<b>Commitment 3:</b> Sell vehicles made with at least 30% green materials (recycled, natural or bio-sourced).	Demonstrate the Group's commitment to the circular economy by guaranteeing a minimum rate of integration of recycled and natural materials of 30% for the Group's average vehicle worldwide.
<b>TECHNOLOGY AND INNOVATION</b>  <b>Organiser:</b> Head of Research and Development	<b>Commitment 4:</b> Design and implement technologies in order to develop attractive, connected and autonomous vehicles with a low environmental impact.	Meet customers' needs in terms of well-being, autonomous driving and safety by continuing to develop cleaner technology and driver assistance systems, with a view to bringing the technology to market by 2020, ahead of the future launch of the fully autonomous car.
<b>VEHICLE QUALITY/CUSTOMER SATISFACTION</b>  <b>Organiser:</b> Head of Quality	<b>Commitment 5:</b> Market top-quality products and services and provide each customer with personalised attention.	In the Group's core markets, make each of the three brands the leader of its field in four categories: services, reliability, pre-sale service and after-sale service (measured through benchmark studies in each region).
<b>SOCIAL DIALOGUE AND RESPONSIBLE MANAGEMENT OF JOBS AND SKILLS</b>  <b>Organiser:</b> Head of Human Resources	<b>Commitment 6:</b> In the event of organisational transformations with an impact on jobs and skills, anticipate the necessary adaptations to meet the organisation's future needs, using contractual measures to match jobs and skills, thus promoting employment security.	Anticipate changes in professions and skills by way of permanent systems deployed in the Group's various host countries.
<b>HEALTH AND SAFETY AT WORK AND WORKING CONDITIONS</b>  <b>Organiser:</b> Head of Human Resources	<b>Commitment 7:</b> Ensure workplace health and safety.	<ul style="list-style-type: none"> <li>■ Achieve an annual average lost-time incident frequency rate* of 1 point, an occupational illness frequency rate of 2 points and a work-related stress frequency rate of 7%.</li> <li>■ Apply the Workplace health and safety management system (OSHMS) at its highest maturity level.</li> </ul>
<b>SOCIAL AND ENVIRONMENTAL STANDARDS FOR PURCHASING</b>  <b>Organiser:</b> Head of Purchasing	<b>Commitment 8:</b> Take CSR criteria into account when choosing suppliers.	Minimise CSR risks in the supply chain: <ul style="list-style-type: none"> <li>■ by selecting more than 90% of direct and spare parts suppliers scoring more than 50/100 in the third-party CSR assessment (except for newcomers);</li> <li>■ by providing training to 90% of these suppliers in CSR risks and the Group's requirements.</li> </ul>
<b>PARTNERSHIP IN SUPPLIER RELATIONS</b>  <b>Organiser:</b> Head of Purchasing	<b>Commitment 9:</b> Increase the local sourcing rate in Latin America and Russia.	Achieve a minimum local sourcing rate of 50% in Russia and 90% in Latin America.
<b>MOBILITY SERVICES OFFERING</b>  <b>Organiser:</b> Head of Mobility Services	<b>Commitment 10:</b> Offer mobility services that best fulfil customers' needs, anywhere and any time.	Free2Move, PSA Group's new mobility brand, will become its customers' preferred mobility services provider.

\* Including temporary employees.

### 1.3.3. Tangible results for PSA Group stakeholders

A company is only effective if it is useful. Non-financial performance boosts financial performance and allows the Group to create value for the stakeholders who support it in the deployment of its strategy over the medium and long term.

#### Distribution of value created in 2016\*



\* Automotive and Banking divisions  
(for more information, see section 6.2 of the CSR Report).

#### 1.3.3.1. VALUE CREATED FOR ITS LONG-TERM INVESTORS

After achieving the objectives of its Back in the Race recovery plan in 2015, three years earlier than expected, the PSA Group's priority is to secure its long-term financial performance.

The Group's new strategic plan Push to Pass, unveiled on 5 April 2016, sets targets for its profitable organic growth. These operating targets were raised when the 2016 annual results were announced. They are as follows:

- average current operating margin of more than 4.5% for the Automotive Division for 2016-2018, with a target of 6% by 2021;
- 10% growth in the Group's revenue between 2015 and 2018, targeting an additional 15% by 2021.

The Group is pursuing its financial performance targets through sustainable business management. For its investors, it is intrinsically linked to:

- **long-term performance**, as recognised by credit rating agencies. The two credit rating agencies following the PSA Group, Moody's and Fitch, revised their ratings in 2016 to Ba2/outlook stable in April 2016 for Moody's and BB+/outlook stable in November 2016 for Fitch.

This performance is essentially based on:

- **a stable and balanced capital structure supporting the roll-out of strategic projects**,
- **a robust strategic plan designed to meet the mobility needs of all of the Group's customers**. The Push to Pass plan unveiled by the Group on 5 April 2016 sets clear targets for operational excellence and profitable organic growth. This plan is essentially based on:
  - an unprecedented product offensive based on the deployment of the "core model" strategy and "core technologies" strategy,
  - international expansion of the Group's activities,
  - and the development of offerings and services in response to the new mobility needs of the Group's customers, in areas such as used vehicles, leasing, after-sales service or shared mobility,
- **rigorous execution**: with its 2016 financial results, the Group confirmed its ability to sustain its performance for the third consecutive year. In 2016, the Group reported:
  - growth in current operating margin of the Automotive Division, which stood at 6% in 2016 versus 5% in 2015,

- 5.8% growth in volumes at 3.15 million vehicles in 2016,
- a net financial position of nearly €7 billion, compared with €4.6 billion in 2015, due to €2.7 billion in positive free cash flow,
- **a proven ability to form partnerships with responsible and innovative companies, including start-ups:** firms that are committed to tackling climate change are backed by investors who support initiatives for a low-carbon economy (e.g. the 2014 Global Investor Statement on Climate Change, whose signatories represent more than \$24 trillion in assets). In September 2016, the PSA Group joined forces with Montreal-based investment fund MacKinnon, Bennett & Co. (MKB), a private equity firm operating in the sector of renewable energies and smart cities, to take a stake in Communauto, a major player in car-sharing in North America for the past 22 years and present in seven Canadian cities, as well as in Paris,
- **an Internal Audit and risk management framework** which includes ESG (environmental, social and governance) risks, so as to reduce uncertainty in the long term and capitalise on opportunities with peace of mind. In September 2016, RobecoSam, which compiles the Dow Jones Sustainability Index with Standard & Poor's, awarded the PSA Group a score of 100/100 for the "materiality" criterion. The score is a reflection of the relevance of the Group's strategic choices and the transparency with which it has communicated on the risks identified and the opportunities it is creating;
- **a robust compliance and ethics system**, supported by an Ethics Committee and four compliance officers, ensures that compliance programmes are effective in the most vital areas: *competition, anti-corruption, personal data and homologation*. The system is accompanied on the ground by a network of trained officers responsible for implementing these programmes and monitoring their application. Under the aegis of the Group Code of Ethics, rolled out and signed globally, this system fosters a culture of integrity within the PSA Group and prevents ethical abuses liable to damage the Group's financial position and reputation;
- **a performance shared equally among all stakeholders** through:
  - **transparent and effective decision-making processes:** to deploy its strategic plans over the long term, the Group long ago opted for a two-tier governance structure. This consists of an Executive Committee and a Supervisory Board whose members are chosen for the complementarity of their experience and skills, particularly in risk assessment and CSR,
- **taking into account the interests of stakeholders in strategic or operational decisions:** there is no special CSR body; instead, responsibility is exercised within all management or executive functions of the Company. Making CSR central to decisions and actions can significantly boost performance. It allows the Group to improve its economic and financial efficiency (reducing costs, driving innovation, creating new revenue streams, etc.), safeguard the value of its assets, manage risks more effectively – be they environmental, legal, financial, social or reputational – and protect its value and sustainability in the medium to long term,
- **a compensation policy for corporate officers** and members of the Managing Board based on performance and a long-term view of the Company, subject to the approval of the Shareholders' Meeting,
- **the protection of shareholders' rights, including the views of minority shareholders.** Shareholders who meet the legal and regulatory requirements may apply to have specific items or draft resolutions added to the agenda by submitting them to the Company's registered office, as described in the notice of meeting. All draft resolutions are published on the Group's website. Electronic voting on Internet is in place for the 2016 Annual General Meeting,
- **guaranteed equal access to information allows informed decision-making:** exercising its responsibility towards its investors and shareholders; for the PSA Group, this means guaranteeing them access to key information so they can make fully informed decisions. Firstly, the fairness of the financial and non-financial data published is certified by third-party auditors. Secondly, the Group is fair and transparent in providing the strategic plan (presentation of the Push to Pass plan on 5 April 2016, since published on the Group's website), financial data and CSR commitments and performance, which show that the long-term risks have been properly considered,
- **a sustainable dividend policy:** in its Push to Pass strategic plan, the PSA Group announced the implementation of a dividend policy based on a payout ratio of 25% from the 2016 financial year. The dividend policy protects the Group's innovation potential and takes into account the expectations of customers for new products, new technologies and new services, while pursuing the Group's international expansion. In 2016, for the first time in six years, a dividend of €0.48 per share will be put to the vote at the next Shareholders' Meeting.

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 PSA Group
<b>FTSE4Good</b>	<b>FTSE RUSSELL:</b> The FTSE4Good index is designed to measure the performance of companies with solid ESG practices.	PSA Group has <b>remained in the FTSE4Good index</b> (in the "Automobiles & Parts" category).
<b>EURONEXT vigeo eiris INDICES</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).	PSA Group <b>continues to feature in the four indices World 120, Eurozone 120, Europe 120 and France 20.</b> PSA Group was the <b>only car manufacturer in the Vigeo World 120</b> in December 2016.
<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.	PSA Group <b>continues to feature in the Low Carbon Europe 100 index</b>
<b>CDP A LIST 2016 CLIMATE</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.	PSA Group <b>is on the A list.</b> This means it has the <b>highest score</b> , compared with the average score of C.
<b>INCLUDED IN ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Global</b>	<b>FORUM ETHIBEL/VIGEO:</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.	PSA Group <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 AND 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.	PSA Group <b>is listed in the DJSI</b> with a score of 87/100, which puts it <b>in second place for the automotive industry.</b> The average score for the automotive industry is 54/100.
<b>Member 2016/2017 STOXX ESG LEADERS INDICES</b>	<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.	PSA Group <b>continues to feature in the STOXX Global ESG Leaders index.</b>
<b>Corporate Responsibility Prime rated by 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.	PSA Group has retained <b>B Prime status</b> in the rating compiled by Oekom Research, making it joint <b>leader</b> for the <b>automotive industry.</b>
<b>2017 Global 100 Corporate Knights Index</b>	<b>CORPORATE KNIGHTS:</b> The Global100 index lists the 100 most virtuous companies in the world. The 2017 Global 100 Corporate Knights' Most Sustainable Corporations in the World Ranking was published in January 2017 on the website <a href="http://www.corporateknights.com/">http://www.corporateknights.com/</a> and announced at the World Economic Forum in Davos.	PSA Group has <b>remained in the Global 100.</b>

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 2015 CSR Report was awarded "**Advanced**" level, which is the highest assessment for the Global Compact.

## CREATING SHARED AND LASTING VALUE

1.3. Transparency and CSR commitment: tangible results for the Group and its stakeholders

### 1.3.3.2. VALUE CREATED FOR CUSTOMERS

The PSA Group's CSR policy makes customers central to the Company's processes. It offers them:

#### A RELATIONSHIP OF TRUST BUILT ON TRANSPARENCY

To provide customers with better information, in November 2015 the PSA Group announced a **unique initiative**: it now gives them access to an independent and certified measure of their real-world fuel consumption.

It has joined forces with two NGOs – Transport & Environment (a European environmental association specialising in the development of a sustainable transport policy) and France Nature Environnement (French federation of associations for the protection of nature and the environment). Together they have developed a measurement protocol certified by Bureau Veritas (the international certification agency for testing, inspection and certification).

The PSA Group has committed to being transparent with its customers, who can find these measurements on the PEUGEOT, CITROËN and DS brand websites.



#### A PERSONALISED CUSTOMER/BRAND RELATIONSHIP, A UNIQUE EXPERIENCE WHICH IS...

**... connected:** the ambition of the PEUGEOT brand is to be ranked the top mainstream brand, offering a best-in-class *customer experience* with 700,000 connected customers in 2021.

**... transparent and shareable:** The CITROËN brand has set its sights on being one of the most recommended brands by customers. With CITROËN ADVISOR, it already gives them the opportunity to share their customer experience with the brand's other customers. By striving for complete transparency towards customers, this system has been certified by the French standards association AFNOR for its built-in guarantee of reliability and full disclosure of posted comments.

**... so simple:** the DS brand is rolling out its ONLY YOU programme, which via "DS AT YOUR SERVICE" offers a unique multi-channel gateway for responding to requests and queries and interacting with customers and prospective customers. This is due to be rolled out in Europe and China in 2017, and in the rest of the world from 2018.



#### EASY, SAFE AND SHARED MOBILITY

With its Free2Move brand launched in September 2016, the Group brings together all of its mobility services **to guarantee customers freedom of movement**: car-sharing between individuals, public transport car-sharing, short or long-term rental, fleet management and sharing for businesses, etc.



#### VEHICLES THAT MEET THE HIGHEST QUALITY AND SAFETY STANDARDS IN ALL MARKETS.

**Quality** is one of the linchpins of the Group's strategy. For the Chairman of the Managing Board, "making quality the number one priority, with no exception, guarantees customer satisfaction and protects the Company's long-term future. Long-term economic performance cannot be achieved if quality is not up to the mark. All behaviours, processes and decisions must be customer-focussed". The Group's results are a testament to customer satisfaction with its actions in terms of perceived and functional quality, vehicle durability and quality of service.

**Safety** is a vital component of mobility: the Group implements functional safety procedures, and is jointly working on three types of safety mechanisms: those that prevent accidents, those that protect people in the event of an accident, and those that alert the emergency services and provide assistance. It is also carrying out vital work on the new threats linked to cyber security, in order to prepare for the advent of autonomous vehicles. The Group's vehicles are ranked among the best on the market.

Recommendation rate of customers in quality of service surveys between 2011 and 2016:

- +12 points for new vehicle purchases
- +17 points for after-sales service
- 8 models with five stars in the EURO NCAP rating system,
- 12 models with five stars in the CHINA NCAP rating system
- E-call (emergency call system): PSA Group has **2.3 million connected vehicles**, helping to improve road safety

#### ASSURANCE FOR BUSINESS CUSTOMERS LOOKING TO DEMONSTRATE THEIR OWN COMMITMENT TO RESPONSIBLE PURCHASING

EcoVadis, an independent rating agency specialising in responsible purchasing, has awarded the PSA Group the **gold medal** as a **responsible supplier** for the second consecutive year. With a score of 78/100, the PSA Group belongs to the select group of 2% of companies whose commitment to CSR is rated Advanced.

The PSA Group's business customers can therefore demonstrate their own commitment to responsible purchasing.

In March 2016, the **CITROËN Berlingo** was voted **Diesel Eco Van of the Year** by UK magazine Vans A2Z. The judges liked the Berlingo's low fuel consumption and CO<sub>2</sub> emissions reduction technology, as well as CITROËN's efforts to provide economical engines for business customers.

<http://www.vansa2z.com/Van-of-the-Year-Awards-2016-Diesel-ecoVan>



## BENEFICIAL TOTAL COST OF OWNERSHIP (TCO)

A comparative analysis of the total cost of ownership of a vehicle compared with its replacement illustrates how technological advances in terms of emissions and consumption can reduce the TCO of vehicles.

At the Automotive & Business Awards in June 2016, the **Connect Fleet Management service** came second in the “**Business Service of the Year**” category. This was in relation to the Group’s fleet management service (“CITROËN Connect Fleet” or “PEUGEOT Connect Fleet”), which can boost productivity and reduce the total cost of ownership of vehicles (see section 2.5.2.1).

In January 2016, the **CITROËN C3 Picasso PureTech 110 BVM** won the **Best Buy Award** from UK magazine *What Car?*. Its roominess and total cost of ownership – particularly in the PureTech 110 BVM version – set it apart from the competition in the “Under £16,000” category.

The new **PEUGEOT Expert** and **CITROËN Jumpy** were voted joint best commercial vehicles at the 12<sup>th</sup> **MAAF Auto Environment Awards** 2016 (in recognition of their fuel consumption and CO<sub>2</sub> and pollutant emissions). All award-winning vehicles qualify for the MAAF bonus, which allows MAAF policyholders to receive a €100 discount on their first insurance premium.



<http://awards.whatcar.com/mpv>



### 1.3.3.2. VALUE CREATED FOR EMPLOYEES

The PSA Group has adopted a business strategy based on an organic, profitable and sustainable growth plan, Push to Pass. In order to capitalise on all development opportunities, the Group’s employees are major players in its strategic plan. Together with employee representatives and the unions, the Group is fostering a culture in which everyone works together to build the future, and where teams can compete to express and develop their talent.

In early 2017, the Group renewed its Global Framework Agreement with the IndustriALL trade union federations. This commits it to:

- respecting fundamental human rights;
- a human resources policy developing human capital.

The Group’s Corporate Social Responsibility approach, as demonstrated by the Global Framework Agreement, allows the Group’s employees:

#### TO DEVELOP IN A CULTURE WHERE SOLUTIONS ARE DESIGNED COLLABORATIVELY

**95% of employees** are covered by collective agreements

#### TO TAKE OWNERSHIP OF THEIR CAREER BY DEVELOPING THEIR SKILLS

**76% of employees** completed at least one training course during the year.

**personal development plans** allow each employee to progress or diversify their skills: training with a wide range of teaching material or professional mobility with priority given to internal mobility.

Since 2012, more than **3,300 employees** have benefited from the opportunity to learn a new trade within the Group as part of the “Top Compétences” scheme.

#### TO WORK IN AN ENVIRONMENT THAT PROMOTES HEALTH AND WELL-BEING

The frequency of workplace accidents is **18 times less** than the average measured in the metalworking industry in France.

■ The PSA Group is one of the industry leaders in **workplace health and safety**. The Workplace Health and Safety Management System, which is implemented worldwide, closely monitors risk prevention. The PSA Group goes even further in this: for example, it has committed to the “Healthy workplaces” approach promoted by the European Union and the European Agency for Safety and Health at Work.<https://www.healthy-workplaces.eu/en/campaign-partners/psa-groupe>

**26 facilities** out of 42 have already achieved a lost-time incident frequency rate less than or equal to **1 point** in 2016.



■ For the PSA Group, **developing and attracting talent** means rethinking the workplace relationship due to the possibilities afforded by new technology. **Teleworking** helps ensure a work/life balance and improves working conditions. This practice is encouraged in the Group wherever possible, depending on the organisation, business lines and local regulations. It is being rolled out on a trial basis to all countries. A new policy for **working from home**, launched in January 2017, now offers employees unprecedented flexibility.

In France, **2,735 employees** already work from home. This option is now available in other countries, including Brazil, Argentina, Spain and Belgium.

In France, employees are allowed to work from home for **25 days** a year.

#### TO SHOWCASE THEIR TALENTS IN AN INCLUSIVE ENVIRONMENT

■ The Group promotes diversity and actively combats discrimination in its recruitment, talent management and compensation policy.

We Support



■ It enforces its gender equality policy worldwide. The PSA Group adheres to the **Women’s Empowerment Principles**, an initiative by the UN and UN Women which encourages companies to take action to promote diversity and gender equality. It was the first **“Professional equality”** certified company in 2005. Since 2009, the Group has been certified under France’s **Diversity label**, which recognises good human resources practices to promote diversity and equal opportunity and to prevent discrimination.

■ The “youth employment” policy seeks to integrate apprentices and trainees on work-study placements.

■ Keeping older employees in work and motivated is one of the Company’s CSR commitments.

The Group is committed to hiring and retaining disabled employees.

**3,028 trainees** on work-study placements (including apprentices) in 2016.

**32.6%** of the Group’s workforce are **older employees**. The Group has **5,375 disabled employees** worldwide.



## CREATING SHARED AND LASTING VALUE

1.3. Transparency and CSR commitment: tangible results for the Group and its stakeholders

### 1.3.3.3. VALUE CREATED FOR ITS SUPPLIERS AND PARTNERS

The PSA Group is implementing a responsible procurement policy which includes a third-party assessment (by Ecovadis) of its suppliers based on CSR criteria.

Although this policy allows the Group to secure its supply chains, it also boosts performance for suppliers, who are called on to introduce CSR policies within their own organisation, as well as with their supply and subcontracting chains.

The Responsible Purchasing Charter which PSA Group requires its suppliers to sign serves to:

#### BOOST INNOVATION

The Group involves its core and strategic suppliers in a **disruptive innovation process**, essential in order to meet commitments on reducing CO<sub>2</sub> emissions, air quality, the autonomous vehicle, etc. at a cost acceptable to customers;

**Elie Chkaiban**, Michelin, VP Original Equipment, in charge of the relationship with the PSA Group  
*“CSR is omnipresent in the various areas on which Michelin and the PSA Group collaborate: including improving the vehicle's energy efficiency, where low rolling resistance tyres play an important role. The award received from the PSA Group in the sustainable development category is in recognition of the work accomplished by Michelin since the launch of its CSR policy in 2002. It motivates us to continue further down this path by factoring in the various assessment criteria in our lines of work.”*

The PSA Group: filed **more patents** than any other company between 2007 and 2016

More than **100 suppliers** involved in co-innovation



#### BOOST EFFICIENCY

The CSR commitments that the Group asks its suppliers to adopt allows them to reduce their own operational risks: informed about best practices and regulatory changes, they can benchmark themselves by comparing their CSR performance against the industry average, build on their strengths and implement action plans to improve on their weaknesses. The PSA Group monitors the progress of the action plans required from suppliers. If necessary, it can help them find **solutions to improve their product quality or optimise their processes**.

**40 PSA monozukuri coordinators** worldwide, with more than **100 suppliers** involved.

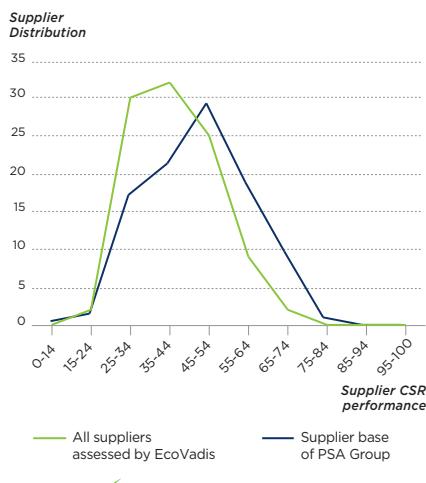
#### BOOST ECONOMIC PERFORMANCE

In view of the demanding supplier selection process, being a strategic or core supplier of the PSA Group demonstrates a high level of economic and CSR performance. Through innovation partnerships with the PSA Group, suppliers are developing a **competitive edge** in state-of-the-art technical expertise. This distinguishes them from their competitors when bidding for contracts in other markets. They can create **commercial opportunities** with customers who, like the PSA Group, regard CSR criteria as a key aspect of the supplier selection and listing process. The Group's suppliers can communicate their own CSR commitment and performance (Ecovadis score) to their customers and/or host regions. Similarly, in being chosen to support the PSA Group on international projects, companies are boosting their prospects by increasing their **visibility in new markets**.

More than **20 new suppliers** are now based in Morocco, where the PSA Group has opened a plant in Kenitra.

The PSA Group's **responsible purchasing approach** has proven useful in making its suppliers part of a positive trend: their CSR performance is above average compared with other companies assessed by Ecovadis.

#### Distribution of CSR assessments of PSA Group suppliers versus EcoVadis



### 1.3.3.4. VALUE CREATED FOR HOST COMMUNITIES AND CIVIL SOCIETY

#### CONCRETE ACTIONS IN THE SOCIAL AND SOLIDARITY ECONOMY

Through its foundation, the Group is committed to facilitating access to mobility for vulnerable or disadvantaged members of society.

The Foundation supports community organisations active in rural communities or in outlying urban areas, working alongside social agencies and local authorities to put in place socially responsible mobility solutions, mainly in aid of people referred by social services. The goal is to **remove the mobility obstacles** for the unemployed to receive training or find a new job.

For example, the Foundation lends its support to solidarity garages, which help welfare recipients to repair, rent or buy cars cheaply. The garages – most of which are social enterprises – can also help the long-term unemployed get back into work.



**470 schemes** previously sponsored by the Foundation.

**€10.3 million** donated to community organisations, including **€6.1 million** for employment schemes and **€2.9 million** for educational or cultural initiatives.

In 2016, the PSA Foundation supported **22 solidarity garages** in France (creation or development of existing garages), **more than 9,000 beneficiaries**.



The Group is the leading buyer from companies that only employ **people with disabilities** in France.

#### AN ACTIVE CONTRIBUTION, NOW AND IN THE FUTURE, TO ROAD SAFETY FOR EVERYONE

The PSA Group has played a pioneering role and remains the European leader in post-accident or tertiary safety, attenuating the effects of an accident by facilitating emergency rescue.

In anticipation of the new European regulations, the Group is the first mainstream car manufacturer to have deployed a wide-scale, **location-aware emergency call system**, without a subscription or any cut-off date. The emergency call system is particularly useful when accidents occur in isolated areas with no eyewitnesses. Motorway control centres in France are now automatically warned of any accidents on their roads with the e-call service introduced on PEUGEOT, CITROËN and DS vehicles. Drivers can also use their vehicle's e-call service to contact the emergency services if they witness an accident. Other drivers can be warned of any potential dangers to expect with messages displayed on motorway signs.

As a testament to its technological accomplishments, in July 2015 the Group became the first car manufacturer to receive the required authorisations to test its **autonomous prototypes** on the open road. The cars adjusted their speed and overtaking based on other vehicles, posted speed limits and infrastructure.

Services purchased from companies that only or predominantly employ people with disabilities represent **€38 million** in value added.

E-call (emergency call system): PSA Group has **2.3 million connected vehicles**, helping to improve road safety

PSA Group's autonomous vehicles had already driven **100,000 km** on Europe's roads by the end of 2016

## PUBLIC PLEDGES TO SUPPORT THE ECONOMIC AND SCIENTIFIC DEVELOPMENT OF HOST COUNTRIES

### Direct and indirect job creation

The Group's strategic plan Push to Pass reaffirmed the Group's ambitions to open manufacturing plants in its key markets. The Group has made a public pledge to achieve high local sourcing rates in the regions concerned, which involves suppliers setting up production facilities close to the Group's industrial sites. By directly and indirectly creating jobs, the Group brings added value to the host communities.

In 2015, the Group launched innovative solutions such as career mobility and transition platforms, allowing employees leaving the Group to find a job in their area with its partner companies.

**The consolidation of the automotive industry in France** – The Group adopts a two-pronged approach:

- It strengthens the competitiveness of its own production plants to ensure their sustainability: removing sources of non-value inherited from previous configurations; more compact sites to reduce fixed costs; rethinking processes to save energy and water; implementing a make-or-buy decision-making process which takes all factors into account, including the impact on logistics.
- The Group is involved in revitalising the automotive industry in France, either through actions carried out on its own initiative (including an Open Innovation plan for SMEs involved in the initial exploratory phases of specific programmes), or by participating in the work of the French government's automotive industry support platform (PFA).

**Scientific development:** The Group acts as a vehicle for scientific development through its Stellab network, which supports the creation of R&D centres, open labs and academic chairs in the same areas. An OpenLab entitled Sustainable Mobility for Africa is active for example in Rabat, Morocco (in association with five Moroccan universities, two American universities and a school of engineering), while another is in Shanghai: the Human Machine Interface and Accidentology OpenLab.

Similarly, as part of its Push to Pass plan, the Group conducts joint research as part of a programme coordinated by VEDECOM (the French institute for the institute for low-carbon communicating vehicles and their mobility) of which it is one of the founding members. VEDECOM aims to become the leading French technology research institute and spearhead the development and use of autonomous connected cars.

**Support for start-ups:** PSA Group created the Business Lab as a response to fast-changing automotive uses. The purpose of this new entity is to identify, experiment and transform opportunities into new businesses for the Group, particularly with regard to mobility and digital issues. As part of its Venture Development endeavours, the Business Lab, an excellent programme for identifying and transforming new businesses, is signing a partnership agreement with Idinvest Partners, a leader in funding the growth of European companies that holds more than €7 billion in capital, €2 billion of which dedicated to funding start-ups.

With strong industrial roots in France, the PSA Group makes a positive contribution to the French trade balance: in 2016, the Group was the leading car manufacturer and second largest contributor across all business sectors.

- The Vigo plant in Spain has created jobs in Galicia
- The Kenitra plant in Morocco will help establish a cluster where around 20 new suppliers will be based. The aim is to achieve a local sourcing rate of **80%**.
- In 2016, **53 Group employees** benefited from retraining programmes.

- The PSA Group is the country's leading car manufacturer with more than **one million** vehicles and **80%** of its engines and gearboxes manufactured in France in 2016. The PSA Group's French production has risen by **1.3%** since 2015.
- **150 SMEs** have already received individual support from the PFA.

- The Group's Stellab network includes **six academic chairs** run in association with the PSA University and **18 OpenLabs**.



- An import/export surplus of **328,000 vehicles** and a trade surplus of **€4,816 billion** in 2016.

### 1.3.3.5. VALUE CREATED FOR THE ENVIRONMENT

Given the nature of its business and its international presence, the PSA Group is an economic actor keen to fulfil its responsibilities.

#### TECHNOLOGICAL CHOICES FOR A CONCRETE IMPACT ON CLIMATE CHANGE AND AIR QUALITY

**A reduction in the use of fossil fuels:** the Group spends 40% of its R&D budget on clean tech:

- seven plug-in petrol hybrid vehicles will be launched in Europe and China between 2019 and 2021. These will enable emission thresholds of under 50 g/km of CO<sub>2</sub>, i.e. 2 l/100 km in all areas and will run 50 km in fully electric mode in city and suburban environments (WLTP procedure);
- four electric vehicles will be launched, in Europe and China from 2019;
- in 2016, the Group was the leader in EU-22 with official average CO<sub>2</sub> emissions of 102.4 g/km, compared with 104.4 g/km in 2015, an increase of more than 2 points compared with the market average of 118.2 g/km.

**Air quality remains the focus of R&D programmes:** as a participant in discussions about the public health and environmental issues that relate to mobility, the Group has long incorporated concerns about air quality into its R&D programmes. As a result, it has succeeded in introducing powertrains and technologies which drastically reduce nitrogen oxide and particulate emissions:

- inventor of the diesel particulate filter (DPF), which it began selling in 2000, more than nine years before Euro 5 standards made it compulsory from September 2009;
- the PSA Group was the first car manufacturer to introduce SCR (Selective Catalytic Reduction) technology in 2013, reducing nitrogen oxide emissions by up to 90%.

The results also reflect the Group's decision to focus on **affordable technological solutions** deployed in mass-produced cars, which is the only way to have a real impact on the environment.

**Committed to furthering the public debate:** the measurement protocol for real-world consumption developed with Transport & Environment, France Nature Environnement and Bureau Veritas is open source. The Group has invited other car manufacturers to adopt it so that customers can make informed buying decisions.

Environmental awards bestowed on our products and services in 2016:

**PureTech 1.2 I three-cylinder turbo petrol engine: engine of the Year for the second year in a row** (18<sup>th</sup> International Engine of the Year Awards). With 120 patents, it allows an 18% reduction in consumption and CO<sub>2</sub> emissions compared with the previous four-cylinder petrol versions.

**PureTech Flex 1.2 I three-cylinder engine:** awarded “**Green Brand of the Year 2017**” by Brazilian magazine Autoesporte.

**CITROËN E-MEHARI: Green Car Award** 2016 Geneva Motor Show. This award, given to the Brand's electric city car, is sponsored by the RTL magazine Auto Plus following an online vote.

Vidéo "Blue HDi, the PSA Group's exhaust line":

[https://www.youtube.com/watch?v=4\\_nv7PkBS84](https://www.youtube.com/watch?v=4_nv7PkBS84)

Open-source measurement protocol

[http://media.groupe-psa.com/sites/default/files/attached\\_files/7/20161010\\_Protocole%20\\_conso\\_usage\\_reel\\_FR.pdf](http://media.groupe-psa.com/sites/default/files/attached_files/7/20161010_Protocole%20_conso_usage_reel_FR.pdf)

## TANGIBLE RESULTS FOR THE CIRCULAR ECONOMY AND SUSTAINABLE MANAGEMENT OF MATERIALS

From the vehicle design phase, the Group's teams are urged to translate the Group's commitment to the circular economy: materials are chosen with a view to facilitating end-of-life recycling, with preference given to green materials. This active policy of influencing the selection of materials also extends to suppliers. The PSA Group's design choices ensure a **steady reduction in the environmental footprint** of its vehicles.

All Group vehicles are **95% recoverable**.

**Green materials** make up **30%** of the Group's vehicles.

Recycled plastic is incorporated into the instrument panel and rear bumpers of the PEUGEOT 3008 and 5008. Reduction of the environmental footprint of the PEUGEOT 308 in 2013, compared with the PEUGEOT 308 in 2007.



In production, the Group is continually improving its processes to **reduce the amount of waste** and increase recycling.

In 20 years, waste production per manufactured vehicle has **halved**.

**100%** of metal waste is recycled.

**13,000 tonnes** of waste avoided per year at Sept-Fons through the regeneration of casting sand.

Similarly, during the vehicle's lifetime, the PSA Group offers two types of spare parts **originating from the circular economy**: the "standard replacement parts" service (reconditioned parts and sub-assemblies) and "parts for reuse" service (parts recovered from end of life vehicles).

Launched more than 30 years ago, the "standard spare parts" service now equates to **522,000 reconditioned parts** each year.

Lastly, the Group is involved in collecting and **processing end of life vehicles** from its dealership networks through partnerships with specialist operators.

Close to **820,000 end of life vehicles** processed via the Group's dealer networks between 2009 and 2016 in France.

The PSA Group has introduced a collection and **recycling process for traction batteries** covering the whole of the European market.

Battery recycling rate in 2015

- 70% for the Li-ion batteries of electric vehicles;
- 84% for the Ni-MH batteries of hybrid vehicles.

## A PROACTIVE INITIATIVE FOR CARBON OFFSETTING AND BIODIVERSITY

An area of **1,800 hectares** of virgin forest with high biodiversity value has been devoted to scientific research since 2009.

The PEUGEOT brand, in partnership with France's National Forestry Office (ONF), is continuing **the PEUGEOT-ONF carbon sink project** it has sponsored in the Amazon since 1998. Scheduled to run until 2038, with a long-term objective of 945,000 tonnes of CO<sub>2</sub> sequestered, the project involves reforesting vast areas of degraded land and restoring biodiversity in the Brazilian state of Mato Grosso, while studying the relationship between reforestation and the absorption of atmospheric carbon dioxide. The reforestation initiative is promoting biodiversity, especially by preserving native plant species, with the aim of restoring balance to the ecosystem. The Amazon rainforest is home to more than half of the world's terrestrial biodiversity. New species have been discovered in this ecosystem.

**548,930 tonnes** of CO<sub>2</sub> equivalent sequestered by the biomass and soil in 18 years.

**2 million trees** reintroduced.

More than **50 local species** planted.

In 2016: discovery of a new Amazonian fish named "Hypessobrycon peugeotii" and a new species of beetle called "Hansreia peugeotii".

## 1.4. GOVERNANCE GEARED TOWARDS SUSTAINABLE GROWTH

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### MANAGING 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. The Group's managing bodies are presented in section 3.2 of the Registration Document.

- The Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with the Group's long-term vision as defined by the Supervisory Board. It reviews the medium-term strategic plan and the capital expenditure plan as well as the budget.

The Supervisory Board has established four committees:

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

The roles and responsibilities of these committees are described in section 3.1 of the Registration Document.

- Managing Board members are appointed by the Supervisory Board. They may be removed from office by the Supervisory

Board, or by the Shareholders' Meeting, in accordance with French company law.

The Chairman of the Supervisory Board is not a member of the Managing Board.

The various roles and responsibilities of the Group's managing bodies are described in Chapter 3 of the Registration Document.

### OWNERSHIP STRUCTURE

The Group's ownership structure is presented in Chapter 7 of the Registration Document. Following the share capital increase operations in April and May 2014, DMHK, SOGEPA and FFP/EPF each hold 12.86% of the equity of Peugeot S.A. To the best of the Company's knowledge, no shareholder other than the ones listed in the table in Chapter 7 of the Registration Document directly or indirectly own more than 5% of Peugeot S.A.'s issued capital or voting rights.

Each share gives the right to vote in the Annual General Meeting. Double voting rights are awarded to fully-paid non-transferable shares, registered in one person's name for at least two years. In compliance with Article 223-11 of the regulations of the financial markets authorities, voting rights are presented according to their "theoretical" calculation, based on all the shares which give the right to vote, including non-voting shares (treasury shares). These theoretical voting rights are used to calculate the shareholding threshold.

### 1.4.1. CSR in the Group's governance

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For a group like PSA, meeting Corporate Social Responsibility commitments is seen as a means to guarantee its own economic sustainability and is achieved by addressing the concerns of its main stakeholders, who are affected by its decisions or actions.

For many years, the Group has been organised so as to take into account societal, social and environmental transformations, adapting its strategy and implementing action plans able to offer the most effective response to its challenges. Furthermore, the robust CSR reporting processes used by the Group for more than

ten years aptly illustrate its strong dedication to transparency in these areas. Over the years, the Group's CSR commitment has become an integral part of its business strategy: CSR issues are validated at the highest levels. Executive Committee members assume direct responsibility with respect to these issues and all operational action plans incorporate CSR criteria.

The Group's CSR policy and management system are an integral part of its corporate governance.

### 1.4.1.1. CSR IN ALL SUPERVISORY BODIES

The Group's strategic CSR commitments and their progress report are presented to the Supervisory Board. Given the importance and scope of CSR issues that, for a car manufacturer, come into play for many of its strategic decisions, there is no single committee established for this domain. Each Supervisory Board committee, and where applicable the Board itself depending on the issue involved, handles these issues within its area of expertise.

Some examples:

Governing body	Examples of CSR issues handled
➤ Supervisory Board	Issues, including CSR issues, relating to the medium-term strategic plan
➤ Finance and Audit Committee	Issues deemed to involve high risk from a CSR perspective, issues relating to business ethics and its economic consequences
➤ Strategy Committee	Environmental issues, including those relating to climate change and air quality
➤ Appointments, Compensation and Governance Committee	Company issues, including issues relating to diversity and corporate governance

The Finance and Audit Committee of the Supervisory Board ensures that risk management and internal control procedures function effectively.

It reviews the internal control procedures in place and the mapping of risks, including CSR risks, with particular emphasis on risks which could have an impact on financial and accounting information, and verifies the maturity and proficiency level in the application of these procedures. The Committee also examines the means used to implement these procedures and the remedial actions applied to correct any material weaknesses or deficiencies identified. To this end, it is informed of the main observations made by the Statutory Auditors as well as the Audit and Risk Management Department.

The Finance and Audit Committee of the Supervisory Board examines the organisational and operating principles of the Audit and Risk Management Department and gives its opinion on its organisation.

It also expresses an opinion on the Internal Audit plan for the coming year and is informed of the findings of (i) the initial audits performed under this plan and (ii) the audit follow-ups to check that auditees have implemented the recommendations.

The Committee reviews the Group's risk factors, in particular CSR risks, with the Head of Audit and Risk Management and with the Statutory Auditors, with or without the presence of Managing Board members.

### Skills relating to economic, environmental and social impacts

Members of the Supervisory Board are selected with a view to ensuring sufficient diversity and complementarity of skills to deliver the Company's strategy. Members of the Board and its committees are selected on the basis of a skills matrix (see § 3.2.1.3 "Diversity Policy" of the Registration Document 2016). This seeks to ensure that competencies in "finance and risk management", "international experience", "industry", "new business models", "human resources", "social and environmental responsibility" and "governance" are represented on one or more committees. Each appointed member is strong in at least three of these competencies. With regard to CSR:

- Louis Gallois, Chairman of the Supervisory Board since 2014, is, in his individual capacity, President of the French federation of solidarity actors. He is also administrator of the French national association of technical research (ANRT), co-chair of the think-tank La Fabrique de l'Industrie and administrator of Le Cercle de l'Industrie;
- Geoffroy Roux de Bézieux, a Supervisory Board member since 2013 and Chairman of the Appointments, Compensation and Governance Committee, is the Delegated Vice-Chairman, Treasurer and Member of the Office of MEDEF;

- Marie-Hélène Roncoroni, a Supervisory Board member, is Vice-Chair of the PSA Group Foundation;
- Mr Jean-François Kondratuk, Member of the Supervisory Board, is the administrator of the PSA Group Foundation;
- Mrs Anne Valleron, Member of the Supervisory Board, is Consultant on the Ile-de-France Regional Economic and Social Council.

### Consultation of stakeholders

#### Employees are represented on the Supervisory Board

- Jean-François Kondratuk sits on the Supervisory Board as a representative of employee shareholders. He was appointed by the Group's European Works Council pursuant to Article L. 225-79-2 of the French Commercial Code and amendment to the Articles of Association (Article 10.I B) voted by the Shareholders' Meeting of 25 April 2014 following the enactment of the job security law. Mr Kondratuk was appointed for a four-year term of office.
- A representative of employee shareholders was appointed by the Supervisory Boards of the corporate mutual funds, in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the Articles of Association (Article 10.I C). It was suggested to the employee representatives that they attend the *Institut Français des Administrateurs* training programme. Anne Valleron completed this training in 2015.
- In many countries, the PSA Group offers a variety of savings schemes. Employee profit sharing came out at 2.37%, representing nearly 49,000 of the Group's current or former employees. The Group (excluding FAURECIA) organised the "Accelerate" plan, the first capital increase by the Group reserved for employees, which took place on 29 January 2015. (see "Stakeholder representation" below).

#### Minority shareholders are represented on the Supervisory Board

In April 2014, the Supervisory Board selected, from among its independent members, a senior independent member, Geoffroy Roux de Bézieux, whose responsibilities are to:

- notify the Chairman of the Supervisory Board of any conflict of interest it has identified which could affect the deliberations of the Board;
- take note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensuring that they are addressed;
- report on the performance of his or her duties to the Supervisory Board and, where applicable, to the Shareholders' Meeting.

Shareholders who meet the legal and regulatory requirements may apply to have specific items or draft resolutions added to the agenda by submitting them to the Company's registered office, as described in the notice of meeting. All draft resolutions are published on the Group's website. Electronic voting on Internet has been in place since the 2016 Annual General Meeting.

#### **Opinions of other stakeholders are sent to the Supervisory Board**

Consultation with stakeholders is delegated to the operating units, which are in contact with them on a daily basis, and to the Sustainable Development Delegation. The strategic proposals submitted for approval to the Group's Executive Committee by these managing bodies, according to their area of responsibility, take into account the expectations and opinions of stakeholders collected through the various opportunities for dialogue described in section 8.2 of the CSR Report. These are presented to the Supervisory Board.

#### **Membership of an under-represented social group**

Membership of an under-represented social group is not among the assessment criteria authorised by French law.

#### **1.4.1.2. CSR AT THE EXECUTIVE BODY LEVEL** G4-35

Progress made on meeting CSR commitments and objectives is reviewed periodically and is approved and monitored by the Group's Executive Committee, which includes the members of the Managing Board.

In addition, by way of a system of delegation and sub-delegation of powers in writing, the Managing Board or its Chairman explicitly delegates a certain number of powers relating to Corporate Social Responsibility to selected senior executive managers. For example:

- the Group's Executive Vice-President for Human Resources, who is a member of the Executive Committee, is granted in particular "all powers to take charge of, coordinate and assume prime responsibility for the management of individual and collective relations between employees and employers within the Group, in all its aspects" and in doing so "ensures compliance with applicable rules governing the avoidance of discrimination in the workplace", "makes sure that the Group's accident prevention policy as well as the various regulations relating to health, safety and working conditions are properly applied", "monitors collective labour relations in all their aspects", etc.;
- at the same time, and still by way of example, production plant directors in France are fully authorised to "ensure compliance with applicable regulations, especially those relating to employment law and health and safety, and environmental law in the industrial domain".

### **1.4.2. Operational management of CSR**

#### **SUSTAINABLE DEVELOPMENT DELEGATION**

The Group's Sustainable Development Delegation was formed in 2003, with a staff of three, and reports directly to the Executive VP for Corporate Communications, who in turn reports to the Chairman of the Managing Board. The Delegation's remit is:

- to ensure that progress plans with the aim of improving the integration of sustainable development responsibilities within the Group's strategy are implemented, by working with and coordinating a network of front-line correspondents present in all the Group's departments who are experts in the different areas of Corporate Social Responsibility (human resources, environmental management, procurement, marketing, sponsorship, etc.);
- organise dialogue with stakeholders, through this network, by mobilising the Group's experts on the subjects at hand;
- to liaise on a daily basis with CSR rating agencies and SRI investors, in particular by making every effort to provide them with information in response to their requests;
- to coordinate thinking and proposals for actions enabling the Group to prepare for the regulatory developments related to CSR, to appropriate external best practice and share its own, identify scope for further progress and initiate the appropriate actions, etc.;
- to orchestrate each year's reporting on the Group's environmental, social and governance performance, coordinate its verification by an independent third party and oversee the preparation of the CSR Report, for which it serves as project manager, as well as the CSR chapter of the Group's Management Report;
- to submit the priority commitments, objectives and action plans for validation by the Executive Committee and take charge of all related follow-up actions as well as their communication both within and outside the Group; inform the Supervisory Board on CSR;

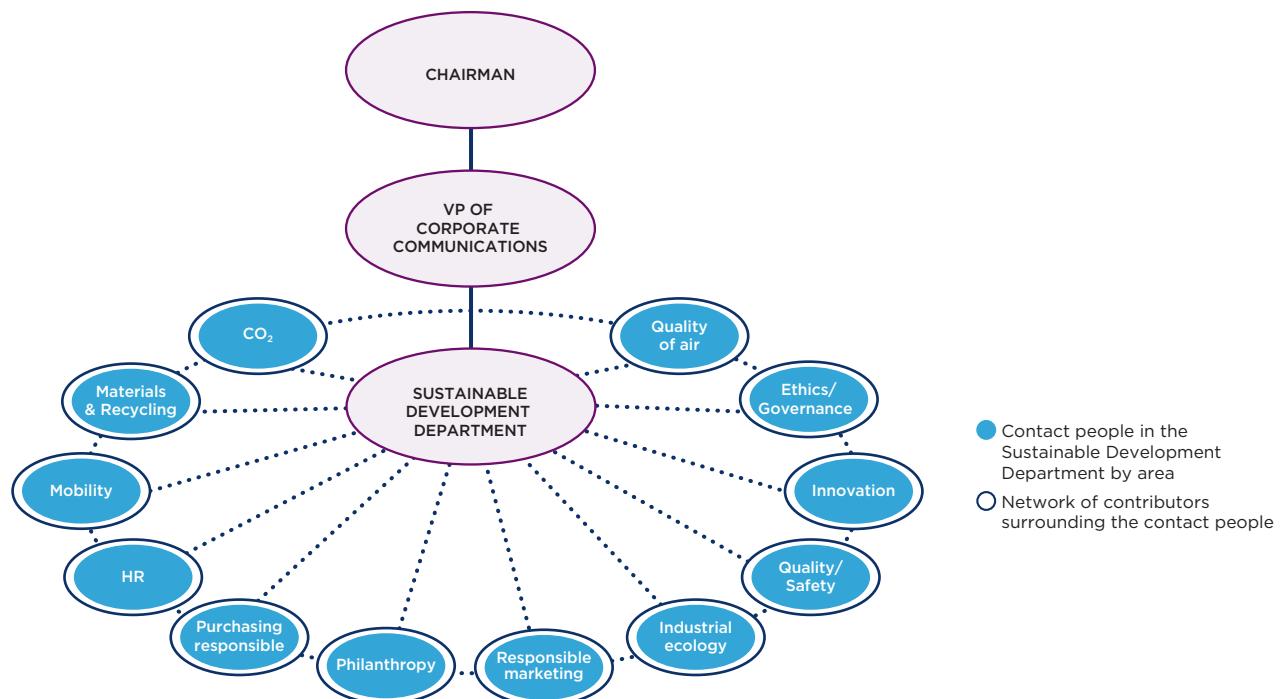
- to represent the Group's interests before various external bodies specialising in CSR;
- to be a proponent of actions serving to underscore the Group's CSR commitments.

#### **A NETWORK OF CSR OFFICERS AND CONTRIBUTOR EMBEDDED WITHIN THE COMPANY'S BUSINESS LINES**

The Sustainable Development Delegation oversees a network of CSR officers with specialist knowledge of the various business lines. They relay messages from the Sustainable Development Delegation to teams in their area of expertise and serve as proponents to encourage improvements in practices. To this end, the correspondents rely on their own networks of contributors within their respective departments. A CSR meeting is held each quarter, attended by the Sustainable Development Delegation and all CSR officers, to share best practices, discuss progress made on action plans and exchange information, in particular on upcoming changes in regulatory frameworks, so as to remain at the forefront of CSR knowledge and expertise. All told, the CSR network involves the participation of nearly 500 contributors present in all of the Group's French entities and subsidiaries and in all the countries where the Group has operations.

The Executive Committee and the Executive Vice-Presidents who serve among its members play a key role in the Group's CSR policy: the Executive Committee validates the medium- and long-term strategic directions and ambitions for CSR and the Executive Vice-Presidents are responsible for ensuring adherence to the course adopted and are the guarantors of the implementation of the action plans necessary to attain the targets set.

## Operational management of CSR: networking



## FOCUS ON STAKEHOLDERS RELATIONS OF THE SUSTAINABLE DEVELOPMENT DELEGATION IN 2016

- Continuation of the first stakeholder dialogue in the automotive industry in France:  
On 9 July 2015, the automotive industry held the first stakeholder dialogue day on the theme of sustainable mobility, bringing together companies and actors from civil society. The event helped to define the points of convergence between players in the automotive sector and their stakeholders with a view to developing sustainable mobility. The content of the debate has enabled the PSA Group to refine its vision of integrated mobility through intermodal rather than competing modes of transport. The panel met again in 2016: on 13 October, 10 November, 1 December and 12 December to explore the subject of future mobility based on two themes: firstly, "What place does the car have in the mobility ecosystem? What synergies and complementarities exist between actors?", and secondly, "What will the car of the future look like, and what services will it offer?" What new behaviours and applications will they address?"
- Continuation of dialogue with France Nature Environnement, following on from the partnership formed with the NGO Transport & Environment, which led to the publication of the real-world fuel consumption of the Group's vehicles (as announced by the Chairman of the Managing Board on 23 November 2015).
- Non-financial performance: contribution to MEDEF and AFEP proposals ahead of CSR working sessions, particularly in view of regulatory changes such as the transposition of the European Directive on the disclosure of non-financial information, and continuing efforts to identify good practices within the MEDEF working group on non-financial performance.

- Materiality: participation in the work of the French Observatory for Social Responsibility (ORSE) to publish teaching materials to help companies better understand this concept; publication of an article on the concept of materiality in the accounting journal.
- Responsible advertising: contribution to the best practices compiled by the French advertisers' union (*Union des Annonceurs*).
- Integrated thinking: participation in discussions held by the Paris Europlace Working Group on integrated reporting, bringing together issuers, investors and the French Financial Markets Authority (AMF).
- Chairing of permanent working groups of EpE's Climate Change Committee, which is working on ways and means to reduce greenhouse gas emissions, based on strategies in use by corporate partner members. For the third and final year, in accordance with the association's internal rules, the Group's Sustainable Development Officer chaired the EpE's Climate Change Committee. EpE is the French representative of the World Business Council for Sustainable Development (WBCSD).
- Contribution to the work of C3D (*Collège des Directeurs du Développement Durable*).

## 1.4.3. Internal control system

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### INTERNAL CONTROL OBJECTIVES

As part of its commitment to prevent and limit the effect of internal and external risks, including CSR risks, the Group has put in place risk management and internal control systems to provide reasonable assurance concerning the achievement of the following objectives:

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

More generally, these procedures and processes also contribute to the proficient management of the Group's businesses, the effectiveness of its operations and the efficient use of its resources. However, internal control cannot provide an absolute guarantee that the Company's objectives will be achieved.

### REFERENCE FRAMEWORK USED BY THE PSA GROUP

The Group's risk management and internal control system complies with and functions according to the rules of the eighth directive on Statutory Audits, the *Autorité des Marchés Financiers* (AMF)'s Reference Framework for Risk Management and Internal Control Systems issued in January 2007, and the report of the working group on Audit Committee published by the AMF on 22 July 2010.

### PRINCIPLES OF THE RISK MANAGEMENT SYSTEM AND ACTORS IN THE PROCESS

As described in section 3.2.2 of the Registration Document, the principal risks in each department, those with the highest impact and the most critical (impact x probability), are reported each half year in a "Top Management Risks" Report. This is sent to the General Counsel via its Audit and Risk Management Department.

In addition, once a year this department identifies the Group's main crossover risks at interviews held with a representative range of the Group's senior executives and managers.

The mapping of major risks ("Top Group Risks", mainly derived from the "Top Management Risks" and the aforementioned interviews) is reviewed each 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:

- risks associated with product quality are managed using the specific procedures described in Chapter 2 of this report. **The precautionary principle** is applied, in particular, at the design phase by way of life cycle assessments or compliance tests for vehicle projects (transitioning between project milestones), at the production phase by way of quality controls and, once the vehicles have been released to the market, by way of preventive product recall campaigns;

- ethics risks: 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, as described in Chapter 6 of this report;
- risks arising from malicious acts: the Security Department, which reports to the General Counsel, is responsible for defining and coordinating, on a global basis, all actions intended to protect the Group's employees and tangible and intangible assets;
- legal risks: the Legal Affairs Department, which reports to the General Counsel, produces or checks the Group's contractual commitments and ensures they comply with the relevant statutory and regulatory provisions. It is also in charge of organising the Group's defence in the event of disputes with third parties;
- economic and financial risks: the Management Control Department, which reports to the Chief Financial Officer, is responsible for overseeing the Group's 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 costings and price provision, selling price control, checking project profitability, financial monitoring of industrial cooperation with other car manufacturers, negotiations for mergers, acquisitions and disposals, etc., and drawing up formal management rules and standards;
- risks related to climate change: under Article 173 of Law No. 2015-992 of 17 August 2015 relating to the energy transition for green growth, the financial risks associated with the effects of climate change and the measures that the Group is taking to mitigate them are detailed in section 1.2.1.1. and in Chapters 2, 4 and 5 of this document. These are also described in section 1.5 "Risk factors" and Chapter 2 "Corporate responsibility: sustainable development initiatives" of the Registration Document.

### PRINCIPLES OF THE INTERNAL CONTROL SYSTEM AND ACTORS IN THE PROCESS

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

The Audit and Risk Management Department checks through audit assignments that all of the Operating rules are being adhered to. The annual audit plan, which is defined independently, is based on the "Top Group Risks" and is subsequently submitted to Executive Management for approval and presented to the Supervisory Board's Finance and Audit Committee. The Audit and Risk Management Department is also responsible for assessing the maturity level of risk management procedures and making recommendations, if necessary, for improving their effectiveness. A total of 90 audits were carried out in 2016 across the entire Group.

- The Supervisory Board has a control and oversight role.

The Finance and Audit Committee of the Supervisory Board ensures that the risk management and internal control system operates effectively. It reports to the General Counsel on the procedures in place, their maturity level and the mapping of "Top Group Risks", with particular emphasis on risks which could have an impact on financial and accounting information.

The Supervisory 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 audits performed as part of the plan and (ii) the follow-up audits to check that teams have implemented the recommendations.

## Monitoring environment

To better meet the regulatory requirements and consumer expectations, the Group has appointed four compliance officers covering the areas of competition, anti-corruption, personal data and homologation, so that it can examine and address these concerns internally.

Working closely with regulatory bodies, each compliance officer is responsible in-house for translating the external obligations and constraints (laws, regulations, consumer commitments) applicable to their particular area into internal control rules governing the Company's operating procedures.

They are supported by the network of Internal Control and Risk managers (RCIR) set up in 2016. Internal Control and Risk managers are responsible within their department for filtering the Group's rules and adapting them to their department's activities. Internal Control and Risk managers identify risks specific to their department and ensure that they are under control. They oversee the drafting and updating of reference guides and key procedures for the business lines, and ensure that they conform to Group rules (including compliance). They conduct the self-assessment for their department.

## Monitoring

Monitoring is designed to ensure the application of standards, procedures and audit recommendations implementing Executive Management guidelines. All departments reporting to the Chairman of the Managing Board undergo an annual self-assessment process.

- Departments can use the METRIC tool to perform a self-assessment and evaluate their compliance with the Group's internal control rules. This also allows any necessary action plans to be monitored.
- The results of the METRIC self-assessments are reported once a year to the Executive Committee. Appropriate action plans are put in place by the entities with a view to continuous improvement. Internal audits may be used to check that they have been properly implemented.

## Internal control management

The internal control system is decided by the Executive Committee. Its management is based on the following points:

- an annual review at a meeting of the Executive Committee, when the results of the self-assessment are presented;
- an annual presentation to the Executive Committee of a summary of internal control, providing the Group's executive managers with concise information about the level of maturity of internal control;
- an annual presentation to the Supervisory Board's Finance and Audit Committee detailing the Group's major risks, the associated audit plan and the Group's level of maturity in terms of internal control.

The RCIR network is coordinated through regular meetings. Where required, these meetings are supplemented by the appointment of working groups and the implementation of awareness-raising and training initiatives.

## Continuous improvement process

Internal control oversight takes place with a view to continuous improvement. Its purpose is to strive for excellence in compiling a coherent set of methods and tools providing the management with an overview of the findings and any corrective action. It is based on the following principles:

- preparation and development of internal control reference guides, working closely with the operating units to reinforce the Group's policy;
- feedback from the different business lines, which is then used to streamline and enhance internal control procedures;
- adaptation of controls to keep pace with the changing risks.

## BANQUE PSA FINANCE

In line with CRBF Regulation No. 97-02, relating to the internal control procedures of financial institutions, BANQUE PSA FINANCE has put in place an internal control system organised around two lines of responsibility for recurring controls and periodic controls, in conjunction with the first-tier controls performed by the operating units.

BANQUE PSA FINANCE (BPF) has established a charter setting out the fundamental principles on which the organisation and operation of its internal control system is based. The Bank's Internal Control Charter defines the organisation, resources, scope and tasks. It also sets out the way in which the Bank's control system functions.



# 2 A TRENDSETTER IN SUSTAINABLE MOBILITY

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The shift from the concept of ownership to that of experience resonates more strongly on a daily basis with the emergence of new collaborative uses, such as carpooling and car-sharing, which convey the idea of a car that is no longer merely an "extension of oneself" but rather a "space to gather" with like-minded people. The true value of mobility objects will be measured against the uses and life experience that these objects can offer consumers.

For PSA Group, mobility is a fundamental right: it enables access to health care, education and work. The emergence of a more harmonious urban mobility will guarantee this right.

PSA Group operates in a mind-set of constructive dialogue with all stakeholders in order to define mobility in our cities of the future, without neglecting rural environments, on the basis of strict but stable criteria, so that the automotive industry has the chance to realise its full innovation potential. When it comes to environmental performance, it is crucial to have an overarching approach to mobility, taking into account a subtle balance between the energy consumption of the mobility objects and the ecological performance of the production of consumed energy, within the idea of "well-to-wheel" rather than "tank-to-wheel". A "360° mobility" approach is necessary because isolating the two elements would give rise to unsustainable solutions. Therefore, the solutions of the future will need to combine safe, comfortable and environmentally friendly services and mobility objects. Customers, whose civic awareness is growing, will not compromise on this virtuous balance.

PSA Group has identified six significant issues concerning sustainable mobility:

#### **■ Issue "CO<sub>2</sub> emissions from vehicles/fuel consumption" – internal and external impacts**

According to a study by the IPCC published in 2014, transport accounted for 14.1% of global greenhouse gas emissions in 2010. While it is only the fourth largest contributor (energy sector: 25%; agriculture: 23%), the automotive industry faces numerous regulatory pressures and consumer demands for lower CO<sub>2</sub> emissions and fuel consumption (EU target of 95 g/km of CO<sub>2</sub> by 2021, or 5 l/100 km by 2020 in China). The survival of automotive brands thus depends on their ability to comply with increasingly stringent regulations and to meet the expectations of consumers.

#### **■ Issue "Air quality" – internal and external impacts**

The harmful effects of atmospheric pollutants on climate, ecosystems, natural habitats and agriculture as well as human and animal health are a major public concern. Given the frequent media coverage, they represent an important reputational issue for companies. Deteriorating air quality and public health concerns have resulted in the introduction of local and international regulations to control atmospheric emissions, such as the Ambient Air Quality and Cleaner Air for Europe Directive (2008/50/EC) of 21 April 2008 and the "Euro X" standards limiting vehicle emissions of regulated pollutants. In some countries, there are also specific traffic areas that exclude vehicles with the highest emissions. Vehicles may only be marketed if compliance with regulations is ensured, thus necessitating substantial R&D investments by car manufacturers with a direct impact on their financial performance.

#### **■ Issue "Vehicle quality and safety and customer satisfaction" – internal and external impacts**

All customers expect products and services to fulfil their needs without endangering their health or safety. Not only is this responsibility the subject of laws and regulations (particularly in emerging countries as exemplified by the enactment in October 2012 by the State Council in China of the Administrative Regulation on the Recall of Defective Automobiles, with penalties if car manufacturers do not comply with certain recall procedures),

but it is also addressed by voluntary codes of practice, such as the OECD Guidelines for Multinational Enterprises. Safety is one of the most important criteria influencing consumer choice. This issue will become even more prominent as autonomous cars take to the road: drivers no longer need to monitor their driving continually, but they need to be able to take over if the vehicle tells them to with enough advance warning. The vehicle navigates using on-board sensors: laser scanners, radars, cameras and a geolocation system based on GPS and enhanced mapping.

The challenge for car manufacturers is to continually improve vehicle safety without any impact on selling prices.

#### **■ Issue "Technology and innovation" – internal and external impacts**

The automotive industry is among the sectors facing considerable pressure to reduce impacts on the environment and health. All markets are seeing increasingly stringent regulations. Car manufacturers are always expected to offer robust solutions, each more impressive in performance than the last. However, far from being merely a tool used to meet regulatory requirements, innovation is also the key to product differentiation and winning customers. In an environment faced with heightened competition, the medium- and long-term financial performance of car manufacturers rests on their capacity for innovation.

#### **■ Issue "Environmental impact of materials and end of life vehicles" – internal and external impacts**

The impact of the automobile on the environment also occurs via the use of the natural resources of which it is composed, and the issue of its recycling at the end of its life, i.e., the recycling of scrapped vehicles.

To exercise their societal responsibility, to reduce their risk of dependency and to control production costs, car manufacturers must find solutions for:

- using fewer natural resources, which are growing more expensive as they become increasingly scarce;
- eliminating hazardous substances targeted by regulations (REACH, limitation of volatile organic compounds, elimination of some fluorinated compounds in air-conditioning systems, etc.);
- using materials that are compatible with the notion of the circular economy, with two focal points: the need to recover and recycle end of life vehicles and recycle materials that are becoming scarce.

This issue is now of crucial importance, with spectacular progress being made in this area, opening the way to greater use of renewable and recycled materials.

#### Focus on critical materials:

Demand for the materials needed for nano-technologies is greater than ever: this resource is indispensable for creating more networked objects. The car is not immune to this trend. However, these materials depend on the availability of the metals that compose them. Some of these metals are becoming increasingly harder to mine: the metal content of the ore is decreasing, while mines that are in operation today are less concentrated than those that have shut down. The rising costs of these metals mean that they must be used in minute quantities, with implications for their subsequent recovery during the recycling phase.

#### **■ Issue "Mobility services offerings" – internal and external impacts**

There is a change in consumer behaviour from a need for ownership to a need for usage. Automobiles are not spared by this general trend and are tending to be perceived less as capital goods than

as mobility objects, especially by younger generations. Analysts therefore foresee a market of 300,000 vehicles for professional car-sharing fleets by 2018, with 15 million car-sharing solution users in 2020 in Europe. Car manufacturers need to adapt their business models to these new mobility patterns. The emerging risk for car manufacturers in this new market is to see their customers' mobility data collected by data hosting companies and service providers.

Taking these issues into account, solutions draw on the more widespread use of low-emission, communicating or smart cars, as well as on more effective policies for traffic management, land use planning and simplified multi-modal transport.

For the Group, these sustainable mobility solutions are central to its Push to Pass strategic plan, and the Group is developing a range of products and services that are discussed in detail in this chapter along with the results obtained.

From the design phases and at each stage of the life cycle, Group teams are tasked with limiting the vehicle's environmental footprint as much as possible by controlling fuel consumption, CO<sub>2</sub> emissions and pollutants, and through the responsible use of natural resources, by improving recyclability, etc. In addition to ensuring that its vehicles comply with the environmental legislation of the different markets, eco-design also guarantees that the Group will stay ahead of the competition in terms of sustainable mobility.

## SCOREBOARD

 CSR ISSUES	 COMMITMENT	 AMBITION 2025	 TARGET 2016	 RESULTS 2016	 TARGET 2017
<b>CO<sub>2</sub> EMISSIONS FROM VEHICLES/FUEL CONSUMPTION*</b>  <b>Organiser:</b> Executive Vice-President, Programmes	<b>Strategic commitment 1:</b> 30% reduction in the average emission level of vehicles sold worldwide by the Group between 2012 and 2025.	Reduce average CO <sub>2</sub> emissions of vehicles sold worldwide by 30% compared with 2012 levels, to be achieved by: <ul style="list-style-type: none"> <li>■ a plug-in hybrid petrol-electric powertrain featured in the majority of models sold worldwide;</li> <li>■ a new range of electric vehicles;</li> <li>■ a range of high-performance engines and lighter vehicle platforms, helping to make the Group European leader in this area.</li> </ul>	<ul style="list-style-type: none"> <li>■ Publication of real-world consumption figures in partnership with the NGO Transport &amp; Environnement.</li> <li>■ Continued deployment of the EMP2 platform and downsizing of petrol engines (three-cylinder engine), in Europe and China beyond 2018.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ Adherence to the CO<sub>2</sub> trend.</li> <li>■ Publication of real-world consumption figures (40 major models of the Group's line).</li> <li>■ Publication of the associated measurement protocol.</li> <li>■ Launch of the new PEUGEOT 3008 on the EMP2 platform.</li> <li>■ Increase in production capacity for three-cylinder petrol engine.</li> </ul>	<ul style="list-style-type: none"> <li>■ Launch of a new generation of engines (Euro 6 step 2) and a manual six-speed gearbox (MB6).</li> <li>■ Continuing to downsize petrol engines in China (three-cylinder engines).</li> <li>■ Launch of new models on the EMP2 platform.</li> <li>■ Expansion of new PEUGEOT Expert and CITROËN Jumpy commercial vehicles.</li> <li>■ Reduction of CO<sub>2</sub> emissions in Brazil.</li> </ul>
<b>AIR QUALITY*</b>  <b>Organiser:</b> Head of Research and Development	<b>Strategic commitment 2:</b> Significantly reduce nitrogen oxide emissions of diesel vehicles and particulate emissions of direct-injection petrol-powered vehicles.	<ul style="list-style-type: none"> <li>■ Fit all new direct-injection petrol-powered vehicles with particulate filters.</li> <li>■ Reduce nitrogen oxide emissions of diesel vehicles by 80% compared with the Group's Euro 5 vehicles, mainly based on the deployment and optimisation of PSA's Selective Catalytic Reduction (SCR) technology.</li> </ul>	Nitrogen oxide emissions: <ul style="list-style-type: none"> <li>■ Identify Euro 6 diesel vehicles to test (representative of sales).</li> <li>■ Test NOx emissions of these Euro 6 diesel vehicles using the RDE (Real Driving Emissions) procedure.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>Measure NO<sub>x</sub> emissions of six Euro 6 diesel vehicles under real driving conditions using the Real Driving Emissions (RDE) procedure. The NOx emissions of Euro 6 vehicles are around 110 to 450 mg/km lower than the Euro 5 vehicles, depending on the vehicle tested.</li> </ul>	Nitrogen oxide emissions: <ul style="list-style-type: none"> <li>■ Identify Euro 6 step 2 diesel vehicles to test (representative of sales).</li> <li>■ Test NO<sub>x</sub> emissions of Euro 6 step 2 diesel vehicles using the Real Driving Emissions (RDE) procedure.</li> </ul> Particulate emissions: <ul style="list-style-type: none"> <li>■ Introduce direct-injection petrol-powered vehicles with particulate filters.</li> </ul>

\* Strategic issue monitored by the Executive Committee and to the Supervisory Board.

					
CSR ISSUES	COMMITMENT	AMBITION 2025	TARGET 2016	RESULTS 2016	TARGET 2017
<b>ENVIRONMENTAL IMPACT OF MATERIALS*</b> <b>Organiser:</b> <b>Head of Research and Development</b>	<b>Strategic commitment 3:</b> Market vehicles whose composition is at least 30% green materials (recycled, natural or bio-sourced).	Demonstrate the Group's commitment to the circular economy by guaranteeing a minimum rate of integration of recycled and natural materials of 30% for the Group's average vehicle worldwide.	Monitoring the integration rate of recycled and natural materials into new vehicle projects that have begun. ■ <u>Europe</u> : publish a report on the 2016 average Group vehicle. ■ <u>Rest of the world</u> : identify a target for Latin America, review and assess deployment conditions in China.	Target met: ■ <u>Europe</u> : ■ Calculate average Group vehicle (Europe 2016) sold. Result: target of 30% achieved on average Group vehicle. ■ Validate results on latest PEUGEOT 3008 and 5008, CITROËN C3, PEUGEOT Expert et CITROËN Jumpy vehicles. ■ <u>Rest of the world</u> : Reviewed green materials in a vehicle produced in Latin America, but target not yet approved. Green-material products tested in China.	Continue integrating recycled and natural materials into new vehicle projects that have begun. ■ <u>Europe</u> : publish a report on the 2017 average Group vehicle. ■ <u>Rest of the world</u> : In Latin America, continue integrating green materials into polymers and refine the target for the next vehicle project. In China, begin work to approve the integration of green material in vehicle parts.

\* Strategic issue monitored by the Executive Committee and to the Supervisory Board.

 <b>CSR ISSUES</b>	 <b>COMMITMENT</b>	 <b>AMBITION 2025</b>	 <b>TARGET 2016</b>	 <b>RESULTS 2016</b>	 <b>TARGET 2017</b>
<b>TECHNOLOGY AND INNOVATION*</b> <b>Organiser:</b> Head of Research and Development	<b>Strategic commitment 4:</b> Design and implement technologies in order to develop attractive, connected and autonomous vehicles with a low environmental impact.	Respond to customer needs in terms of well-being, autonomous driving and safety while continuing to develop: <ul style="list-style-type: none"> <li>■ driver assistance systems, with the goal of marketing fully automated "Mind Off" technologies starting in 2025;</li> <li>■ environmentally efficient technologies.</li> </ul>	<ul style="list-style-type: none"> <li>■ Develop the early technologies of the autonomous vehicle:               <ul style="list-style-type: none"> <li>■ Hands-On: introduction of technologies such as lane keeping assist, adaptive cruise control, sign recognition, etc.</li> <li>■ Hands-Off: phased-in launch (driver inattention detection, night vision with pedestrian recognition, park assist, queue assist, etc.).</li> <li>■ Mind-Off: Preparation of the Mind-Off technology (fully automated driving, redesigned cockpit, etc.).</li> </ul> </li> <li>■ Identify breakthrough vehicle fuel consumption and emissions technologies: As part of the Research and Innovation Plan, identify and conduct a technical and economic assessment of breakthrough technologies, particularly alternative energies that help reduce vehicle fuel consumption and emissions (CO<sub>2</sub> gain on the cycle and use efficiency).</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ The early technologies of the autonomous vehicle have been developed:</li> <li>■ Hands-On: the following features have been unveiled (particularly on the PEUGEOT 3008): Lane Keeping Assist, ACC follow to stop, sign recognition by the camera and navigation system, driver inattention detection based on time driving and vehicle movements, surveillance of active blind spot and development of automatic braking system taking into account more scenarios, particularly pedestrians.</li> <li>■ Hands-Off et Mind-Off: work continued on the following features: driver inattention detection, night vision system, park assist.</li> <li>■ Identified breakthrough vehicle consumption and emissions technologies: Objective assigned by the Executive Committee.</li> </ul>	<ul style="list-style-type: none"> <li>■ Develop the early technologies of the autonomous vehicle:</li> <li>■ Launch new, driver-supervised automated driving functions to make drivers feel secure in traffic on dual-carriageway highways and while parking, and thus make driving phases that are especially prone to inattention safer.</li> <li>■ Expand partnerships focusing on the contribution of breakthrough technologies, especially artificial intelligence, pertaining to the field of the autonomous connected vehicle.</li> <li>■ Continue and strengthen the use of the network of existing partnerships, especially with VEDECOM.</li> <li>■ Continue to identify breakthrough technologies to reduce fuel consumption and CO<sub>2</sub>/pollutant emissions, and consequently consolidate a portfolio of innovative building blocks leading to sustainable, responsible mobility:</li> <li>■ Identify breakthrough technologies to reduce fuel consumption and vehicle emissions: batteries, ultra-fast charging and smartgrids to help speed up powertrain electrification.</li> <li>■ Bolster technological oversight when it comes to the Fuel Cell and find opportunities to expand partnerships.</li> </ul>

\* Strategic issue monitored by the Executive Committee and to the Supervisory Board.

 CSR ISSUES	 COMMITMENT	 AMBITION 2025	 TARGET 2016	 RESULTS 2016	 TARGET 2017
<b>VEHICLE QUALITY/CUSTOMER SATISFACTION*</b> <b>Organiser:</b> <b>Head of Quality</b>	<b>Strategic commitment 5:</b> Market top-quality products and services and provide each customer with personalised attention.	In the Group's core markets, make each of the three brands the leader of its field in four categories: services, reliability, pre-sale service and after-sale service (measured through benchmark studies in each region).	Application of the Quality Management System at its highest maturity level to achieve these goals: <ul style="list-style-type: none"> <li>■ <b>warranty claim rates:</b> target 57 vs. 63 in 2015 (<i>Group scope: Europe, China, Latin America, Eurasia, India-Pacific and Middle East-Africa/Base 100 = July 2011</i>);</li> <li>■ <b>recommendation rate:</b> sales target of 114 (vs. 111 in 2015), after-sales target of 120 (vs. 115 in 2015) (<i>scope: Group excluding China: Europe, Latin America, Eurasia, India-Pacific and Middle East-Africa</i>);</li> <li>■ <b>in China:</b> earn/hold on to a leading position in public surveys of quality of sales and after-sales service (top group in the CACSI survey of the China Association for Quality and top 5 in JD Power CSI/SSI surveys).</li> </ul>	Target partially met: <ul style="list-style-type: none"> <li>■ <b>warranty claim rates:</b> result of 57 for a target of 57 (vs. 63 in 2015);</li> <li>■ <b>recommendation rate:</b> 112 for a target of 114 in sales (vs. 111 in 2015) and 117 for a target of 120 in after-sales (vs. 115 in 2015);</li> <li>■ <b>in China:</b> Results of CACSI survey: PEUGEOT came in 1st in after-sales services and CITROËN came in 2<sup>nd</sup>. Results of JD Power survey: PEUGEOT and CITROËN in the top 3 on CSI/SSI.</li> </ul>	Application of the Quality Management System at its highest maturity level to achieve these goals: <ul style="list-style-type: none"> <li>■ <b>warranty claim rates:</b> target of 50 vs. 57 in 2016 (<i>Group scope: Europe, China, Latin America, Eurasia, India-Pacific and Middle East-Africa / Base 100 = July 2011</i>);</li> <li>■ <b>recommendation rate:</b> sales target of 114 (vs. 112 in 2016), after-sales target of 120 (vs. 117 in 2016) (<i>scope: Group excluding China: Europe, Latin America, Eurasia, India-Pacific and Middle East-Africa</i>);</li> <li>■ <b>in China:</b> earn/hold on to a leading position in public surveys of quality of sales and after-sales service (top group in CACSI survey of the China Association for Quality and top 5 in JD Power CSI/SSI surveys).</li> </ul>
<b>MOBILITY SERVICES OFFERING*</b> <b>Organiser:</b> <b>Head of Mobility Services</b>	<b>Strategic commitment 10:</b> Offer mobility services that best fulfil customers' needs, anywhere and any time.	Free2Move, PSA Group's new mobility brand, will be customers' preferred mobility services provider.	<ul style="list-style-type: none"> <li>■ 7,200 vehicles available to hire through PEUGEOT Rent.</li> <li>■ 150 new vehicles in the Multicity Berlin fleet.</li> <li>■ Under the partnership with Bolloré Blue Solutions, integrate an offering of Group vehicles into the Lyon and Bordeaux car-sharing systems.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ 8,100 vehicles are now available to hire through PEUGEOT Rent.</li> <li>■ 100 new vehicles have been added to the Multicity Berlin fleet.</li> <li>■ On 28/09/2016, it was announced that PSA Group vehicles would be added to Bolloré's car-sharing systems in Lyon and Bordeaux;</li> <li>■ December 2016 launch in Madrid of emov, a car-sharing service equipped with 500 CITROËN C-Zéro vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>■ Hire through the network (Rent): 5 operational countries in Europe for PEUGEOT, CITROËN and DS.</li> <li>■ Public urban car-sharing: by 2017 year-end, Free2Move will be offering services in more than 10 cities.</li> <li>■ Connect Fleet Management: by 2017 year-end, 60,000 cars will be fitted.</li> </ul>

\* Strategic issue monitored by the Executive Committee and to the Supervisory Board.

The mobility services offerings incorporate the strategic issues in harmony with the Push to Pass plan, which has made mobility the Group's second cornerstone. This involves not only continuing to be a global car manufacturer on the cutting edge of efficiency, but also becoming the preferred provider of mobility services by 2030.



## STAKEHOLDER RELATIONS

**Awareness raising on environmental issues:** During the annual meetings reporting on the enforcement of the PSA Group's Global Framework Agreement on social responsibility, at the plenary meeting of the Group's expanded European Works Council with Argentina, Brazil and Russia, the internal stakeholders (employee representatives) were given an update on the actions taken with regard to commitment 15 of the agreement on environmental protection.

During 2016, many entities addressed Group environmental initiatives related to products. For example:

- On 13 May, the European Joint Union-Management Strategy Committee gave the Head of R&D and the Head of Strategy and Programmes an opportunity to present the hybrid and electric strategy covered in the Push to Pass plan;
- On 15 September, at the Group's Global Council, the unions and IndustriALL met with one of the two NGOs (France Nature Environnement) with which the Group has embarked on its initiative to be transparent with customers regarding its real-world fuel consumption figures. During an informative back-and-forth, the NGO discussed its approach and the protocol it is using. At this same gathering, the Purchasing Department shared what the specialised firm EcoVadis is doing to evaluate suppliers' CSR. EcoVadis also discussed the evaluation of supply chain environmental issues;
- Finally, at the 7 December Liaison Committee meeting, the new PEMS (Portable Emission Measurement System) and the hybrid powertrain were presented.

# 20. ADDRESS ENVIRONMENTAL ISSUES BEGINNING AT THE INNOVATION AND DESIGN PHASES OF PRODUCTS AND SERVICES

## 2.0.1. R&D: automotive expertise to help design useful technologies 6.20

### 2.0.1.1. THE R&D STRATEGY

Through the Push to Pass plan, which was unveiled on 5 April 2016, PSA Group has outlined its vision for 2030: to be the most efficient car manufacturer and the preferred global supplier of mobility services. To become the most efficient car manufacturer, the Group relies particularly on a core model and technology strategy, and it has articulated a performance plan. In addition, during the Mobility Days event in September 2016, the Group shared its vision of mobility: sustainable, intelligent, safe and shared.

#### FOR **more** INFORMATION

**"Push to Pass" plan:** <https://www.groupe-psa.com/en/search-results/?search=push+to+pass>

**Press Kit from the "Mobility days":** <https://www.groupe-psa.com/en/document/mobility-days-2016-dossier-de-presse/>

In order to address the future technological challenges that face the automobile of tomorrow, Research & Development has come up with three strategic ambitions that apply to all R&D globally, which seek to respond to the brands' growing needs in terms of innovation and value creation:

- clean technologies to address environmental and health issues;
- advanced driving assistance systems (ADAS) and connectivity systems to help create an autonomous connected vehicle;
- a portfolio of complementary technology and innovation that is adapted to the DNA of the Group's three brands.

In order to enact these strategic ambitions, R&D needs to step up its efficiency while making sure to thoroughly optimise its expenditures. Thanks to the guidance of this performance plan, drive, it is possible to save €1.5 billion over the five years of the Medium-Term Plan (2014-2018), i.e., on average €300 million per year.

In 2016, PSA Group sped up the digital transition in the Research & Development Department by implementing the 3DEXPERIENCE platform developed by Dassault Systèmes. This is helping PSA

Group to better master the complexity of its products' development and life cycles. This platform guarantees the efficiency of the development processes, and the modularity, reliability, quality and traceability of all products by drawing on user-shared data that is accessible any time all over the world.

#### FOR **more** INFORMATION

**"PSA Group is speeding up its digital transition in R&D by leveraging the 3DEXPERIENCE platform developed by Dassault Systèmes"** Press release of the 29/09/2016: <http://media.groupe-psa.com/en/press-releases/group/psa-group-speeding-its-digital-transition>

The environment in which PSA Group is operating is characterised by:

- growing regulatory and safety issues; the convergence of CO<sub>2</sub> targets on all major markets, and the tightening of anti-pollution standards;
- strong pressure from other market players;
- customer needs transformed by new technologies.

In an industry where model line-ups have become much more diversified, innovation is the main way to create the competitive advantages so critical to driving growth.

Innovation, research and development are therefore priorities for PSA Group. They are a powerful lever that can be used to tackle the crucial issues facing the automotive industry – changing regulatory standards, growing environmental awareness, emerging mobility and connectivity needs, product appeal, etc. and consequently to increase competitive advantage.

*What will the car of the distant future look like? How will it interact with its environment?*

Through its Research & Development work, PSA Group contributes actively to providing answers to these two questions. As part of the Push to Pass plan, the Group is researching the engines and connectivity of cars beyond 2020, particularly through a programme coordinated by the Institut VEDECOM (*Véhicule Décarboné Communicant et sa Mobilité*). VEDECOM is an energy transition institute created in February 2014 by ten founding members (PSA Group, Groupe Renault, Safran, Cetim, ESIGELEC, ESTACA, IFPEN, IFSTTAR, UVSQ and VALEO) under the Investments of the Future Programme to promote individual, low-carbon and sustainable mobility. Funded in part by PSA Group, VEDECOM aims to become the leading French technology research institute and spearhead the development and use of autonomous connected cars.

With respect to the vehicle architecture proper, we are told that there will be increased use of biosourced materials or recycled materials, and that in 2050, cars will be fully modular, with transient bodies, ultra-light and safe, thanks to materials that will be both mineral and organic, with memory form.

This vehicle could be autonomous and automated, plug-in through electric infrastructure (electromagnetic induction) and connected to other vehicles. While on the move, passengers will enjoy new social links.

#### 2.0.1.2. R&D ORGANISATION IN THE GROUP

Within the Automotive Division, the Research & Development Department (RDD) is responsible for Research & Development and is part of the Executive Committee. Aside from quality, the RDD has three main focuses:

- reduction of environmental impacts, in particular greenhouse gases: to meet the challenges of the climate, the depletion of fossil fuels and changing lifestyles;
- design, concept and styling for flawless perceived quality;
- services, by working with the Marketing Departments of the PEUGEOT, CITROËN and DS brands as well as the business unit dedicated to connected services and mobility, to think through the future of connectivity and mobility (multi-modal transport and onboard intelligence), the autonomous vehicle.

The RDD directs and carries out eco-design actions, particularly life cycle analyses and monitoring use of green or recycled materials: the department collects data from the engineering business lines and suppliers for each vehicle project.

The R&D Department also supports the Group's globalisation through three main centres (Europe, China and Latin America), which develop and adapt PSA Group's style and technologies to the specific characteristics of each region. Europe is the focal point of the Group's R&D, where most of the teams are located (nearly 75%), primarily in France.

Throughout the stages of vehicle development, the Programmes Department oversees the implementation of the chosen solutions and measures their efficiency: usage rates of green materials, CO<sub>2</sub> emissions, etc. 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 special department monitors the Group's ELV (end of life vehicles) policy and its recycling and recovery performance.

The BPF subsidiary has two separate, key teams dedicated to product design and engineering: a "Finance Products" marketing team and an "Insurance Products" marketing team. The different offerings are designed in close collaboration with the marketing teams of the three brands and the design is consolidated in a single BPF product plan that integrates the brands' input to support the marketing of vehicles of the PEUGEOT, CITROËN and DS brands, especially low-emission vehicles, through appropriate and innovative financing products and services. Operational marketing teams in the BPF subsidiaries are responsible for adapting the products and services to the local markets with regard to laws, practices, language, etc., and for overseeing them.

Finally, the "City on the Move Institute" (IVM), created by PSA Group in 2000, initiates and promotes discussions and trials on how urban mobility is changing and on shared mobility.

### 2.0.1.3. RESOURCES ALLOCATED TO R&D G.22

Key figures	2014	2015	2016
R&D expenses* (total expenses invested)	€2,250 billion	€2,249 billion	€2,361 billion
Number of employees assigned to R&D	15,500	13,500	13,000
Number of R&D centres	6	7	7
Number of patents published	1,063	1,012	930
Number of academic chairs	7	7	6
Number of OpenLabs	16	16	18
Proportion of Group scientific research conducted in the OpenLabs (excluding China)	10%	10%	15%

\* Automotive Division + FAURECIA.

## €2.361 BILLION

INVESTED IN R&D IN 2016

As part of the Push to Pass plan that was instituted in 2016, the Group committed to allocating a joint R&D and CAPEX budget to the automotive business that goes towards developing structuring projects, while keeping annual R&D and CAPEX budgets between 7% and 8% of the revenue of the Automotive Division. Total R&D spending in 2015 was slightly up in 2016 compared to 2015, thus solidifying the Group's ability to innovate in the future. (see Note 5.3 to the financial statements of the Registration Document). The Group is striving to improve R&D and CAPEX effectiveness, particularly by strengthening partnerships.

The Group has three R&D clusters around the world which develop and adapt its style and technologies to the requirements of each area.

- For Europe and Russia, 9,550 people are divided among the three R&D centres and their three validation and testing sites: Vélizy/La Ferté-Vidame, Sochaux/Belchamp and La Garenne-Colombes/Carrières sous Poissy, the ADN (Automotive Design Network) style centre that houses all the style studios of the three brands and the innovation and vehicle architecture teams.
- For Asia, the Group mobilises nearly 2,700 employees – 2,000 of whom work in joint ventures – in the three R&D centres in Shanghai (China Tech Center), Wuhan and Shenzhen, and in the Shanghai style centre.
- For South America, 600 people work in the São Paulo R&D centre.

## NEARLY 13,000

EMPLOYEES DEVOTED TO R&D



### ECONOMIC INSIGHT

The Group has defined levers that will improve R&D efficiency:

- streamline diversity (core model strategy: shift from 45 to 26 models by 2022) with an expected gain of €300 million in annual cost reductions over the duration of the plan.

Likewise, the active patent policy, which protects the Group's intellectual property, enables it to:

- generate revenue: €158 million in 2016 from patents from the Automotive Division;
- attract and retain talents – "inventors" and potential partners;
- invigorate its reputation regarding technology and accentuate its inventions with customers and other stakeholders (for example, Selective Catalytic Reduction [SCR] technology for catalytic reduction of nitrogen oxide emissions or new-generation PureTech three-cylinder petrol engines, which provide a record level of efficiency).

With the Open Innovation policy, the Group can optimise its internal R&D expenditure, build expertise and gain access to patents and technology. For example, in developing autonomous vehicles, VEDECOM manufacturers and equipment suppliers have teamed up to reduce the duration of processes (authorisations to conduct road experiments were granted in 5 months instead of 12), their complexity and their cost (a single application was filed to register the patents rather than one application for each patent).

The Group continues to roll out a plan to optimise its R&D by developing its processes using digital simulation and by enhancing its partnership policy (including strategic suppliers). In 2016, R&D achieved efficiency gains in line with its optimisation plan. This rationalisation has enabled the Group to develop new vehicles and new technologies in support of the Group's core model strategy.

In 2016, PSA Group announced a strategic partnership with Divergent 3D, a company in California, to perform a feasibility study on using 3D printing to make vehicle structures. Divergent 3D uses creative technology to produce a chassis whose connectors are made from 3D-printed nodes which make the vehicle sturdy and do not require welding. Because such a production process would make it possible to produce small or large batches at comparable cost, it would drastically curtail industrial investment costs and consequently could challenge the traditional paradigm whereby a certain production volume is required in order to write off investments. Also, this technology produces such high-quality finish that the after-treatment could be eliminated. Finally, the developments of Divergent 3D should push down the production cost of aluminium powder, which is the raw material used for this technology. In addition to slashing costs and lowering the break-even point, which would make the Group more agile, this technology would shrink the carbon footprint of automotive production by optimising processes and saving on transport because the chassis would be produced locally.

## €158 MILLION

IN REVENUE GENERATED BY THE PATENTS OF THE AUTOMOTIVE BRANCH IN 2016

### 2.0.2. PSA Group's innovation process

Innovations are born when the customers' and Company's expressed or tacit needs come together with the possibilities offered by the new technologies created by the Group or contributed by partners, with consideration for regulatory changes.

The Group deploys its innovation efforts in three focus areas:

- clean technologies or clean tech: marketing a car which addresses environmental and health issues;
- the autonomous connected vehicle: improve not only driver assistance for ever more safety and comfort, but also connectivity and the man-machine interfaces by incorporating into vehicles customers' new uses and laying the groundwork for the car of the future through programmes that focus on autonomous driving;
- appeal: offer Group customers innovative design and functionalities.

In order to expand the scope of opportunities (development expenditure reduction, identification of new trends and acceleration of Time to Market), PSA Group relies on an Open Innovation approach, which brings together a broad range of partners: universities, laboratories, suppliers, manufacturers, SMEs, start-ups, employees, customers, etc., in order to pick up on new trends, identify technological or scientific nuggets and enable the Group to develop its international presence.

#### 2.0.2.1. THE TECHNOLOGY AND INNOVATION STRATEGY

##### 2.0.2.1.1. An active patent policy on the main innovation focus areas

## 930

PATENTS PUBLISHED IN 2016

In April 2017, when the French Intellectual Property Institute (INPI) published its list of winners, PSA Group was rewarded for 930 patents published in 2016.

This high number of patents is a testament to the Group's unwavering commitment to protecting and enhancing its innovations. In fact, innovation is central to the Group's strategy.

The proactive policy on patent filing was started at the beginning of the 2000s with the setting up of various initiatives such as an incentive system of bonuses paid to inventors on filing requests for patents, awards for inventors and the creation of a patent-organiser network to efficiently relay patent information to the different Group departments.

In recent years, this policy has been significantly modified in order to more strongly protect the technological developments that the

Group considers strategic, the onboard innovations on vehicle projects, the subassemblies and modules, and the improvements to processes implemented in the plants. These changes help to optimise the economic performance of the patent operations.

PSA Group is thereby consolidating a high-value portfolio of innovations – the guarantee of a genuine potential for differentiation on a market which is demanding and constantly changing – enabling the Group to set itself apart from the competition and to invent the vehicle of tomorrow.

#### 2.0.2.1.2. Clean technologies or clean tech

## NEARLY 50%

OF THE RESEARCH & DEVELOPMENT BUDGET  
IS EARMARKED FOR CLEAN TECH

The Group allocates a substantial portion of its Research & Development budget (nearly 50%) to the reduction of the environmental impacts of vehicles. Many of the patents published in 2016 centre on clean tech, i.e. technologies that help reduce fuel consumption and pollutant emissions. There are a number of focuses, including conventional powertrains as well as full-hybrid and electric powertrains.

When it comes to conventional powertrains, activities are directed at:

- reducing the consumption of the subassemblies that make up the powertrain while improving their performance. The innovative technologies being studied target the optimisation of the thermodynamic cycle for the internal combustion engine, for example, the variable compression rate or variable distribution and lessening of internal friction of the different subassemblies by reducing weight, continuing engine downsizing and incorporating surface treatments and new-generation materials;
- reducing pollutant emissions at source. The spotlight is on optimising engine combustion by using technologies such as EGR (exhaust gas recirculation) and variable distribution on diesel engines;
- using after-treatment to reduce pollutant emissions. The systems studied make it possible to eliminate pollutants, no matter what the vehicle's conditions of use, while working on the interdependence within their scope of efficiency;
- the increasing electrification of the powertrain making it possible to help the internal combustion engine with a small electric engine in high-emission or high fuel consumption areas and, in some restricted cases, to enable functioning in pure electric mode.

The portfolio of patents focusing on SCR (Selective Catalytic Reduction) technology for eliminating nitrogen oxides or NO<sub>x</sub> from diesel vehicles was expanded.

New, innovative engines compliant with the Euro 6.2 standard led to a number of patents: the DV5R diesel engine, which will be available in mass production on the new PEUGEOT 308 model in 2017, and which includes an overall compact, efficient exhaust gas treatment system incorporating the latest SCR technology; and the DW10 diesel engine, which will also have the new version of SCR technology, which will also be embedded in mass production beginning in 2017 and which, with more power than DVR, will be particularly suited to commercial vehicles. In petrol, there was continued development of the EB three-cylinder petrol engine, and a new version of the EP four-cylinder petrol engine. There is ongoing work in line with the Euro 7 standard, particularly on the treatment of petrol engine exhaust gases, and on new engine command controls targeting fuel efficiency gains.

For full-hybrid powertrains and in particular plug-in hybrid petrol-electric powertrains, the main focuses are:

- increasing range in ZEV (zero-emission vehicle) mode by using technologies that make it possible to improve the power-to-battery volume ratio, optimising electric engines and reducing agents that transfer the power of the electric engine to the wheel;
- reducing CO<sub>2</sub> emissions by optimising the operation of the powertrain and particularly by adapting the technologies studied for conventional powertrains to full-hybrid powertrains and/or developing internal combustion engines that are optimised to operate in full-hybrid powertrains;
- increasing temperature comfort in the passenger compartment (air conditioning and heat) with new technologies such as heat pumps.

For electric powertrains, newly developed technologies make it possible to:

- extend range in customer use in order to reach, and even surpass, 500 km without needing to charge. As part of this goal, different battery technologies are being studied and tested in order to assess their suitability for projected conditions of use;
- lower charging times despite the increase in onboard electric power and making it easier to connect to charging stations (induction charging technologies, etc.);
- work on radiant flux (SMARTGRID) in order to absorb the consumption peaks that will inevitably hit the worldwide grid as more electric vehicles enter circulation, and to incorporate additional features (vehicle pre-heating, etc.) enabled by connecting to an external power source.



## STAKEHOLDER RELATIONS

On 25 May 2016, during *Innovation Day*, PSA Group presented its new electrification strategy to the media, shareholders and employees.

*In order to meet all its customers' needs when it comes to mobility and use, PSA Group is concentrating the development of its models on two modular and global platforms that allow it to distribute an extensive range of internal combustion, electric and plug-in petrol hybrid models starting in 2019. These two platforms are compatible with the industrial resources that were harnessed as part of the Plant of the Future.*

*The CMP (Common Modular Platform) developed in partnership with DFM (DONGFENG MOTORS CORP.) and focused on city cars, mid-range sedans and compact SUVs.*

*The e-CMP version, which is co-funded by both parties, will make it possible to create a new version of versatile, roomy electric vehicles with a range of up to 450 km and ultra-fast charging solutions that provide up to 12 km of range per minute of charging. Four electric models will be sold between now and 2021, with the first one reaching the market in 2019.*

*The EMP2 (Efficient Modular Platform), which is for compact and premium models, was introduced in 2013 with the new CITROËN C4 Picasso and PEUGEOT 308, and then in China in 2014. Starting in 2019, its ingenious design and engineering will be able to produce the first plug-in petrol hybrid models that sport the best features of hybrid technology:*

- SUV and CUV models with high-performance electric 4WD;
- a range of 60 km in electric mode;
- generous and uncompromising cabin space (passengers and boot);
- outstanding efficiency in urban driving conditions: 40% gain in efficiency compared to a pure internal combustion model.

*To encourage use, the plug-in hybrid model will come with a four-hour charging system and a fast charging option that takes less than two hours.*

*Seven plug-in hybrid vehicles will be launched between 2019 and 2021.*

## FOR **more** INFORMATION

**"PSA Group presents electrification solutions for its future hybrid and electric vehicles" Press release of the 25/05/2016:** <http://media.groupe-psa.com/en/press-releases/innovation-technology/psa-group-presents-electrification-solutions>

**"New-generation electric vehicles" video:** <https://youtu.be/rlij944NM6YE>

**« Plug-in hybrid » video:** <https://youtu.be/fDdSB55gnYE>

Still in a perspective to reduce fuel consumption and CO<sub>2</sub> emissions, making vehicles lighter is also a priority challenge for which many patents have been filed. In particular, they concern the use of composite materials in various vehicle structure components (including windows), the development of ultra-light, customisable wheels and the design of hubcaps to enhance the environmental performance of Group vehicles.

### 2.0.2.1.3. The autonomous connected vehicle

The Group is active in the field of autonomous connected vehicles. In 2016, PSA Group launched the first wave of driving assistance systems (specifically on the new PEUGEOT 3008) with the provision of the Lane Keeping Assist function, ACC follow to stop and sign recognition with the camera above the windshield and the navigation system. In addition, the Group is introducing the driver inattention detection feature based on duration of driving and vehicle movements, active blind spot monitoring and a development of the automatic braking system that takes into account more scenarios, particularly pedestrians.

For late 2017, the Group is planning to roll out the driver inattention detection system that uses a camera inside the passenger compartment, a night vision system and a "full automatic" parking feature that automatically controls the direction, braking, gearbox and engine, allowing the car to be parked without the driver needing to do anything. At the same time, the Group will be introducing queue assist on the entire speed range.

Starting in 2020, the Group plans to introduce Hands Off and then Eyes Off technologies at low speeds and in high-traffic conditions. These technologies will subsequently be expanded to the full speed range on expressways. Fully automated Mind Off technologies will be marketed beginning in 2025.

### My autonomous car...



Patents also cover Human Machine Interfaces (HMI) that help drivers when they are transferring from autonomous driving mode to manual driving mode.

As a testament to its technological accomplishments, in July 2015 the Group became the first car manufacturer to receive the required authorisations to test its autonomous prototypes on the open road.

In late 2016, four CITROËN C4 Picasso demonstrators completed more than 100,000 km in the Hands Off autonomous mode (i.e., with no driver intervention, but under driver supervision; this corresponds to level 2 of the five levels of automation of the autonomous vehicle) on European expressways since starting the tests in mid-2015. The cars adjusted their speed and overtaking based on other vehicles, posted speed limits and infrastructure. In order to assess safety in real-life conditions, PSA Group also started new trials with non-expert drivers in Eyes Off mode, i.e., without driver supervision but under the supervision of test engineers; this corresponds to level 3 on the five levels of automation of the autonomous vehicle.

## 100,000 KM

TRAVELED IN AUTONOMOUS MODE BY PSA GROUP'S VEHICLES ON EUROPE'S ROADS BY THE END OF 2016

### FOR **more** INFORMATION

**"PSA Group demonstrators have travelled more than 60,000 km in autonomous mode in Europe"** press release of the 21/09/2016: <http://media.groupe-psa.com/en/communiques-de-presse/innovation-technologie/psa-group-demonstrators>

These tests aim chiefly to fine-tune the various operating safety aspects of the systems to detect potentially dangerous situations in relation to infrastructure and other road users. In all, 15 autonomous

vehicles developed by the Group were tested internally or by other partners of the Group. The various testing environments have made it possible to improve driving algorithms and onboard intelligence in order to ensure that the Group's autonomous vehicles are safe. As a result, the autonomous driving system has achieved a high level of reliability in all situations.

### FOR **more** INFORMATION

**"Self-driving car: to an automated driving"** Video: <https://www.youtube.com/watch?v=idKCXHNgSe0>

**"Automated driving: demonstration of the PSA device"**: <https://www.youtube.com/watch?v=SulRGhubh4s>

**"Park assist: car-park assistance by PSA Group" video (2015)**: [https://www.youtube.com/watch?v=k2\\_K4FiDLI](https://www.youtube.com/watch?v=k2_K4FiDLI)

The Car to Car and Car to Infrastructure communication systems devised by the Group are a new source of information and help drivers become more familiar with the vehicle's environment, using information provided by other nearby vehicles or infrastructure. This source of information combined with the driving features in autonomous mode will further increase the feature's reliability and, consequently, passenger safety.

The development of these technologies will make tomorrow's cars smarter to improve user comfort. The autonomous functions will be used to lower the number of accidents caused by human error and reduce driver fatigue in monotonous driving conditions.

### FOR **more** INFORMATION

**"Car to infrastructure communication: pedestrians detection (SCOOP Projet)" video**: <https://www.youtube.com/watch?v=l5chTIVI5aM>



### STAKEHOLDER RELATIONS

Since 2014, PSA Group has been participating in the SCOOP@F programme, a pilot project to institute cooperative intelligent transport systems, which are systems based on communication between vehicles or between the vehicle and the road. Vehicles are equipped with sensors that detect events such as a slippery road, impact and sudden braking, and with onboard units that send information to vehicles upstream (V2V) and to the management system (V2I) through roadside units. The management system can also send information, for example about roadworks, to the vehicles' onboard units (I2V).

The project, which is coordinated by the French Ministry of the Environment, Energy and the Sea, brings together numerous public- and private-sector partners: local authorities, road operators, the car manufacturers PSA Group and Renault, universities and research centres. Additional partners joined the project in January 2016: a telecom operator, a security services supplier and Austrian, Spanish and Portuguese partners.

SCOOP@F is a European project, so cross-border tests will be conducted with Austria, Spain and Portugal.

In 2017, 100 PSA Group communicating vehicles will take to France's roads for large-scale testing.

#### 2.0.2.1.4. Appeal

R&D is also developing technologies to reflect the DNA of the Group's three automotive brands.

The Group has numerous patents that testify to its ability to innovate when it comes to areas such as comfort (driver and passenger health and well-being), particularly the air quality of the passenger compartment, the use of lighting moods and relaxing or energising fragrances, storytelling, the driver and passenger experience, massaging seats, leg rests and other in-car equipment to transform the vehicle's interior into a place to work or relax, temperature comfort, air humidification with a vaporiser.

To differentiate the various Group brands, there are several patents on vehicle fittings specific to each brand. Interiors feature multiple storage solutions, while exterior detailing includes a lighting signature through specific external lights and new exterior paint designs. Lighting systems also improve visibility for drivers, increasing safety for them and others (improvement in diversity in the configuration of the rear signal lights: holographic signalling on the rear of the vehicle, use of OLEDs, overhead projection, etc.).

At the same time, the Group continues to devote significant attention to the vehicle impact protection system that strives to make the passenger compartment safer for passengers while also placing a high priority on reducing weight and, with an eye on savings, improving repairability.

Lastly, our constant concern to improve driveability, driving pleasure, suspension (especially for the CITROËN brand) and road-holding has led the Group to regularly file patents for gearboxes (internal architecture and gear-changing controls), brakes (discs and drums) or shock absorbers, which are regularly improved. In particular, when it comes to electronically-controlled gearboxes, the most recent patents focus on improving precision in controlling the box in order to create a smooth driving experience. Finally, a wide range of solutions have been patented in order to make the incorporation of electronic components in the pedal assembly and clutch transparent to drivers.

#### 2.0.2.2. OPEN INNOVATION

To remain at the forefront in tomorrow's products and services and to broaden its opportunities, PSA Group is heavily involved in an Open Innovation policy, which aims to help the group take into account three key success factors:

- enhance its agility and market more innovative solutions;
- have access to the best knowledge that exists (scientific, technological, use, etc.);

- contribute to balancing the economic equation of R&D by sharing costs and risks with its partners or by enhancing the value of its expertise and technologies outside the Company.

For PSA Group, Open Innovation aims to build and manage relationships driven by shared value creation with stakeholders from four ecosystems:

- people;
- companies;
- academic;
- institutions.

With this strategy of openness, PSA Group is increasing its innovative capability and is reinforcing the links between each of its four ecosystems through:

- participative innovation that makes people and customers a vital component of innovation processes:
  - Open Innovation people: give the individual, customers or future customers an even more prominent place in the innovation process;
- R&D partnerships with companies, universities and institutions:
  - Open Innovation academic: be at the cutting edge of scientific knowledge and quickly detect new opportunities thanks to the actions of StelLab,
  - Open Innovation institutions: develop a network of innovative partners in automotive and non-automotive industry through competitiveness clusters, etc.,
  - Open Innovation companies: work better with SMEs, VSEs and start-ups in order to increase the Group's agility and enable it to stay ahead.

#### FOR **more** INFORMATION

**"Open innovation: working together to innovate for the future"** InMovement post of the 19/08/2016: <http://www.inmvt.com/fr/innovation/open-innovation-participative/>

In order to take its Open Innovation strategy even further and to address the rapid emergence of new car uses, PSA Group created the Business Lab at the end of 2016. The purpose of this new entity is to identify, experiment and transform opportunities into new businesses for the Group, particularly with regard to mobility and digital issues.



## STAKEHOLDER RELATIONS

In May 2016, PSA Group signed a scientific partnership agreement with the Bourgogne-Franche-Comté region, the French National Scientific Research Centre (CNRS), Université de Franche-Comté, Université de Technologie de Belfort Montbéliard and the École Nationale Supérieure de Mécanique et Microtechnique de Besançon. This partnership of six signatories aligns perfectly with the Group's Open Innovation initiative. It also represents the Company rooting itself in its historic region, an action that seeks to accentuate innovation to help enhance the region's appeal.

Upon the signature of the partnership, the president of the Bourgogne-Franche-Comté region said: "The industrial future of our region depends on partnerships like this one. The innovations that come out of it will make it possible to both make the energy transition concrete and to create the jobs of the future."

This long-term collaboration with regional university research laboratories will explore clean technologies, the autonomous vehicle, vehicle appeal and the plant of the future. These efforts will take the form of collaborative projects, funding for doctoral students and assistance with creating start-ups. In addition, as part of the agreement, PSA Group employees will speak at the partner universities and scientific study will be promoted.

### 2.0.2.2.1. Innovating with people, academia, institutions and companies

#### Open Innovation people

The Group is developing collaborative and participative methods for collecting, analysing, exploiting and transforming the needs identified, new uses, ideas issued and emerging trends in technologies and services.

It thus combines a set of individuals, grouped within the same ecosystem, with an innovative process.

The "Open Innovation people" ecosystem brings together the Group's employees, its customers and users of mobility in general. The aim is to make customers adopt innovation, right from the development process.

The Group organised a number of ideas challenges with the aim of inventing the vehicle of the future, innovating in mobility services and finding solutions to reduce the Group's general and administrative expenses. Challenges were also organised at department level: Asia, Latin America and BANQUE PSA FINANCE. These challenges now belong to PSA Group's tool kit.

En 2016, the Research & Innovation Department put in place a programme to raise awareness about how start-ups operate. This three-module programme, "Start-up Spirit", provided a forum where hundreds of employees learned about the start-up mind-set, how to design a business model and how to test ideas in an agile manner.

In 2015, an incubator to host and support employees who have ideas for innovation or new businesses for the Group was established in France. This initiative expanded outside of France in 2016 with the opening of an incubator in LATAM and the training of five local coaches. The methodology, which is modelled on that of start-ups, centres around significant gatherings: #PitchDays, where employees have three minutes to present their ideas; #debugs where employees who wish to help people who have ideas join them in a brainstorming session; and #ProjectReviews, a review before the Steering Committee at the end of the incubation. In the two years since the incubator was established and with nearly 300 applications received, the assessment is positive and promising for future years.

#### Open Innovation academic

##### Scientific partnerships with universities/schools: the StelLab network

An outward-facing strategy aimed at the academic world is the key to successful innovation at a time when the automotive industry is facing many technological, environmental and social challenges and the ability to swiftly identify and develop technologies at less cost has become essential to sustaining competitive advantage. It also plays a critical role in identifying the breakthrough technologies of the vehicle of the future. The actions and stakeholders of the StelLab fall within the "Academic" ecosystem.

In 2010, PSA Group created the StelLab network (Science & Technologies Exploratory Lean LABoratory).

The StelLab, PSA Group's scientific coordination structure is tasked with promoting and instilling interdisciplinary dialogue within the Group and with its external academic partners. The StelLab also creates links among the research partners, doctoral students, research engineers, scientists and Group experts. It encourages students and researchers outside of PSA Group to take part in scientific programmes.

The StelLab establishes scientific partnerships with cutting-edge laboratories worldwide through its chairs and OpenLabs network. The OpenLabs are mixed research structures that pool the research teams and scientific resources of the Group and those of its partner laboratories.

The network includes 18 OpenLabs and six academic chairs managed in close collaboration with PSA University.

18

OPENLABS

6

ACADEMIC CHAIRS

- The OpenLabs: Automotive Motion Lab in Marseille, Electronics and Systems for Automotive in Bordeaux, Energetics in Orléans, Materials and Processes in Metz, Fluidics in Poitiers, Computational Mechanics in the Paris region, Vibro-Acoustic-Tribology in Lyon, Competitive Intelligence in Bordeaux, OpenLabs Design in Paris and Nantes, "Biologie-Chimie-Physique" in Paris, "Phovea" in Saclay, "Electrical Engineering for Mobility" in Saclay, "Multi-modal design and intelligent vehicles" in Beijing, Vibro-Acoustic and Tribology in Beijing, Optoelectronic devices for automotive in Wuhan, Energy Storage in Shanghai and Human China Interface and Accidentology in Shanghai, "Sustainable Mobility for Africa" in Morocco.

- Academic chairs: The “Armand Peugeot” chair, the “André Citroën” chair, the “Mobility and Quality of Life in Urban Environments” chair, the “Lighting” chair, the “Machine Learning and Big Data” chair and the “Drive for All” chair dedicated to the autonomous vehicle.

The StelLab network operates in Singapore and Spain, with the “StelLab@EPFL” (Polytechnique Lausanne), “StelLab@Singapour” (with Nanyang Technological University and National University of Singapore) and “StelLab@Vigo” (with CTAG, the Automotive Technology Centre of Galicia) Innovation Cells.

In July 2016, the original OpenLab (Automotive Motion Lab in Marseille), which was established in 2011, was renewed. Signing this second agreement marks an opportunity for PSA Group to reaffirm its commitment to and its expectations from its OpenLabs network in order to lay the groundwork for the mobility of the future. Upon this renewal, the CNRS expressed strong interest in partner organisations like OpenLab.

In October 2016, the StelLab network held its annual seminar at Université Pierre & Marie Curie (Paris VI). Representatives from each OpenLab, academic chairs and innovation cells gathered at this event, which stressed dialogue within the StelLab network to build new inter-OpenLab collaborations and showcased the new OpenLab based in Morocco.

#### ***Innovation Scientific Meetings: where the academic and industry ecosystems meet***

- The Group contributes to the StelLab network's activities by organising Innovation Scientific Meetings (*Rencontres Scientifiques Innovation*) that bring together universities, engineering schools, research laboratories, spin-offs, start-ups and SMEs. They enable participants to:
  - discover ground-breaking techniques,
  - pool their knowledge,
  - learn about new societal trends,
  - initiate new partnerships,
  - increase innovative capacities and contribute to enhancing the Group's competitive edge.

In 2016, there were ten meetings that centred on topics of strategic value for the Group: ADAS (Advanced Driver Assistance Systems), HMI (Human Machine Interface), facial recognition, the plant of the future, hybrid vehicles, polymers and biosourced materials and technologies associated with nano-components.

#### ***FOR more INFORMATION***

**“StelLab: looking back over (years of open innovation in automotive technology” InMovement post (20/10/2015):**  
<http://www.inmvt.com/en/innovation-culture/stellab-five-years-of-open-innovation-in-automotive-technology/>

**“OpenLabs – StelLab: Automotive technology innovation”**  
**video:** <https://www.youtube.com/watch?v=EbegSg45fEU>

**“OpenLab Design, co-design the mobilitu of the futur”**  
**video:** <https://www.youtube.com/watch?v=btE7CbDHTVM>

#### **Open Innovation institutions**

The momentum of Open Innovation reinforces the importance of networks in order to cooperate more extensively with different types of players. In this vein, PSA Group is an active member of competitiveness clusters in the automotive industry (MOV'EO, Car of the future, iD4car), which promote the emergence of collaborative projects, links with SMEs and start-ups, and the meeting of potential new partners. The Group also belongs to Paris&Co's Open Innovation Club, with which it frequently issues calls for innovation targeting start-ups/SMEs on a variety of topics. In addition, PSA Group joined Paris&Co's “multi-corporate” incubation programme known as “Sustainable Urban Logistics and Mobility”, which focuses on collaborative delivery, short-distance carpooling, fleet management, vehicle conversion, vehicle hire, services for cyclists, renewable energies, intelligent parking solutions, networked control units, etc.. Fourteen start-ups were chosen for this first cohort.

Within a global dynamic, the Group develops and pursues additional connections with networks dedicated to innovation in France and internationally (Paris&Co, Paris Region Entreprises, Eura Technologies, Plug&Play, etc.) in industries that are both close to and further from its core business line.

#### ***FOR more INFORMATION***

**PSA Group's main 2016 partners websites:**

**MOV'EO:** <http://pole-moveo.org/en/>

**Paris&Co:** <http://www.parisandco.com/>

**iD4CAR:** <http://www.id4car.org/en.html?lang=en>

**Véhicule du futur:** <http://www.vehiculedufutur.com/en/home.html>

#### ***PSA Group belongs to the Alliance for Open Innovation***

The Group joined the community of the first signatories to the Alliance for Open Innovation (AIO). Being part of this organisation is further evidence of the Group's commitment to Open Innovation and its motivation to forge collaborations with SMEs and start-ups.

Organised as part of the Viva Technology trade show, the AIO's second forum, which was held in July 2016, brought together top companies and start-ups to engage in dialogue at four workshops:

- financing to spur growth;
- making your business international;
- developing the Open Innovation culture in companies;
- making the first collaboration a success.

PSA Group also played a role in organising this gathering by leading the working group connected to this fourth topic.

#### ***FOR more INFORMATION***

**“Alliance for open innovation” website:** <http://www.entreprises.gouv.fr/innovation-ouverte>

## Open Innovation companies

In order to become more agile and to seize new scientific, technological or business opportunities as early as possible, the Group involves SMEs, VSEs, start-ups and companies from different areas in the innovation process.

The foundations of the partnership strategy with SMEs/VSEs were established in 2013: adapt innovation contracts that specifically focus on the exploration phases and implement personalised coaching in order to support small companies that wish to collaborate with the Group in phases far upstream of innovation.

To develop new partnerships, in January 2014, PSA Group created an SME partner portal called "Innovating with PSA", that can be accessed from its website. The portal presents a regularly updated selection of the Group's needs with respect to technological innovations and services. SMEs, VSEs and start-ups can submit their proposals and establish qualified, quick and simple contact with the Group's experts. After a preliminary analysis of each proposal, the next phase comprising a more in-depth study may be engaged and possibly lead to a new partnership.

In 2016, PSA Group initiated several calls for innovation with its partner networks and competitiveness clusters in France and abroad.

- In January, in conjunction with Paris&Co and ATOS, and with the participation of a number of major accounts, the Group organised an "Innovation Dating" event on the topic "The Plant of the Future".
- In February 2016, in partnership with EuraTechnologies and with the EuraSanté centre of excellence, it organised a call for innovation in Lille on "Health, Well-Being and Mobility".
- In June 2016, it co-organised with the French government's automotive industry support platform (PFA) an "SME Pitch" on "Internal combustion engine power unit and propulsion / Electrification and hybrid technology".
- In a spirit of greater, multi-partner openness, in October 2016 the Group issued a second call for innovation on "Health, Well-Being and Mobility". This led to pitches of innovative or breakthrough ideas by 20 start-ups to Group experts. The Group received help to stage the event from several partners (Mov'Eo, Paris&Co, Medicen, Paris Region Entreprises, iD4car, Up-Tex, etc.), and it involved its international innovation cells in Singapore, China and Latin America.

## Boosting innovation with start-ups

In 2016, PSA Group and the EuraTechnologies accelerator continued to work together, striving towards new goals. The focus is now on aligning a set of shared initiatives in the automotive field and, in particular, addressing the following main topics:

- connectivity solutions and connectivity services for vehicles;
- new experiences for customers in their mobility and day-to-day lives;
- areas of experience and business for PSA Group brands;
- an e-commerce focused digital ecosystem.

Founded in 2009, EuraTechnologies was ranked among the top 10 accelerators in Europe by Fundacity, and number 1 in France. The EuraTechnologies pool of start-ups allows PSA Group to seize

business opportunities early on and benefit from experiments being conducted by partners that are already part of this ecosystem. For EuraTechnologies, the alliance is an opportunity for start-ups to try their innovations out at PSA Group and host experiments in new mobility solutions. A number of innovative projects have been rolled out, such as an interactive point-of-sale experience for the DS brand and applications for communicating vehicles.

Under the auspices of this partnership and the Open Innovation initiative, PSA Group and EuraTechnologies have also organised several joint events, including calls for projects relating to mobility and participation in hackathons where they provided developers with data for communicating vehicles.

## Partners Plan: an initiative with institutions and companies

The "Partners Plan" is part of the Group's Open Innovation process. It is one of the priority action plans of the Automotive Research, Innovation and Advanced Engineering Department, which shows the importance given to cultivating fruitful and open, relationships and collaborations with outside partners in order to lay the groundwork for future Group innovations.

These partners have a broad range of backgrounds: scientists (universities, laboratories), technology organisations or clusters, such as the *Institut Français du Pétrole*, the CEA (Atomic Energy Commission), etc., technology partners including some outside the automotive industry (EADS, EDF as well as SMEs and start-ups), and PSA Group's automotive equipment suppliers.

- The Group has been working for many years now with partners such as IFP/Energies Nouvelles, CEA (Atomic Energy Commission) and Électricité de France.
- Since 1999, the Group has taken a pioneering approach to shared innovation with the tier 1 automotive equipment manufacturers: framework agreements were signed between PSA Group and around ten major equipment manufacturers, including Bosch, Continental, FAURECIA, Valeo, Michelin and others, in order to spur collaboration in innovation. They simplify the contractualisation of information sharing and work, and define the governance and approach to implementing the relationship. They thus enable the partners to quickly spot mutually interesting topics, begin working on them and monitor their progress until the industrial development stage. This shared innovation approach is consolidated by all the "strategic" suppliers. Among the innovations marketed by the Group in 2016 and developed jointly with its suppliers are parking assistance with a 180° aerial view, a system that is especially economical because it is built based on a single rear camera, as opposed to four or two in previous systems; hands-free sliding doors; and the lane departure warning system. All three innovations are offered in the new PEUGEOT Expert and CITROËN Jumpy utility vehicle lines. Mobile smartphone charging is onboard the 3008.
- At the same time, and to better cope with the challenge of fast-paced technological development and the rapidly changing automotive markets, the Automotive Research, Innovation and Advanced Engineering Department is cultivating its outside partnerships with large industrial companies (EADS, SOLVAY-RHODIA), and in 2016 it intensified its dialogue with SMEs, start-ups and spin-offs.

### Projects conducted

For the Group, participation in public/private research partnerships has the advantage of providing access to all project results, including those of partners, thereby providing a leverage effect, and even funding when these partnerships are subsidised by the public authorities.

These collaborative projects are mostly research projects upstream of the development phase:

- the “Vehicle of the Future” programme, under the “Investment for the Future” scheme: PSA Group is involved in several projects on its own via GIE RE PSA Renault in particular through the *Laboratoire d'Accidentologie et de Biomécanique* (LAB) and via the *Groupeement Scientifique Moteur* (GSM);
- the “Fast Lite” initiative coordinated by Renault and PSA Group: projects that support the implementation of materials and process subsidiaries which will address the issues related to reducing vehicle weight by 2018-2020;
- programmes operated by bpifrance: PSA Group is participating in DURAFIP (Fatigue of Fibre-Reinforced Polyamides and Industrial Applications on Structural Parts) projects and Plug In Nano (thin nanostructured layers to replace gold for interfacing applications and sensors) projects;
- programmes supported by the French National Research Agency (ANR): PSA Group is participating in the projects Biomass for the Future and INDIANA (impact of deficits of casting on the durability of aluminium alloys obtained through a lost-pattern process).

The projects are organised around materials segments (composites, metals) and automotive applications (bodywork elements, mechanical parts, equipment).

- the “Promotion of Research in the Institutes for Technological Research” programme:
  - “M2P” (Metallurgical Products & Process),
  - “SystemX” (Digital Systems Engineering),
  - “Jules Verne” (Composite Materials);
- officially launched in February 2014, VEDECOM (Low-Carbon Communicating Vehicle and Its Mobility) is an Institute for Energy Transition (ITE) which represents a unique research ecosystem in France made up of nearly 40 members that form an unprecedented collaboration between companies from the automotive and aeronautic sectors, infrastructure and service operators from the mobility ecosystem, academic research institutions and regional authorities.

This ITE addresses the challenges of the autonomous vehicles and mobility of the future. Its role is to actively drive innovation, research and training applied to transport and responsible mobility. To reach its goal of becoming a European leader, VEDECOM focuses its research on the following three areas:

- electrification of vehicles,
- self-driving cars and connectivity,
- shared mobility and energy.

Within the VEDECOM Institute, PSA Group works with aeronautic and IT companies on:

- future hybrid and electric engines (optimisation of the “powertrain”: engine + gearbox + transmission) and developments related to fuel hydrogen (particularly in addition to battery-operated electric engines, whose autonomy it will increase),
- the vehicle connected to its environment,
- inter-modal transport, infrastructure, “Smart Grids”.

A number of projects have led to the presentation of demonstrators, such as at the meeting of transportation ministers in Amsterdam in April 2016, at the Futur en Seine in Paris and during COP22 in Marrakech (VFLEX demonstrator). In addition, an electric machine prototyping workshop was opened at the Versailles Satory site. This workshop will enable short loops between the innovating design and engineering phase and the construction of prototypes.

On 1 January 2016, the VEDECOM Institute joined forces with the City on the Move Institute (IVM). For PSA Group, a founder and organiser of IVM since 2000, this is an opportunity to offer IVM a new setting in which to redouble its activities by combining long-term reflection on the concrete implementation of innovative urban mobility solutions and to share with all VEDECOM members what it learns from its work. Within VEDECOM, IVM continues to support technological changes in relation to the social, anthropological and political changes of modern cities.

This year, PSA Group helped ensure IVM's continued existence by supporting its branches in Latin America (Buenos Aires and São Paulo). IVM worked intensely in Latin America this year:

- it published work by the IVM chair (universities in Santiago, Mexico City, Bogotá, Montevideo, Rio de Janeiro, São Paulo, Buenos Aires, etc.) on Passages, Pedestrian Space and Intermodal Transport in Infrastructure Spaces,
- it contributed to major international conferences (Habitat III) in Quito, Latin American congress on public transportation, mobility workshops for city workers [Tigre], etc.,
- IVM and PSA Group, in partnership with Mackenzie Presbyterian University in São Paulo, led an inter-disciplinary OpenLab that discussed scenarios for the autonomous vehicle in São Paulo by 2030,
- in May 2016, IVM presented an exhibition, entitled “Passages: Transitional Spaces for the 21<sup>st</sup>-Century City” at the BETC Agency's Passages du Désir gallery; this exhibition was the culmination of an international programme of research and creation of demonstrators in cities in China, North America, Latin America and Europe. The exhibition ran for five weeks and sparked a series of conversations with experts, and dialogue between the automotive world and city players. It welcomed more than 2,500 visitors, and in 2017 and 2018 it will travel around the world with its French-English bilingual catalogue and DVD of short films on the topic that were made in Africa.

The *En Route!* video game to learn about mobility, which was presented in its beta version in December 2015 (in partnership with Greater Lyon, Association Uni-Est, Ubisoft and the PSA Foundation), was finalised and incorporated into an educational module, onto a platform, and rolled out at workplace and social integration organisations around Lyon, as well as in other regions and for new audiences.

In China, the jury of the fifth edition of the IVM award for innovation in mobility services, “Better Mobility, Better Life!” supported by the association of Chinese urban planning schools, named its winners.

At the end of 2016, *Le Génie de la Marche*, the proceedings from the Cerisy conference co-organised by IVM, was published by Herman.

In 2017, IVM plans to continue its work on mobility spaces and learning, and to launch a new international research programme, “New Objects, New Uses, New Spaces”, with which its Chinese and Latin American branches will be closely involved:

■ PSA Group is also a key player in the French government's automotive industry support platform (PFA), the mission of which is to plan and lead initiatives that help strengthen the French automotive industry.

- Through its R&D activities, PFA is the only technical and scientific representative of the automotive industry. It supports and promotes joint technical proposals for the industry in the Automotive Technical Committee (CTA), chaired by PSA's R&D Director, and through two councils, the Automotive Research Council (CRA) and the Automotive Technical Standardisation Council (CSTA). In addition to its Industry Technical Positions (PTF), the PFA publishes R&D roadmaps for the industry's technological priorities, explaining the market's forward-looking vision and key technologies to develop to meet the future challenges of the automotive industry.

The main objective of these actions is to steer French R&D towards the right areas that will drive industry leaders and to guide SMEs in the same direction. It supports five key programmes to unify and structure the industry, in which the Group is involved:

- as part of the ecological mobility solution, the 2 l/100 km programme, which was one of the 34 plans of the New Industrial France, aimed to develop technological building blocks that will be available in 2018-2023 and capable of reducing CO<sub>2</sub> emissions at a customer-friendly price. This programme aims to provide standardised consumption of 2 l/100 km for an affordable vehicle. To date, all automotive companies have invested nearly €700 million in R&D in 110 projects,
- Force, a strategic project developed to study and produce an economical carbon fibre in France based on "bio-sourced" precursors. This collaborative, large-scale programme between industry and academia brings together users and producers from several sectors around a shared challenge, reducing the industry's carbon footprint,
- the Autonomous vehicle, a project focusing on its ecosystem, also an "ecological mobility" solution in the 34 initial plans under the "New Industrial France" initiative. The CRA and CSTA are the backbone of this programme for passenger cars,
- VALdriv PLM, which aims to develop a system to manage technical information and related processes and skills enabling all players involved in the product or service life cycle to

instantly access the right data at the right time and place, depending on their rights and business lines,

- finally, the Automotive Plant of the Future, which focuses on the development needed to keep pace with the digital and industrial transition in order to achieve better efficiency in France.

The PFA also provides automotive companies with shared tools for their transport and mobility market watch and for information on volume and analyses aimed at automotive design and manufacturing professionals through a special data sharing platform.

To encourage innovation and involvement by start-ups and small- and medium-sized businesses, the PFA created an ecosystem that is conducive to building relationships between the various industry players. In addition to providing technical positions and road maps, the large companies have stated their innovation needs, giving small- and medium-sized businesses an opportunity to respond to them by suggesting innovative solutions through a pooled innovation platform accessible from the PFA's website. This constructive collaboration that involves the entire industry will help create the vehicle of the future: an ecological, connected vehicle that is also affordable and exportable.

In 2016, four SME pitches were held, putting SMEs in touch with experts from large companies. Fifty-five companies participated.

The topics covered were electromobility, IC powertrains, new industrial processes, connectivity, intuitive mobility and autonomous vehicle technologies.

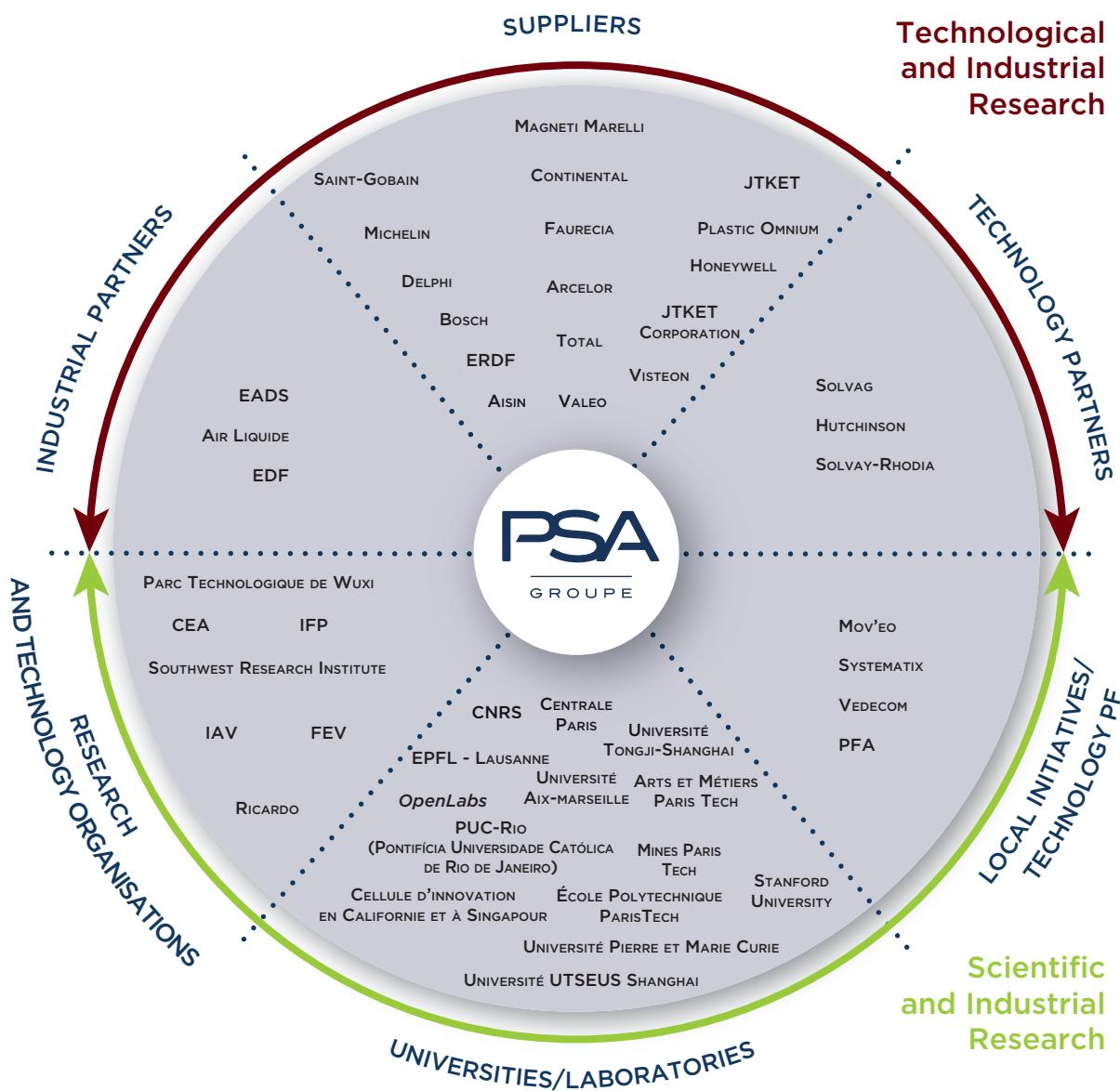
Through a partnership with the Mobility Factory, the PFA plays a full role as a catalyst, coordinator, consolidator and defender of the automotive industry in defining new mobility solutions involving cars, public transport and goods transport. It ensures that solutions can be deployed from start-ups to small and medium-sized companies and up to car manufacturers and equipment suppliers.

#### FOR **more** INFORMATION

**VEDECOM's website:** <http://www.vedecom.fr/>

**PFA's website:** <http://www.pfa-auto.fr/en/>

## The network of PSA's main innovation partners



## 2.0.2.2. The Business Lab

PSA Group created the Business Lab at the end of 2016 as a response to fast-changing automotive uses. The purpose of this new entity is to identify, experiment and transform opportunities into new businesses for the Group, particularly with regard to mobility and digital issues.

The Business Lab aligns with the enactment of the Push to Pass strategic plan, which aims to make PSA Group a car manufacturer on the cutting edge of efficiency and a provider of mobility services favoured by its customers, all over the world.

The Business Lab is based on three programmes:

- Business Innovation Hub: identify business and technological innovations while promoting interactions with innovative

ecosystems at the global level and while being the favoured gateway for start-ups;

- Business Factory: conduct full-scale tests of new value propositions for customers;
- Venture Development: facilitate the establishment of partnerships with innovative start-ups; acquire minority equity stakes directly and through venture capital funds.

As part of its Venture Development endeavours, the Business Lab, an excellent programme for identifying and transforming new businesses, signed a partnership agreement in December 2016 with Idinvest Partners, a leader in funding the growth of European companies that holds more than €7 billion in capital, €2 billion of which dedicated to funding start-ups.

## 21. REDUCING GREENHOUSE GAS EMISSIONS

G.22 G.33 G4-DMA G4-EN7 G4-EN17 G4-EN27

Mindful of sustainable development, the Group devotes more than 50% of its Research & Innovation budget to clean technologies in order to accomplish the following goals:

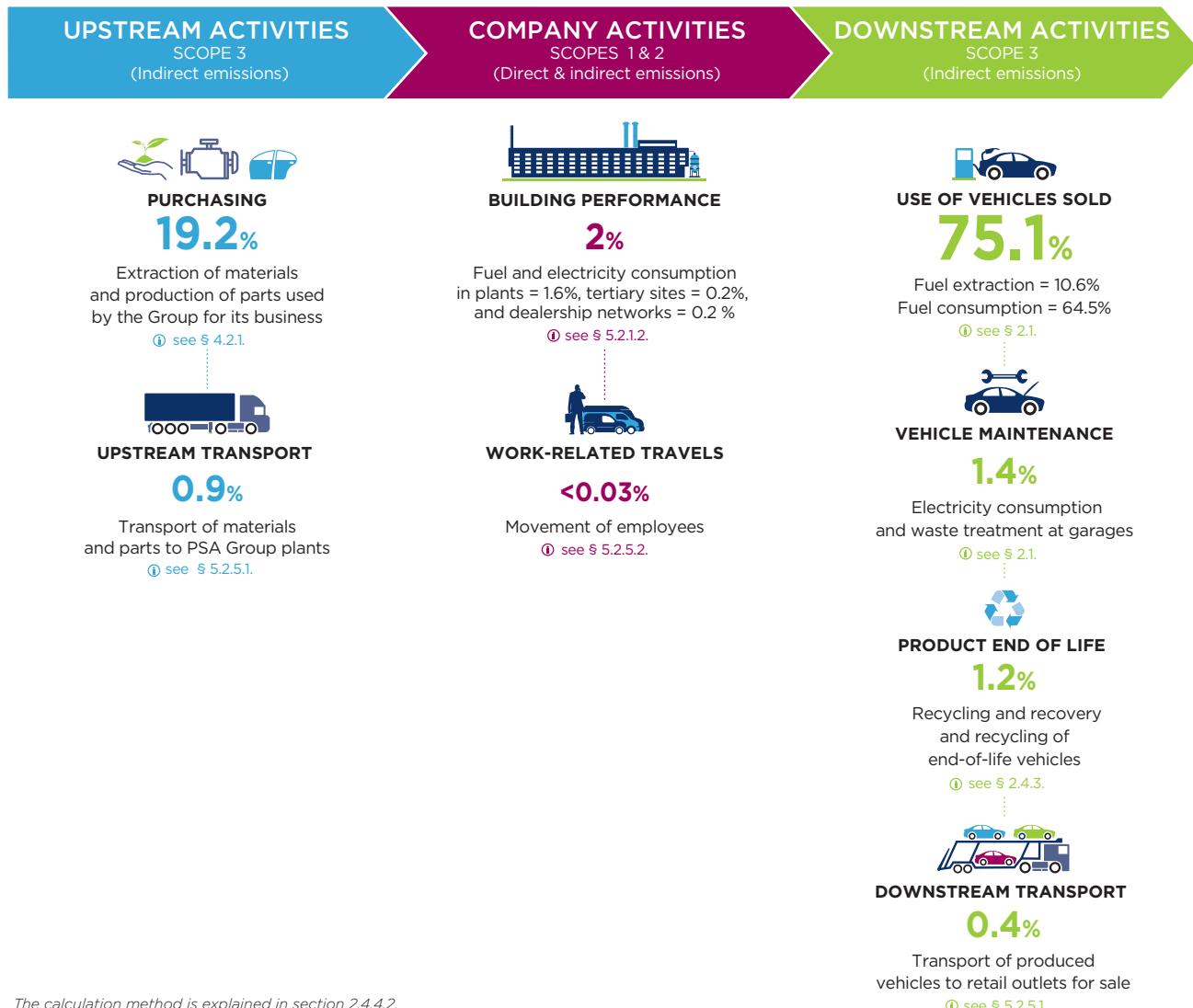
- reducing vehicle CO<sub>2</sub> emissions and fuel consumption;
- making vehicles lighter and more ecological in every respect (consumption and reduced need for raw materials);

### ■ vehicle energy efficiency.

Three-quarters of the total carbon footprint of the Group's vehicles come from the vehicles' CO<sub>2</sub> emissions (see diagram below). As a result, the Group devotes particular effort to this emission item.

Beyond the technological developments in the vehicles themselves, the Group is committed to an overall approach involving the reduction of CO<sub>2</sub> emissions by re-imagining mobility (see § 2.5).

### Total carbon footprint of vehicles produced by the Group during the year: main emission items



The calculation method is explained in section 2.4.4.2.

① The steps taken by the Group to reduce the emissions of these emission items are described in the sections indicated.

## 2.1.1. Group strategy to reduce CO<sub>2</sub> emissions from vehicles and fuel consumption G4-EC2

### 2.1.1.1. A TRAJECTORY IN LINE WITH THE COP21 COMMITMENTS: AVOIDED EMISSIONS

By 2025, the automotive industry should have proven that it can be more energy efficient and environmentally friendly.

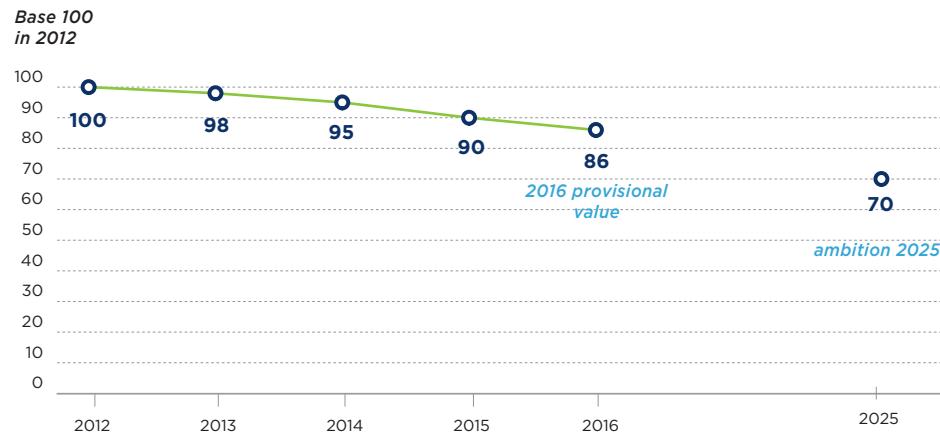
The Group has publicly committed to reducing by 30% the average emissions level of its vehicles marketed globally between 2012 and 2025.

### Reducing Group emissions by 30% between 2012 and 2025

To consolidate its position as an environmental leader, PSA Group aims to systematically offer:

- for the highest-selling models in the main segments, one of the top cars for CO<sub>2</sub> emissions;
- vehicles with ground-breaking fuel consumptions, but that still deliver superior features and equipment.

#### CO<sub>2</sub> trend of the Group worldwide\*



\* Note: the suggested base = 100 approach makes it possible to place in a single benchmark the contributions of each market, within a context in which the standards in the different areas are not consistent when it comes to regulated physical size (CO<sub>2</sub> emissions, fuel consumption or energy efficiency) or measurement procedures (see CAFE standards in § 2.1.1.2).

#### The Group's CO<sub>2</sub> trend in Europe 22 (passenger cars)



#### Avoided emissions

By using its low-emission vehicles, PSA Group estimates that 139 Mt CO<sub>2</sub> will be avoided in the world over a ten year period (2010-2020).

The method for calculating avoided emissions is based on a comparison between the average emissions of Group vehicles in 2010 (132 g/km of CO<sub>2</sub>) and in 2015 (104.4 g/km of CO<sub>2</sub>) in Europe (22 countries), i.e., a 4% reduction per year. Based on an assumption of a 4% reduction per year, and with an assumption of 3 million vehicles sold, with an average of 15,000 km travelled per year per vehicle and an average of ten years of use of a car, the quantity of avoided CO<sub>2</sub> emissions between 2010 and 2020 is as follows: in 2011: 2.9 Mt; in 2012: 5.6 Mt; ... ; in 2020: 23.7 Mt, for a total of 139 million tonnes of CO<sub>2</sub> avoided.

## 139 MILLION

TONNES OF CO<sub>2</sub> AVOIDED BETWEEN 2010 AND 2020

### 2.1.1.2. CO<sub>2</sub> EMISSIONS: A DECISIVE CSR ISSUE FOR THE GROUP'S ECONOMIC PERFORMANCE

#### Tightening regulations at the global level and related financial risks

In Europe and Brazil, emissions regulations focus mainly on environmental protection. Chinese emission control systems also aim to strengthen the country's energy independence.

In the decade between 2015 and 2025, regulatory requirements such as CAFE (Corporate Average Fuel Efficiency) standards will be tightened worldwide and will be reflected in CO<sub>2</sub> and fuel consumption targets that must be achieved on the average number of vehicles sold annually. Failure to achieve these annual targets will result in hefty fines or suspensions of sales, depending on the geographical area. These penalties are based on the amount by which the threshold is exceeded and the total number of vehicles per car manufacturer.

#### ■ CAFE Europe:

- target set for each car manufacturer based on the average weight of vehicles sold (target for average car manufacturers: 95 g/km of CO<sub>2</sub> in 2021),
- if these objectives are exceeded, a penalty will be applied amounting to €95 per g/km of CO<sub>2</sub> and per vehicle, e.g. approximately €150 million if the Group exceeds the CAFE standard by 1 g/km of CO<sub>2</sub>;

#### ■ CAFE China:

- as in Europe, target set for each car manufacturer based on the average weight of vehicles sold (target for average car manufacturers: 4.9 l/100 km in 2020),
- if the target is exceeded, there will be a suspension of authorisation for new investments, suspension to market vehicles that exceed the thresholds, negative publicity;
- CAFE Brazil: if the target is exceeded, vehicles produced locally are subject to the same tax as the one on imported vehicles; this is a 30% increase, which corresponds to a risk of more than €40 million for the Group;
- other existing regulations: Mexico, Japan, Korea, Saudi Arabia, India, Iran.

At the same time, tax incentives, the trend toward urbanisation in all markets and the spread of limited-access downtown areas and low-emission zones are speeding the development of more environmentally responsible technologies.

Tax incentives (France, the Netherlands, Germany, China, etc.) and labelling measures regarding vehicle fuel consumption (Brazil, India, Korea, Iran, etc.) are in place. These programmes are changing consumer behaviour by encouraging the purchase of vehicles with low CO<sub>2</sub> emissions. As the Group is seeking to increase its market share, it needs to adapt its vehicles and technologies to customers' changing expectations.

#### Large-scale capital expenditures

The R&D budget is distributed based on the priorities set out in the Push to Pass strategic plan (see § 2.0.2.1).



#### ECONOMIC INSIGHT

Environmental innovations relating to the product, which make it possible to reduce fuel consumption and CO<sub>2</sub> emissions, are essential for two reasons:

- the need to control operational risks (non-approval of vehicles) and financial risks (payment of fines, increase in taxes) in case of non-compliance with the fuel consumption or CO<sub>2</sub> emission thresholds set by regulations in the various Group markets. The annual risk of a company the size of PSA Group is around €1-2 billion in loss of revenue, depending on where the vehicles are sold, in case of non-certification;
- sales development opportunities: the Group's new environmental technologies are in line with consumers' changing expectations. Vehicles that emit less than 100 g/km of CO<sub>2</sub> already accounted for more than 42% of the Group's sales volumes in 2016. The Group's strategy is based on deploying plug-in hybrid powertrains (which could reach up to 4% of the market depending on the region by 2020; this would amount to 4% to 5% additional revenue for the Group) and electric vehicles.

The Group's strategy is to take full advantage of the market opportunities generated by the combined effect of consumer preference for flexible and efficient mobility and stricter environment standards. The Group is reducing its product diversity to focus on developing environmentally-friendly technologies that can be applied on a large scale and that boast the dual advantage of capitalising on research and development investments through high production volumes and having an environmental impact on the emissions of the entire fleet.

Advances in clean technology have also had a favourable economic impact for customers. For instance, thanks to the environmental performance improvements of the PureTech engine, a business (B2B) customer in France saves around €170<sup>(1)</sup> per month in usage costs for his vehicle, compared to the previous model of this same vehicle: the tax on company cars and the fuel consumption are a major portion of the TCO (Total Cost of Ownership) of the vehicle.

<sup>(1)</sup> Comparison between a Euro 5 standard CITROËN C4 120 hp petrol engine passenger vehicle and a Euro 6 standard 130 hp passenger vehicle based on an annual mileage of 30,000 km and a fuel price of €1.40/l.

### 2.1.1.3. CO<sub>2</sub> PERFORMANCES OF GROUP VEHICLES

G4-4

G4-8

#### Limits of the current measurement protocol

To be registered and then sold, vehicles must be approved. Various performances are measured to check compliance with regulations, particularly CO<sub>2</sub> emissions. Emissions are measured by an independent organisation with the vehicle on a chassis dynamometer running the MVEG (Motor Vehicle Emission Group) European regulation test procedure. This regulation outlines an NEDC (New European Driving Cycle) that reproduces city and motorway driving modes. The measured emissions are then calculated per km, providing a basis for determining consumption by fuel type. The resulting data enable consumers to compare the performance of vehicles offered by different brands.

This European approval test, which dates from 1992, is widely recognised as not reflecting real-world driving. Like any laboratory test, it is subject to optimisations that regulators are aware of but that are legitimately criticised by independent bodies.

#### Overhauling vehicle certification procedures in favour of a more representative measurement

An overhaul of the CO<sub>2</sub> and fuel consumption measurement procedures, known as WLTP (World Harmonised Light Vehicle Test Procedure), is in the process of being introduced at the international level. For certification, vehicles are now subject to the WLTP procedure, which uses a cycle and testing and measurement conditions that more closely reflect real-world driving conditions. This new procedure will no longer allow the aforementioned optimisations (variation in the level of the battery's charge, for example).

PSA Group supports this approach, with the objective of better promoting recent technical advances (reducing vehicle weight, hybrid technology, SCR technology, electric vehicle management, etc.), which would guarantee that customers are provided with more reliable environmental information.

Nevertheless, the WLTP procedure is a protocol that is performed on an engine test bench, not the road.

#### PSA Group's breakthrough actions: a partnership with NGOs to publish the real-world fuel consumption of its vehicles

Mindful of gaining its customers' trust, the Group has adopted an approach that is more proactive than the regulations require, taking the initiative to:

- publish, for its top-selling vehicles, real-world (road driving) consumption figures, under the supervision of independent third-party organisations;
- adopt technical guidelines making it possible to anticipate the future WLTP procedure, starting with the net zero electrical energy balance for every certification of a new vehicle/engine. As such, at the end of the test, the charge level of the battery must be similar to the level at the beginning; consequently, the alternator is used during the test to charge the battery and therefore increase fuel consumption.

In November 2015, amid media reports discrediting the automotive industry, PSA Group decided to take a uniquely transparent approach to customer communication, publishing the real-world consumption figures for its cars. This initiative is the first of its kind in the world in the automotive industry.

Measurements are taken in accordance with a test protocol outlined by the NGOs Transport & Environment (T&E) and France Nature Environnement (FNE) and audited by Bureau Veritas, an internationally renowned independent organisation.

Inspired by the "Real Driving Emissions" (RDE) European project, the protocol uses portable equipment known as PEMS (Portable Emission Measurement System), that is installed on the vehicle. Bureau Veritas vouches for the protocol and its performance under specified conditions and certifies the fair presentation and integrity of the results.

The results of measurements conducted on 40 mid-range models were published in 2016 on the websites of the Group's brands. The values obtained are comparable to those of the Group's customers (results of independent customer surveys); this confirms the robustness of the scientific approach taken with T&E and FNE.

Customers therefore now have access to representative information about real-world fuel consumption, so they are equipped to choose the most efficient models.

Starting in 2017, the PEUGEOT, CITROËN and DS brands will post on their websites a simulator that lets customers predict the fuel consumption of their vehicle based on their driving mode and the driver's use (city/road/motorway combination, vehicle charging, etc.).

#### Contributing to public debate: the protocol for measuring real-world vehicle emissions is distributed in open source

On 10 October 2016, PSA Group made public the protocol for measuring real-world fuel consumption that outlines the resources (required equipment, etc.) and methods (measurements and post-processing) before being implemented consistently to measure the average customer's average real consumption. This protocol, which is reliable and replicable, takes place in three steps:

- selection and checking of the vehicle;
- driving of the vehicle and measuring;
- post-processing of the results of the measurement.

The measurements must be taken on public roads open to traffic under real-world driving conditions (use of air conditioning, luggage and passenger weight, slopes, etc.) and with non-professional drivers.

In this way, the Group is positioning itself as a leading player by publishing and sharing a protocol that can serve as a reference.

#### FOR more INFORMATION

**"The PSA Group, NGOs T&E and FNE, and Bureau Veritas publish the protocol for measuring real-world fuel consumption" press-release:** <http://media.groupe-psa.com/en/press-releases/group/realworld-fuel-consumption-protocol-publication>

**Protocol for real-world fuel consumption measurements:** [http://media.groupe-psa.com/sites/default/files/attached\\_files/7/20161010\\_Protocol%20\\_realworld\\_fuelconsumption\\_EN.pdf](http://media.groupe-psa.com/sites/default/files/attached_files/7/20161010_Protocol%20_realworld_fuelconsumption_EN.pdf)

**The Spreadsheet:** [http://media.groupe-psa.com/sites/default/files/attached\\_files/7/20161010\\_spreadsheet\\_realworld\\_fuelconsumption\\_EN.xlsx](http://media.groupe-psa.com/sites/default/files/attached_files/7/20161010_spreadsheet_realworld_fuelconsumption_EN.xlsx)



## STAKEHOLDER RELATIONS

Gilles Le Borgne, VP, Quality and Engineering of PSA Group, said: "This robust protocol is the fruit of an unprecedented, successful collaboration between a manufacturer, NGOs and a certifying body. It's now available so that others can use it as a resource for promoting more transparency with their customers."

Greg Archer, Director, Clean Vehicles, of the NGO Transport & Environment, said: "The test for measuring real-world fuel consumption that was developed with PSA Group is an initiative to be transparent with customers and it provides information that's more representative than laboratory tests. That way, it helps customers choose the most fuel-efficient vehicles. This scientific approach is robust, replicable and reliable for measuring real-world CO<sub>2</sub> emissions. Because of this, we're encouraging the European Commission and all car manufacturers to quickly adopt this protocol for future regulations and advertising purposes."

## PSA Group's leadership when it comes to CO<sub>2</sub> emissions

# 102.4 G/KM OF CO<sub>2</sub>

AVERAGE EMISSIONS APPROVED  
IN EUROPE IN 2016

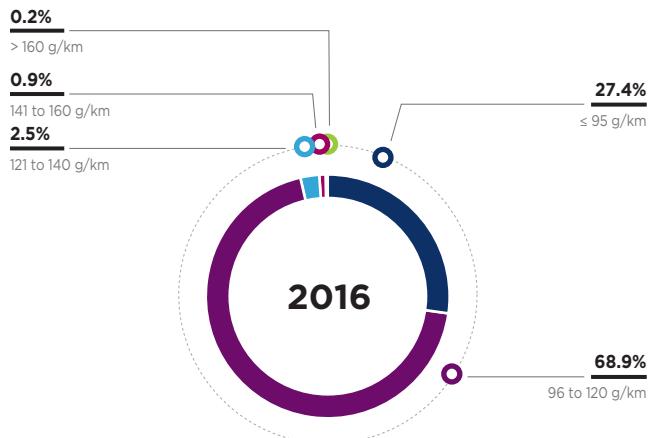
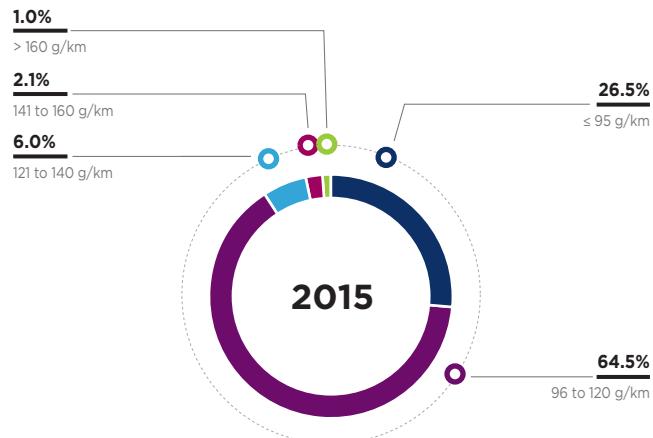
In 2016, the Group was the leader in Europe 22 with average approved emissions of 102.4 g/km of CO<sub>2</sub> compared to 104.5 g/km in 2015, representing an improvement of 2% in a market that made an improvement of 1.3%, at 118.2 g/km. In addition, 42% of Group vehicles sold in Europe emitted less than 100 g/km of CO<sub>2</sub> in 2016. The results also reflect the Group's decision to focus on affordable technological solutions applicable to mass-produced cars, which is the only way to have a real impact on the environment.

# 42%

OF GROUP VEHICLES SOLD IN EUROPE EMITTED  
LESS THAN 100 G/KM OF CO<sub>2</sub> IN 2016

## Breakdown of PSA Group sales by approved CO<sub>2</sub> emissions

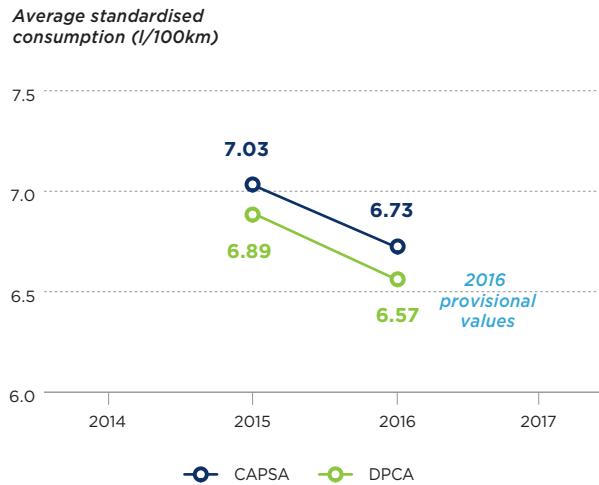
(Passenger car registrations in EU-22, i.e. EU excluding Greece, Cyprus, Malta, Bulgaria and Romania)



The Group is the market leader in the segment of vehicles emitting less than 95 g/km with 27% market share (i.e., 397,702 Group passenger cars registered).

**The position of the Group's joint ventures in China**

The Group's two joint ventures in China, DPCA (DONGFENG PEUGEOT CITROËN AUTOMOBILES) and CAPSA (CHANGAN PSA AUTOMOBILES) posted average fuel consumption (Corporate Average Fuel Consumption or CAFC, measured in l/100 km according to regulations) that was a 4% improvement compared to 2015.



In addition, DPCA has a number of very low fuel-consumption vehicles that until now have been eligible for ESV (Energy Saving Vehicles) bonuses, (5.9 l/100 km threshold): the PEUGEOT 308S and 408 with EB Turbo PureTech and EP Turbo engines, and the CITROËN C4 L, which is fitted with the EB Turbo PureTech engine. Moreover, in April 2016, the DongFeng PEUGEOT 308S set a new fuel-consumption record in China, travelling 1,878 km on a single tank of petrol, for fuel consumption of only 2.93 litres per 100 km. This is an outstanding performance for a mass-market car that runs on an internal combustion engine. The tests were conducted by China's national automobile certification authority, NAST (National Automobile Quality Supervision and Test Center), with a mass-produced DongFeng PEUGEOT 308S equipped with a 1.2L PureTech engine combined with an EAT6 automatic gearbox. This is the first time that such tests were performed in China by an independent authority. This performance attests to the top-flight expertise of the brand's engineers when it comes to petrol engines, the moderate consumption of the Pure-Tech engines connected to the EAT6 automatic gearbox and the efficiency of the EMP2 platform, which enabled a gain of 140 kg.

In China, a comparable effort to the one in Europe will be introduced, applying the same technical levers: deployment of the three-cylinder EB PureTech engine, fourth-generation automatic gearboxes, lighter EMP2 (Efficient Modular Platform 2) and CMP (Common Modular Platform 2) platforms, and constantly improving all areas of the vehicle (including beneficial technologies in real-world driving conditions known as off-cycle technologies).

## 2.1.2. Engine development: technological levers serving the CO<sub>2</sub> trend

G.22 G.30 G.33

**GROUP VEHICLE SALES BY REGION AND FUEL TYPE**

		China and ASEAN	Eurasia	Europe	India and Pacific	Latin America	Middle East-Africa	Total
<b>Petrol (+ LPG)</b>	<b>2016</b>	<b>616,602</b>	<b>5,925</b>	<b>750,724</b>	<b>11,250</b>	<b>132,199</b>	<b>269,710</b>	<b>1,786,410</b>
	2015	733,231	8,278	622,689	13,725	116,230	51,687	1,545,840
	2014	740,361	30,886	530,038	14,956	163,880	57,535	1,537,656
<b>Diesel</b>	<b>2016</b>	<b>1,750</b>	<b>4,564</b>	<b>1,171,665</b>	<b>8,617</b>	<b>51,708</b>	<b>113,769</b>	<b>1,352,073</b>
	2015	2,717	3,719	1,231,946	10,054	40,848	128,448	1,417,732
	2014	2,246	12,943	1,216,292	7,388	35,989	111,754	1,386,612
<b>Hybrid</b>	<b>2016</b>			<b>1,536</b>	<b>2</b>		<b>2</b>	<b>1,540</b>
	2015		3	5,714	1		70	5,788
	2014	8	1	12,246	6		102	12,363
<b>Electric</b>	<b>2016</b>		<b>1</b>	<b>6,333</b>	<b>17</b>		<b>8</b>	<b>6,359</b>
	2015			3,628	9		2	3,639
	2014			2,268				2,268

An environmental pioneer and European leader in CO<sub>2</sub> emissions of passenger cars in 2016, the Group continues to develop more and more efficient products in order to continue to satisfy both the growing needs of individual mobility (access to work, education, health care, etc.) and regulatory requirements, by identifying technical solutions whose cost effectiveness is best for its customers. The technical solutions studied for all the Group's markets, including China, centre around the following major approaches:

- deploying hybrid technologies with different-size engines and battery capacity to meet a wide range of types of use and budgets. Bi-modal and hybrid plug-in technologies will account for a significant portion of the market in 2020-2030, both for passenger cars and light utility vehicles;
- developing electric vehicles for both fleets and individual customers, as cities install the necessary infrastructure and battery costs decline;
- optimising IC powertrains (including developing electrification or micro-hybridisation solutions, whose Stop & Start systems are already widely marketed);
- improving vehicles' overall fuel efficiency, particularly by optimising the vehicle's equipment and architecture (tyres, aerodynamics, weight, electric management, etc.).

As part of the "2 l/100 km Vehicle" project initiated by the French government through the Automotive Industry Platform (PFA), PSA Group has identified five challenges for developing the first technological building blocks that can be commercially produced in the short term and make the 2 l/100 km car a reality for the 2020 market:

- offer an innovative, efficient and affordable full-hybrid petrol solution, adapted for all types of use with a 30% reduction in fuel consumption;
- reduce the weight of vehicles by using technologies and composite materials until now reserved for motor sports or luxury vehicles together with aluminium and high-tensile steel (by 220 kg excluding the powertrain);
- develop vehicle design and optimise its aerodynamics to reduce drag and improve the vehicle's penetration through the air thanks to a streamlined body style (20% less CdA – aerodynamic drag coefficient);
- reduce rolling resistance to boost energy efficiency (by 4 g/km of CO<sub>2</sub>) by using high-technology tyres;
- optimise electric energy consumption to save 2 g/km CO<sub>2</sub>.

The advances made in these five areas in developing the PEUGEOT 208 HYbrid Air 2L and CITROËN C4 Cactus AIRFLOW 2L demonstrators have reduced CO<sub>2</sub> emissions by 50%, resulting in a total reduction of 58 g/km of CO<sub>2</sub> and a drop in fuel consumption of more than 1.5 l/100 km.

### 2.1.2.1. ELECTRIFICATION: AN AMBITIOUS PLAN TO ROLL OUT HYBRID AND ELECTRIC TECHNOLOGIES

G.22 G.30 G.33

More than ever, the environmental challenges associated with vehicle use are being met by technological solutions designed to drive powerful breakthroughs in fuel efficiency and CO<sub>2</sub> emissions. The introduction of hybrid solutions ranging from micro-hybridisation such as Stop & Start, to plug-in hybrid vehicles, and to zero-

emission electric vehicles (ZEVs) are poised to enable the Group to consolidate its position in the low-emission vehicle segment in Europe and extend its expertise to other markets.

In its Push to Pass strategic plan, the Group has committed to putting seven plug-in hybrid vehicles and four electric vehicles on the market between 2019 and 2021. The first plug-in hybrid vehicle will be launched by the DS AUTOMOBILES brand in 2019, on the European and Chinese markets.

Solutions	Potential of reduction of CO <sub>2</sub> emissions
Stop & Start Technology	5%
Hybrid vehicles	15%
Plug-in hybrid vehicles	65%
Electric vehicles	100%
Fuel cell vehicles	100%

### Electric vehicles

The Group is working on both extending its range of electric vehicles and the related mobility services and developing technologies to boost vehicle performance.

- Electric vehicle range: since 2010, the Group, a pioneer in electric vehicles, has sold 25,000 electric vehicles worldwide through its product line, which includes both passenger cars and light commercial vehicles: PEUGEOT iOn and Partner, CITROËN C-Zéro and Berlingo. PSA Group is continuing its strategic partnership with Bolloré, which underscores the shared interest in sustainable mobility. At its Rennes industrial site, the Group has built an assembly workshop with a capacity of 3,500 vehicles per year that produces the CITROËN E-MEHARI, a four-seat electric convertible that has been available on the French market since spring 2016. This vehicle is powered by lithium metal polymer batteries developed by Bolloré, giving it a city driving range of 200 km. Over the longer term, the Group has established an electric vehicle programme developed with DONGFENG MOTOR CORP. based on the electric version of the CMP platform (e-CMP), it will lead to the creation of a new generation of versatile, roomy electric vehicles with ion lithium battery technology, which offers a driving range of up to 450 km and ultra-fast charging with a range of up to 12 km per minute of charging. Four electric versions will be sold by 2021, with the first one reaching the market in 2019.

### 4

#### NEW ELECTRIC MODELS BY 2021

- Electric mobility services: The Group's electric vehicles are already used in many urban car-sharing services set up with communities and private partners in numerous European cities (see section 2.5.1).
- Development of electric technologies: On 20 January 2016, on the sidelines of the World Economic Forum in Davos, the Group announced an innovative R&D initiative centred on electric vehicle components: the formation of a joint venture comprising PSA Group, the French SME Exagon Motors, Investissement Québec and the Hydro-Québec subsidiary IndusTech. Its first task is to conduct a pre-feasibility study estimated to cost \$30.8 million. In its first stage, the study could lead to the development of components for high-performance electric vehicles. The Group

will contribute its expertise in incorporating these components into vehicles and then become the main customer for the global distribution. This partnership illustrates the Group's strategy to strengthen its technological advances. It also highlights PSA Group's drive to develop components for high-performance hybrid and electric vehicles.

#### FOR **more** INFORMATION

**"New-generation electric vehicles" video:** <https://www.youtube.com/watch?v=rlj944NM6YE&list=PL6CCD8AAB157C61E8>

#### Plug-in hybrid vehicles

Armed with the experience gained from developing the hybrid-diesel technology, called HYbrid4, which represented a core breakthrough in terms of fuel efficiency and CO<sub>2</sub> emissions on the European market with a gain of up to 30% compared with the equivalent HDi diesel model and emitting less than 100 g/km of CO<sub>2</sub>, the Group is now developing a plug-in full-hybrid powertrain connected to a petrol engine in order to support its worldwide growth. This powertrain will be available on high-end vehicles (SUVs and sedans) beginning in 2019 and will contribute to compliance with future emissions regulations worldwide.

It will enable emission thresholds of under 50 g/km of CO<sub>2</sub>, i.e. 2 l/100 km in all areas and will run 50 km in fully electric mode in urban and suburban environments.

Seven plug-in hybrid vehicles will be launched between 2019 and 2021. For easier use, the plug-in hybrid will be sold with a system that charges the car in under four hours and an option for a fast two-hour charging time. The first of these vehicles will be sold by the DS AUTOMOBILES brand.

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#### NEW PLUG-IN HYBRID MODELS BY 2021

#### FOR **more** INFORMATION

**"Plug-in hybrid" video:** <https://www.youtube.com/watch?v=fDdSB55gnYE&list=PL6CCD8AAB157C61E8&index=2>

#### Micro-hybridisation: Stop & Start Technology and e-HDi

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. When combined with the system's cost-effectiveness, its features help to provide an efficient solution to a number of traffic-related issues in cities, where 75% of Europeans live.

Introduced by the Group in 2004, this technology is now deployed across almost all the PEUGEOT, CITROËN and DS ranges in Europe and in more than 30% in China, compared to 20% in 2015. The Group's strategy consists in extending deployment to all

geographical areas, by combining it with recent advances in diesel and petrol engines as well as innovative technologies for managing vehicle electrical consumption.

#### FOR **more** INFORMATION

**"Micro-hybridation: e-Hdi technology" video:** [https://www.youtube.com/watch?v=cfJ9lpg\\_Zeo](https://www.youtube.com/watch?v=cfJ9lpg_Zeo)

#### 2.1.2.2. CONTINUOUS OPTIMISATION OF INTERNAL COMBUSTION ENGINES

G.22 G.30 G.33

PSA Group is continuing to optimise its internal combustion engines in all geographical area to reduce their fuel consumption and consequently their CO<sub>2</sub> emissions.

The Group implements highly innovative technological solutions in engine architecture as well as in fuel intake, injection and emissions-control systems. The main levers for optimising efficiency include:

- downsizing (reducing engine size and the number of cylinders), sometimes combined with turbo charging, thereby reducing fuel consumption while maintaining performance levels;
- increasing torque while reducing maximum power, thus 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.

High-performance technical solutions for internal combustion engines are available on PSA Group vehicles, particularly with deployment of new-generation petrol engines. The medium- and long-term strategies aim to reinforce this technological edge with new engines and gearboxes, particularly between 2017 and 2025.

The Group also carries out technological monitoring of the electrification of internal combustion engines, which will be a key step for the future of these engines.

#### Reducing petrol engine fuel consumption and exhaust emissions

In under ten years, PSA Group will have replaced its entire range of petrol engines, in line with its CO<sub>2</sub> emission reduction targets in Europe as well as in other core markets, including China and Brazil.

At end 2013, the Group launched the EB Turbo PureTech engine, a three-cylinder, 1.2-litre petrol engine that combines reduced dimensions and weight for benefits and performance unprecedented for this level of displacement.

On 1 June 2016, this engine won the 2016 Engine of the Year Award (18<sup>th</sup> edition of the International Engine of the Year Awards) in the 1L to 1.4L category. This is the second award won by this engine, which was made at the Française de Mécanique plant in Douvrin (Pas-de-Calais).

This three-cylinder EB Turbo PureTech petrol engine, which is the subject of 120 patents, helps reduce fuel consumption and CO<sub>2</sub> emissions by 18% compared to the earlier four-cylinder petrol versions. This engine holds two efficiency records: the first was set in Europe in 2014 in a mechanical gearbox version, and the

second was set in 2016 in China in an automatic gearbox version with 2.93L/100 km achieved on 1,878 km on a single tank. It offers driving comfort recognised to be among the best on the market from the lowest speeds, which offer the best compromise of low torque to speed/power (130 hp with torque of 230 Nm).

The 1.2 PureTech 110 hp and 1.2 PureTech 130 hp engines are used in vehicles in segments B and C. Launched in March 2014 on the CITROËN C4 Picasso and PEUGEOT 308, the PureTech engine has more than 60 applications around the world. It is used in the new PEUGEOT 3008, which was unveiled on 23 May 2016.

This engine completes the modular family of three-cylinder PureTech petrol engines (1-litre and 1.2-litre) with many high-tech features unveiled by the Group in 2012, ranging in power from 50 to 100 kW and offering petrol-engine vehicles that emit less than 100 g/km of CO<sub>2</sub> in the naturally aspirated version and less than 110 g/km with the turbo engine.

Since 2006, the Group has been selling the EP 1.6-litre range of four-cylinder petrol engines, which have been named engine of the year eight times in their category by Engine Technology International.

To boost its growth outside Europe, PSA Group has decided to introduce these clean, efficient, high-performance, high-tech petrol engines as early as possible to these markets. In emerging markets, where mainly petrol engines are being deployed, there are growing trends toward European-style regulations, government incentives and consumer expectations.

These new developments take into account the specific expectations of the main markets:

- flex-fuel models for the Brazilian market;
- the deployment in China of these new engines will enable the Group to meet its targets to reduce the CO<sub>2</sub> emissions of its vehicles on this market.

## Reducing diesel engine fuel consumption and exhaust emissions

The Group is consolidating its expertise in fuel efficient, high performance, low-carbon diesel engines. Developed in cooperation with Ford, common-rail, direct-injection HDi diesel engines deliver outstanding driving comfort and significantly lower CO<sub>2</sub> emissions.

On a global market where internal combustion engines will remain predominant until 2020, PSA Group is continuing to develop its HDi technology while broadly rolling out the e-HDi (Stop & Start) technology. In late 2013, the Group unveiled a new exhaust line called BlueHDI (see section 2.2.1.2), which, through the SCR (Selective Catalytic Reduction) after-treatment system, slashes nitrogen oxide emissions (NO<sub>x</sub>) and further improves CO<sub>2</sub> emission levels (up to 4% lower than the diesel engines that were replaced). The Group designed this unique technology, which adheres to the Euro 6 regulations while also preserving the inherent benefits of diesel engines in terms of CO<sub>2</sub> emissions and fuel consumption.



## ECONOMIC INSIGHT

Diesel's market share for PSA Group's passenger cars (PC) is gaining on diesel's average market share in sales in Europe (in the Europe 22 scope). The Group is adapting to this situation by stepping up its production of petrol engines.



In order to keep up with growing customer demand for petrol engines, the Group plans to double production of the three-cylinder turbo petrol engine in France through 2019. To this end, in 2018, 350,000 turbo petrol engines will be produced at the Douvrin and Trémery plants; this will increase potential to 670,000 engines. At the end of these investments, the Trémery site will become the Group's most diversified engine plant, with capacities to produce petrol, diesel and electric engines.

Furthermore, in order to increase production capacity of three-cylinder petrol engines and to manufacture these engines as close as possible to the consumption points, PSA Group plans to install an EB module at the Trnava site in 2019, thus responding to rising needs for petrol engines for its low-end vehicles.

All these decisions are part of PSA Group's deployment of its technological offensive to adapt to the changing market and to modernise its plants.

### 2.1.2.3. CHANGE OF GEARBOXES

The Group continuously improves its powertrain by focusing on two main areas.

The first is the performance of gearboxes. The next steps in this area include:

- a mid-range manual six-speed gearbox (MB6), set to be released in the second half of 2017;
- an automatic eight-speed gearbox that will follow the AT6 III/AM6 III generation, which has already helped reduce the powertrain's total fuel consumption by 15% since the end of 2013 (to be released in 2018-2020).

The second area involves adapting the powertrain (i.e., gear ratios, gear ratio change strategies, compatibility with Stop & Start), to take maximum advantage of improvements to engines, and operate under optimum conditions of fuel consumption.

### 2.1.2.4. USE OF ALTERNATIVE FUELS

**G.22** **G.30** **G.33**

Another way to reduce a vehicle's carbon footprint is to use fuels other than petrol and diesel, such as natural gas, LPG and biofuels. PSA Group has reaffirmed its commitment to the responsible use of biofuels by stressing the need to take sustainability criteria into account in developing its products and the related industry segments, including changes in how farmland is used.

#### Natural gas

Compressed natural gas (CNG), whose main ingredient is methane ( $\text{CH}_4$ ), is among the energy sources used by the Group's vehicles on the markets where local conditions are favourable to its development (secure gas supply, political commitment to set up a distribution network, tax incentives), such as Argentina, China and the Middle East. Using CNG also helps to reduce  $\text{CO}_2$  emissions by around 20% compared with conventional petrol engines (in a global approach of tank-to-wheel calculation).

#### Ethanol flex-fuel, biodiesel vehicles

The Group has developed vehicles based on flex-fuel technology, which run on petrol-ethanol blends in variable proportions: for example, from 20% to 100% ethanol in Brazil, the number 1 market in the world for this fuel and flex-fuel vehicles. In 2015, a flex-fuel version of the latest 1.6-litre EP engine launched in Europe was released on the Brazilian market. The new vehicles equipped with these engines will benefit from a double reduction in their consumption (and therefore their  $\text{CO}_2$  emissions) not only because of the technological choices made, but also because of the use of renewable bioethanol.

The new GMP EB2F MA flex-fuel engine, which is on the PEUGEOT 208 and CITROËN C3 on the Brazilian market, has become a model in terms of fuel consumption. When this engine was launched commercially in spring 2016, it quickly came to be viewed as the most economical one in Brazil, and the press lauded it for its remarkable noise and vibration level for a three-cylinder engine. This performance is the outcome of a productive cooperation between the Latin American and European R&D teams, which brought together first-hand knowledge of country specificities and requirements with expert understanding of the EB engine.

All the Group's diesel vehicles can run on B10 (a blend with up to 10% of biodiesel) and B30, provided that the fuel is of high quality and the vehicle is maintained accordingly.

On 30 September 2016, PSA Group signed the E10 bioethanol guidelines, which aim for more transparency in Europe on vehicles that are compatible with SP95-E10. The Group plans to abide by this commitment for all its internal combustion engines. The Group's new vehicles will now have labels inside the fuel tank flap with the notation [E5] or [E10] on petrol versions and the notation [B7], [B10], [XTL] or [B30] on diesel versions.



#### STAKEHOLDER RELATIONS

*The Group is participating in various studies on the development of biofuels and is also involved in developing standards to ensure the minimum quality levels required to meet the technical requirements of engines and to ensure consumer satisfaction. For example, PSA Group is leading the FAME (Fatty Acid Methyl Esters, standardisation of fatty acid methyl esters) task force within the European Committee for Standardisation. The Group is also a member of the Steering Committee of ETIP (European Technology Innovation Platform for Bioenergy), which was formerly known as the European Biofuels Technology Platform, and it participates in the European H2020 projects on the development of future E20/E25 petrols.*

#### Advanced biofuels

Envisaging a wider use of biofuels, without detracting from their positive social and environmental impact, requires the development of so-called "advanced" biofuels. These can be made from the conversion of biomass (the entire plant, non-food crops, organic waste) and microalgae.



#### STAKEHOLDER RELATIONS

*The Group is frequently consulted on the impact of these new biofuels on engines and it takes part in study groups and task forces, such as ANCRE's (French National Alliance for Coordination of Research on Energy) Programming Group and ETIP. It is also coordinating a micro-algae growing project and it has tested the corresponding biodiesel on its engine test benches, highlighting the technological barriers that need to be removed before this biodiesel is used (Shamash PE project). Finally, the three-year biofuel academic chair that was created in 2012 by the IFP School, the Tuck Foundation and PSA Group came to an end in mid-2016: through teaching and research, this chair deepened knowledge of the impact of advanced biofuels on the automotive industry and taught the IFP School's future engine makers about the complex environmental issues. Review papers on animal fat esters and recycled oils and on micro-algae were written and presented at the SIA (Société des Ingénieurs de l'Automobile) Powertain 2016 Conference in Rouen.*

In Brazil, the Group is renewing its partnership with the Petrobras petroleum group aiming to cut CO<sub>2</sub> emissions by optimising combustion based on local fuels and biofuels. The partnership, signed in late 2014 with the São Paulo State organisation FAPESP (*Fundaçao de Amparo a Pesquisa do Estado de São Paulo*) and four universities, is continuing. The goal of this partnership is to create a network that will research engines and biofuels over ten years. The biofuel Open Lab activities that are currently taking place at Rio's PUC (Pontifical Catholic University) will become affiliated

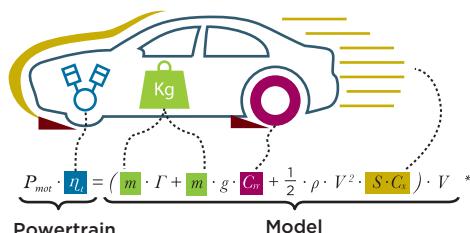
with this FAPESP research centre in 2017. Finally, PSA Group has continued its partnership with the Federal University of Paraná in Curitiba, Brazil, for the production of lipid biofuels from micro-algae.

#### FOR more INFORMATION

**"Samash PE Project" article:** <http://www.sciencedirect.com/science/article/pii/S0016236115002926>

### 2.1.3. Change of vehicle equipment and architecture: technological levers serving the CO<sub>2</sub> trend G.22 G.30 G.33

Beyond the technologies related to engines and fuels, the Group aims to leverage all the features of its vehicles in order to position itself as a leader when it comes to fuel consumption and CO<sub>2</sub> emissions. The Group is working on all the technical levers that help to reduce CO<sub>2</sub> emissions: weight, aerodynamics, vehicle architecture, materials, tyre rolling resistance, losses through mechanical friction (brakes, rolling, bearings, etc.), management of parts that use electricity (sensors, actuators, engines), and comfort features (air conditioning system, etc.), safety features and driver assistance features:



\* The powertrain provides power equivalent to the sum of the power consumed by vehicle acceleration, tyre friction, drag and electricity usage.

Physical size	CO <sub>2</sub> efficiency on WLTP cycle**
Powertrain energy efficiency $\eta_{tr}$	+ 1% $\eta \rightarrow - 1.2 \text{ g/km}$
Weight $m$	- 100 kg $\rightarrow - 6 \text{ g/km}$ (with secondary effects)
Rolling resistance Crr $C_{rr}$	- 1 kg/t $\rightarrow - 2 \text{ g/km}$
Aerodynamics $S \cdot C_x$	- 10 dm <sup>2</sup> $\rightarrow - 5 \text{ g/km}$
Electrical consumption (W)	- 100 W $\rightarrow - 1.5 \text{ g/km}$

\*\* Published in NEDC in previous CSR reports.

Taking into account how these levers interact, PSA Group is striving to guarantee overall vehicle analyses that are consistent and compatible with the various requirements of markets where the Group is present (cost, consumer appeal and features, etc.).

The Group will keep its competitive advantage through significant technological efforts as well as by an on-going search for the right balance of sizes, optimised weight and highly attractive features such as spaciousness, comfort, road-holding and accessories.

The strategy of extending and strengthening these levers has also been planned for the medium and long term, combined with "breakthrough" technological innovations, in all geographical areas.

#### 2.1.3.1. OPTIMISING VEHICLE ARCHITECTURE: EFFICIENT, MULTI-ENERGY PLATFORMS

The Group is continuing its strategy of designing and engineering vehicles by platform, a wheel base that is common to multiple models and that makes it possible to streamline costs and capital expenditure.

In late 2013, the Group introduced a new-generation platform, the Efficient Modular Platform 2 (EMP2), which is designed to cover all body styles worldwide in the C and D segments. It offers an entire range of high-performance solutions:

- modular design that allows components to be cross-functional and volumes to increase considerably;
- breakthrough gains in weight (average reduction of 70 kg) and consumption (average drop in consumption of 22%, combined with other levers on powertrains and vehicle body styles);
- technological choices that contribute to improving services;
- technical compactness for more creative expression in exterior styling and improved aerodynamics.

The new vehicles based on this EMP2 platform have demonstrated their leadership in these segments in Europe in terms of CO<sub>2</sub> emissions.

Starting in 2019, the ingenious design and engineering of the EMP2 platform will make it possible to produce the first plug-in petrol hybrid models that sport the best features of hybrid technology:

- SUV (sport utility vehicle) and CUV (compact utility vehicle) models with high-performance 4WD electric driveability;
- a range of 60 km in electric mode;
- generous and uncompromising cabin space (passengers and boot);
- outstanding efficiency in urban driving conditions: 40% gain in efficiency compared to a pure internal combustion model.

In 2015, PSA Group also announced the joint development with DONGFENG MOTOR of a global platform for city cars, mid-range sedans and compact SUVs in the PEUGEOT, CITROËN and DS brands. This new platform, the Common Modular Platform (CMP), will cost €200 million. The Group is providing 60% of the financing and DONGFENG MOTOR is covering the remaining 40%.

This platform will allow the Group to produce vehicles in its growth areas. For China and ASEAN countries, CMP will benefit from the knowledge of DongFeng Motor's supplier base to work towards meeting the ambitious cost-cutting targets in highly competitive segments.

CMP will offer high-performance solutions in terms of modularity, versatility, equipment and reduction of CO<sub>2</sub> emissions.

In May 2016, PSA Group and DongFeng Motor signed a new agreement to develop an electric version of the CMP (Common Modular Platform). This future electric platform, e-CMP, will make it possible to offer, starting in 2019, a global product range of 100% electric B and C segment vehicles for the PEUGEOT, CITROËN, DS and DONGFENG brands, with top-notch benefits.

### 2.1.3.2. WEIGHT: THE VIRTUOUS CYCLE OF REDUCING WEIGHT

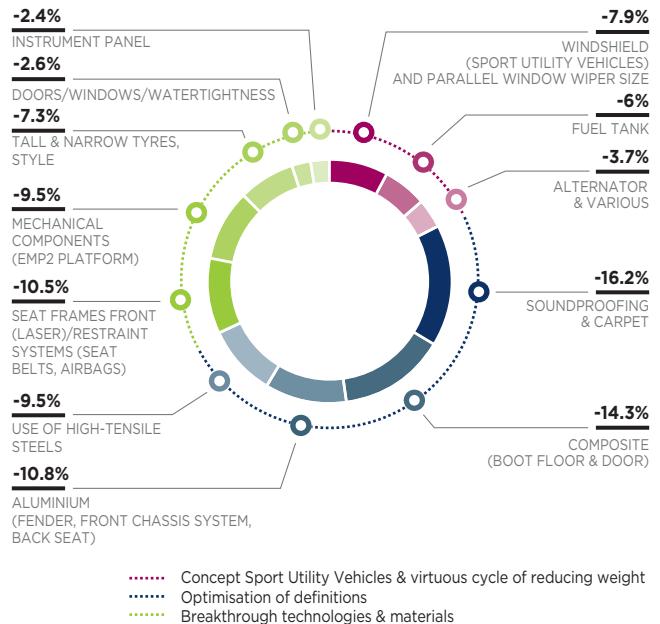
Already a market leader in terms of average vehicle weight, the Group continues to develop more lightweight vehicles, making this a major lever in reducing their environmental footprint. The current technical deployment plans will enable reducing the weight of vehicles by more than 100 kg compared with current models.

At the same time as the Group is optimising its vehicle architecture, it is also focusing on the choice of materials. High-tensile steel is preferred because of its superior rigidity. However, whenever technically feasible and cost effective, weight is being reduced by choosing lower-density materials, such as aluminium, composite materials and thermoplastics instead of steel. Innovative process techniques provide further gains (heat stamping, laser welding, joining structure, etc.) by helping reduce the weight of the car body while improving resistance to impact.

The new PEUGEOT 3008, which was released in 2016, has a new, optimised architecture that marks a breakthrough in terms of vehicle weight. The benefits of the new EMP2 platform, combined with an optimised weight/overall size/benefits ratio in every respect, result in a 100 kg average reduction from the previous generation. Thus the various versions of the new PEUGEOT 3008 arrived on the market in running order weighing only 1,325 kg (petrol version) and 1,375 kg (diesel version).

**+ 8 CM AND -100 KG**

ON THE NEW PEUGEOT 3008



### 2.1.3.3. LIMITED AIR RESISTANCE AND ROLLING RESISTANCE

As can be seen in the table at the opening of section 2.1.3, aerodynamics and rolling resistance have a major impact on fuel consumption, and the Group endeavours to continually optimise these levers.

For example, on the new PEUGEOT 3008 released in May 2016, the aerodynamic design and optimisation of exterior dimensions result in an excellent Cda of 0.76 m<sup>2</sup> (on the best versions). Using 17" or 18" ultra-low rolling resistance tyres, or a 19" mount in slimline format (also known as Tall & Narrow), which was developed by Michelin (in 205/55 R19), also boosts the efficiency of the new PEUGEOT 3008.

### 2.1.3.4. BETTER MANAGEMENT OF ONBOARD ELECTRICITY

Reducing electricity consumption in the car is a way to lower fuel consumption.

The electricity used in the vehicle (to power the air conditioning, lighting, dashboard, etc.) is generated by the alternator, which transforms the engine's mechanical energy. The more efficient the alternator, the less need there is for the mechanical energy from the engine, and the less fuel the engine consumes.

As such, the Group is working on the following levers:

- optimising the operating phases of the alternator through an intelligent control system (charge the alternator at times when fuel consumption is lower);
- optimising the alternator's efficiency, with a deployment of high-efficiency alternators targeted for 2020;
- using specific LED (Light Emitting Diode) lights to optimise the electricity consumption of the lighting functions.

It should be noted that these innovations offer improvements in real-world fuel consumption, but are not all directly measurable over the certification cycle. This approach is in line with the Group's aim to focus on real-world fuel consumption and to be transparent in the electricity management of its vehicles and its decision to enforce the net zero electrical energy balance in all new certifications (see section 2.1.1.3).

## 2.1.4. Onboard assistance to help drivers reduce fuel consumption G.22

Eco-driving services may help drivers optimise the use of their vehicle (see section 2.5.2).

Among these innovations tied to the connected car and Intelligent Transport Systems (ITS), PSA Group plans to roll out by 2022 its Eco-adaptive cruise control system. This a function in which the vehicle adjusts its speed to optimise its fuel consumption and reduce its CO<sub>2</sub> emissions using data from the navigation system, other vehicles (Car2Car) or infrastructure (Car2I), and environmental sensors such as cameras and radars. Car2I communication includes the communication between the traffic light and the vehicle: the vehicle knows when the light is about to turn green or red, and it can adjust its speed, resulting in a smoother, more comfortable ride.

### Extending mobility: innovation under way

In an environment in which access to city centres is becoming more and more restricted, the Group positions itself as a provider of innovative mobility solutions for today's issues. With the release of the new PEUGEOT 3008, the Group offers customers a new option for individual mobility:

- a folding, electrically assisted scooter (e-Kick) by MICRO;
- a folding, electrically assisted bicycle (e-Bike) by PEUGEOT.

This unique offering is aimed at customers who are looking for mobility solutions that complement their vehicle and will help them cover the last miles of their journey. The scooter and bicycle charge on a charging station in the boot while the vehicle is in use.

This innovation is aligned with the Group's overall approach, which seeks to offer customers different ways to optimise their entire journey and reduce the related CO<sub>2</sub> emissions, while re-imagining mobility.

## 2.1.5. Reducing the environmental footprint of refrigerants G.22 G.33

European Directive 2006/40/EC gradually phases out the use in vehicles of refrigerants with a global warming potential (GWP) of more than 150 eq. CO<sub>2</sub>. This regulation will apply to all models on the market that weigh less than 3.5 tonnes as of 2017.

New types of vehicle produced by the Group since 2011 use refrigerants that meet this regulatory standard. For example, the PEUGEOT 308, CITROËN C4 Cactus and CITROËN C4 Picasso no

longer use fluoride gas R134 a. Starting in 2017, all vehicles sold by the Group will use these new types of refrigerants.

In 2008, the Group began carrying out refrigerant leakage inspections to check for substances with a GWP of more than 150 in all its vehicles on the market. A leak of up to 40 g is authorised for a single evaporator and 60 g for a double evaporator.

## 2.2. AIR QUALITY G.22 G.24 G.42 G4-DMA G4-EN27

As a participant in discussions about the public health and environmental issues that relate to mobility, PSA Group has long incorporated concerns about air quality into its R&D programmes. Thanks to this work, the Group has been able to integrate into its ranges engines and technologies that drastically reduce:

- nitrogen oxide emissions: PSA Group was the first car manufacturer to adopt a widespread use of SCR (Selective Catalytic Reduction), which makes it possible to reduce nitrogen oxide emissions by up to 90% and which it has been marketing since 2013 on its Euro 6 vehicles;

■ particulate emissions: as the inventor of the particulate filter (DPF), which it has been marketing since 2000, PSA Group was more than nine years ahead of the Euro 5 regulation, which made the particulate filter compulsory from September 2009.

The palette of existing solutions for improving air quality also integrates existing electric vehicles in the Group's catalogue and those being developed such as plug-in hybrids (PHEV).

## 2.2.1. Breakthrough technologies to reduce atmospheric pollutants from vehicles G4-EN21

Breakthrough technologies to reduce atmospheric pollutants from PSA Group vehicles are equally valid on combustion vehicles and plug-in hybrid vehicles.

### 2.2.1.1. PSA GROUP'S ADDITIVE PARTICULATE FILTER: THE ONLY EFFECTIVE TECHNOLOGY UNDER ALL OPERATING CONDITIONS OF THE VEHICLE

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 100 g/km from the new HDi engines, compared to 250 mg/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 adopted a particulate filter with additive solution, the best option for regeneration efficiency. PSA Group's solution includes an additive tank, a ceramic filter and sensors. Made from iron and wholly captured by the filter, the additive is automatically added to the fuel (the driver does not need to do anything): it lowers the combustion temperature of the soot by around 100 degrees and ensures faster regeneration under all operating conditions of the vehicle (city, motorway, etc.), unlike catalysed diesel particulate filters.

The additive DPF developed by PSA Group reduces the fraction of NO<sub>2</sub> in NO<sub>x</sub>, unlike diesel catalysed particulate filters made by the competition.

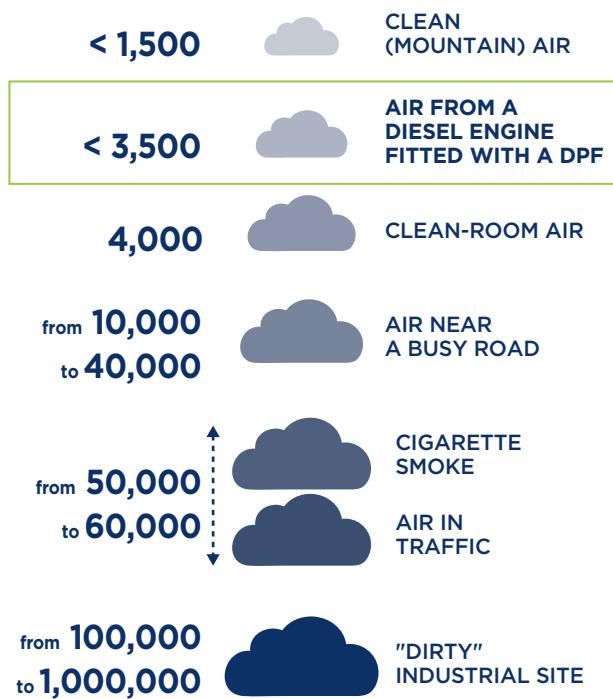
### Fine and ultra-fine particulate matter

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). In the late 1990s, with the introduction of the additive particulate filter, particulate emissions plummeted from more than 3,500,000 particulates per cm<sup>3</sup> in an unfiltered diesel engine to 3,500 particulates per cm<sup>3</sup> in a diesel engine with a particulate filter. The particulate filter removes particles in all driving conditions.

It is a mechanical system which operates effectively in all phases of engine function – load/temperature, hot/cold, urban/motorway driving – even when the filter is full.

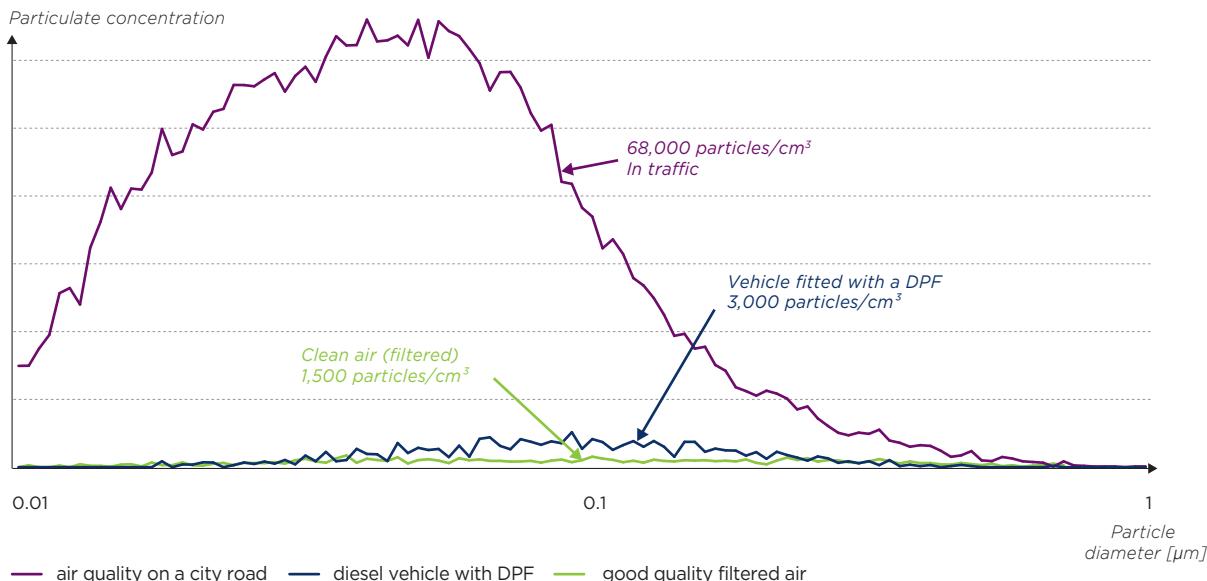
A diesel engine fitted with a particulate filter emits less particulate matter than a latest generation direct-injection petrol engine, with particulate emission levels significantly lower than the thresholds required under current regulations (20 times less in mass, up to 100 times in number).

**Comparison of particulate emissions levels of a diesel engine fitted with a DPF**



*Source: AIRPARIF / PSA.*

### Efficient DPF for all sizes of particulate matter (including ultra-fine)



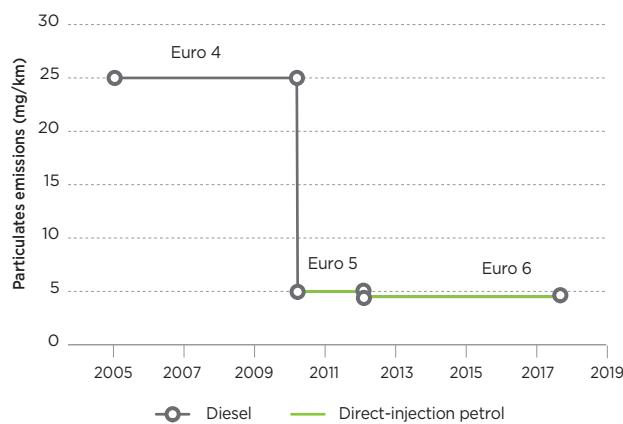
Source: PSA Group internal measurements.

Note: Fine particulates (PM 2.5) = particulates with a diameter < 2.5  $\mu\text{m}$ .

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).

The Group is continuing to roll out this technology, underpinned by the introduction of the Euro 6 standard.

### Changing regulatory limits on particulate emissions applicable to Group vehicles in Europe



On all its global markets, vehicles sold by the Group comply with the regulations in force in each local market and benefit from advanced technologies developed for the European market.

A pioneer in this field, the Group had sold a total of 11.4 million diesel vehicles fitted with DPF by the end of 2016.

In 2016, vehicles equipped with DPF accounted for 97% of the Group's total diesel vehicle sales worldwide, compared to 91% in 2015 and 37% in 2009.

The second stage of Euro 6 (Euro 6d-TEMP) will impose a tougher limit in terms of number of particles 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). In order to comply with the second stage of Euro 6, and as part of its efforts to optimise injection systems, the Group is studying a natural-regeneration particulate filter (GPF, gasoline particulate filter) to reduce particulate emissions in number from direct-injection petrol vehicles. This solution works on all particulate matter, both fine and ultra-fine, no matter what the driving conditions. This new technology is scheduled to be launched in petrol vehicles beginning in 2017.

#### FOR more INFORMATION

**"DPFS: diesel particulate filter system. Automobile technology by PSA Group" video:** <https://www.youtube.com/watch?v=h7KXaBlrxFU&feature=youtu.be>

### 2.2.1.2. SCR (SELECTIVE CATALYTIC REDUCTION): THE MOST EFFECTIVE SOLUTION FOR REDUCING NITROGEN OXIDES

The after-treatment SCR (Selective Catalytic Reduction) technology helps to noticeably reduce nitrogen oxide ( $\text{NO}_x$ ) emission levels by injecting a reducing agent (AdBlue®, a blend consisting of 32.5% urea and 67.5% water), into the exhaust line upstream of a specific catalyst.

Integrated into new emission control architecture upstream from the particulate filter, SCR helps to optimise the fuel efficiency and limits  $\text{CO}_2$  emissions of diesel engines.

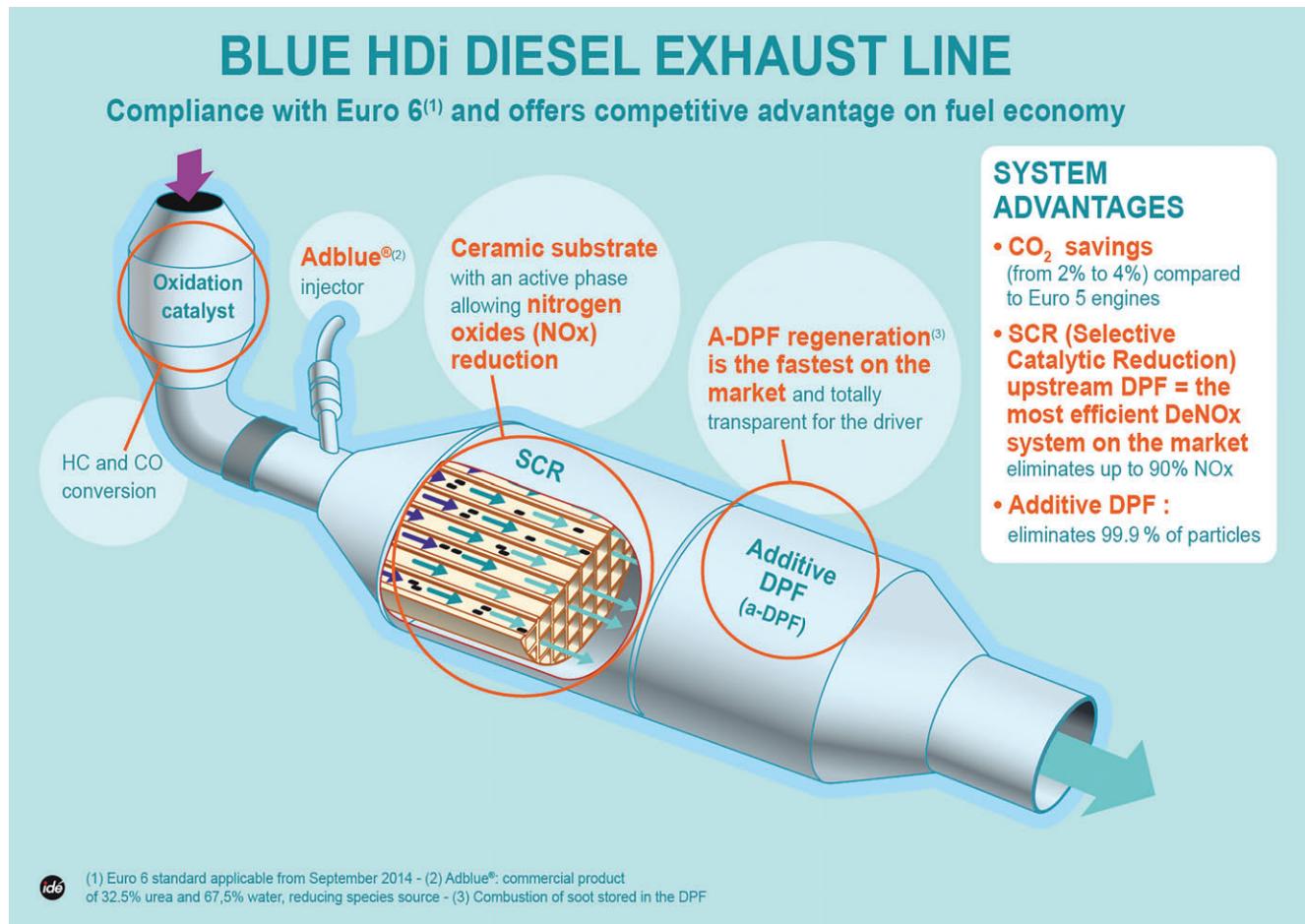
In preparation for the second stage of Euro 6, the Group decided from the first Euro 6 stage (Euro 6b), to roll out the SCR technology on the entire diesel range in order to improve  $\text{NO}_x$  reductions. SCR technology is identified by the "BlueHDI" label, which combines the particulate filter and the SCR technology.

The BlueHDI exhaust line is fitted with three pollution control subassemblies:

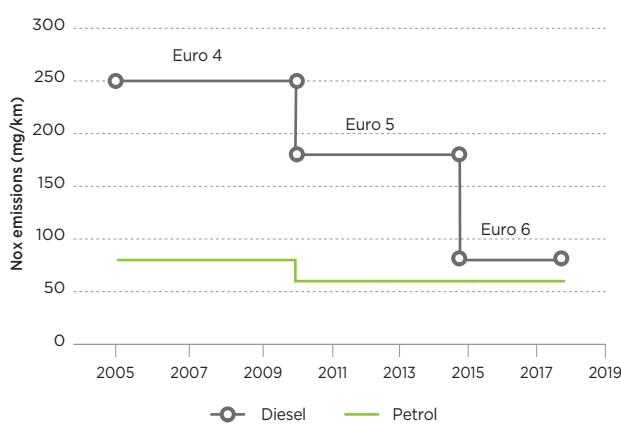
- an oxidation catalyst;
- an additive particulate filter that enables the removal of 99.7% of particulates in number, regardless of their size and regardless of driving conditions;

- an after-treatment system called selective catalytic reduction (SCR) positioned upstream of the additive particulate filter, which eliminates up to 90% of nitrogen oxide ( $\text{NO}_x$ ) emitted by the engine.

This choice demonstrates the Group's commitment to reducing, in real-world driving conditions, its vehicles' emissions while maintaining fuel consumption and  $\text{CO}_2$  emissions at the optimal level.



### Changing regulatory limits on $\text{NO}_x$ emissions applicable to Group vehicles in Europe



Introduced in November 2013 on the PEUGEOT 508 and CITROËN C4 Picasso on the 2.0-litre DW engine, BlueHDI technology was extended to the 1.6-litre DV engine in 2014 and then rolled out across all PEUGEOT, CITROËN and DS ranges. In 2016 it represented 81% of diesel vehicles fitted with DPF, with 1.8 million total vehicles sold in the world at 2016 year-end.

In May 2016, the millionth Euro 6 BlueHDI engine came off the assembly lines at the Trémery production site (in Moselle). On this occasion, **Christian Chapelle**, VP, Powertrains & Chassis at PSA Group, said:

**“After being a trailblazer with the particulate filter that we launched in 2000, then the first car manufacturer to use the SCR widely, these million BlueHDI diesel engines fitted with the most efficient solution for treating polluting emissions confirm PSA Group's commitment to offering its customers clean, sustainable mobility solutions.”**

The BlueHDI line now features on all of the Group's European diesel-powered passenger cars to bring standard NO<sub>x</sub> emissions down to the same level as petrol engines, while maintaining the advantages of diesel engines in terms of 15% less CO<sub>2</sub> emissions and fuel economy.

The BlueHDI technology is the subject of approximately 100 patents filed by PSA Group. The Group is working on refining this system, not only to bring costs down without compromising on performance, but to give it new features – such as the SCR catalyst-impregnated filter – thereby reducing NO<sub>x</sub> and eliminating particulate matter in a single emissions control system. This involves incorporating the SCR into the particulate filter, resulting in the SCRF (Selective Catalytic Reduction on Filter) system. This new technology is due to be released in 2017 for the Euro 6d-TEMP stage.

In the past, PSA Group vehicles were to be refilled with AdBlue® during maintenance procedures at the frequency recommended in the owner's manuals. But now, in order to improve the performance of new Group vehicles, filling up with AdBlue® will be made easier through the use of an orifice that is conveniently placed in the fuel tank flap. This filling method will be included in time for Euro 6d-TEMP on vehicles that are already in standard production. 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.



Orifice designed for AdBlue® refills in the fuel tank flap – placed on all Group vehicles in time for Euro 6d-TEMP

#### FOR **more** INFORMATION

**"PSA Group Blue HDI new exhaust line" video:** <https://www.youtube.com/watch?v=jkpzSdSvQcQ&feature=youtu.be>

## 2.2.2. Significant R&D investments in order to meet stakeholders' expectations

PSA Group is keenly attuned to civil society's legitimate expectations when it comes to air quality, and it devotes significant resources to R&D in order to identify and market effective technical solutions that can be distributed as broadly as possible, the only solutions that can have a concrete environmental impact.

For a long time, PSA Group has been campaigning for a change in vehicle emissions measuring protocols so that they better reflect real-world driving conditions.

In developing its vehicle projects, the Group takes into account real-world driving conditions and accepts technological tradeoffs in anticipation of the toughening of regulatory thresholds.



### ECONOMIC INSIGHT

The Group deploys massive R&D investment into maintaining air quality and reducing greenhouse gas emissions.

These investments, including €635 million to develop powertrains in 2016, have led to the development of a **unique solution** that reduces both fuel consumption and emissions of CO<sub>2</sub>, NO<sub>x</sub> and particulate matter from diesel engines. This technology, which features the SCR (Selective Catalytic Reduction) system, comes at **an extra cost of €200 to €500 per car**, but is the most efficient solution and makes no compromise between air quality and fuel consumption.

The PEUGEOT, CITROËN and DS brands have the only vehicles that feature this system.

Environmental innovations relating to the product are essential to control operational risks (non-approval of vehicles) and financial risks (payment of fines, increase in taxes) in case of non-compliance with the fuel consumption or emission thresholds set by regulations in the various Group markets. The annual risk for a company of PSA Group's size is a shortfall of €1 to €2 billion in the event of a failure to obtain approval or a vehicle recall due to unstable performance.

## FOR THE RECORD: EURO X REGULATORY STAGES SPOTLIGHT ON THE LAST THREE STAGES: EURO 4, EURO 5, EURO 6

These standards set the maximum admissible levels of regulated pollutants: CO, HC, NMHC, NO<sub>x</sub> and particulate matter (based on two criteria: particulate mass (PM) and particle number (PN) since Euro 5).

Euro 5 and Euro 6 (Regulations (EC) No. 715/2007 and 692/2008, amended by Regulation (EU) No. 2016/646) reduce to very low

levels the permitted limits of particulate matter and nitrogen oxides (NO<sub>x</sub>) emitted by diesel and petrol vehicles (especially direct-injection petrol technology, with regard to particulate emissions). Under Euro 5 and Euro 6, diesel particulate mass emissions are cut by more than 80% compared with Euro 4. To meet the standard for the number of particles, a high level of filtering efficiency is required (more than 99%). The Euro 5 standard represents a 30% reduction in diesel NO<sub>x</sub> and Euro 6 represents a 70% reduction in diesel NO<sub>x</sub> compared to Euro 4.

### EXTRACT OF EURO 4, 5, 6 EMISSION LIMITS

*Measurements at ambient temperature "20°C" for petrol or diesel passenger cars and light commercial vehicles (N1 class 1) - Brussels regulations EC 715/2007 and 692/2008 amended by EU regulation 2016/646.*

Exhaust emissions at ambient temperature (20°C)	Petrol vehicle*, CNG, LPG (g/km)			Diesel vehicle (g/km)		
	Euro 4	Euro 5	Euro 6	Euro 4	Euro 5	Euro 6
CO	1.00	1.00	1.00	0.50	0.50	0.50
Non-methane HC (NMHC)	-	0.068	0.068	-	-	-
THC	0.10	0.10	0.10	-	-	-
NO <sub>x</sub>	0.08	0.06	0.06	0.25	0.18	0.08
THC + NO <sub>x</sub>	-			0.30	0.23	0.17
Mass of particulate matter	-	0.005/0.0045**	0.0045**	0.025	0.005/0.0045**	0.0045**
Number of particles	-		6' x 10 <sup>12</sup> part./km <sup>(1)</sup>	-	6' x 10 <sup>11</sup> part./km <sup>(3)</sup>	6' x 10 <sup>11</sup> part./km
Durability (km)	100,000	160,000	160,000	100,000	160,000	160,000

\* Limits set for particulate matter (mass and number) apply only to vehicles with direct-injection petrol engines beginning with Euro 5.

\*\* On the application dates - 01/09/2011 for new vehicle types and 01/01/2013 for all types - a changeover to a more precise measurement procedure will reduce the maximum admissible level to 0.0045 from 0.005 g/km. On the same dates: introduction of particle number (PN) emission limits, first for diesel.

(1) Extension of PN limits at the manufacturer's request until 31/08/2017 for new vehicle types and 31/08/2018 for all types (one year later for certain categories).

(2) Stricter PN limits beginning on 01/09/2017 for new vehicle types and 01/09/2018 for all types (one year later for certain categories).

(3) Introduction of PN emission limits for diesel beginning on 01/09/2011 for new vehicle types and on 01/01/2013 for all types.

RDE (Real Driving Emissions) for petrol or diesel passenger cars and utility vehicles - Brussels Regulations EC 715/2007 and EC 692/2008 amended by Regulation EU 2016/646.

Compliance factors	Euro 6d-TEMP**	Euro 6d***
CO	-	-
NO <sub>x</sub>	2.1	1 + margin*
Particle numbers	1 + margin*	1 + margin*

\* The margin value was set at 0.5 but will be revised based on the maturity of the PEMS (Portable Emission Measurement System).

\*\* Euro 6d-TEMP: 01/09/2017 for new vehicle types and 01/09/2019 for all types (one year later for certain categories).

\*\*\* Euro 6d: 01/01/2020 for new vehicle types and 01/01/2021 for all types (one year later for certain categories).

Evaporation emissions for petrol passenger vehicles and petrol utility vehicles - Brussels Regulations EC 715/2007 and EC 692/2008 amended by Regulation EU 2016/646.

Evaporation emissions	Petrol vehicle, CNG, LPG (g/test)			Diesel vehicle (g/test)		
	Euro 4	Euro 5	Euro 6	Euro 4	Euro 5	Euro 6
HC	2.00	2.00	2.00*	-	-	-

\* Measurement procedure changing on 01/09/2019 for all vehicle types.

HC: Unburned hydrocarbons - HC: Non-methane unburned hydrocarbons (with no CH<sub>4</sub>) - CO: Carbon monoxide - NO<sub>x</sub>: nitrogen oxides.

In Europe, the Group's petrol and diesel passenger cars have complied with Euro 6 since September 2014 for new models brought into the market and since September 2015 for all registered vehicles (one year later for certain vehicle categories).

In the rest of the world, vehicles sold by the Group are in compliance with the regulations in force in each local market and benefit from the advanced technologies developed for the European market.

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

Not only is PSA Group a trailblazer when it comes to technological solutions, it also distinguishes itself in how it provides information to its customers.

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

PSA Group also takes part in public discussion and it advocates strongly for manufacturers to have the freedom to devise the most effective solutions that are challenged by the thresholds set by regulators.

Confident in the suitability of its technological solutions in the face of climate and air quality issues, in November 2015 it announced its partnership with two environmental NGOs, Transport & Environment (T&E) and *France Nature Environnement* (FNE), and together with them published the real-world fuel consumption for its vehicles. This information is already available on the websites of the Group's brands.

The partnership with T&E and FNE is continuing in order to define a measuring protocol for NO<sub>x</sub> emissions in real-world conditions. The first set of results is scheduled to be published in 2017, coinciding with the release of the Euro 6d-TEMP vehicles.

To date, PSA Group is the only car manufacturer to have made such a commitment of transparency towards its customers.

Aware of the challenge of informing its customers about the differences 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 choices and to measure the impact of their driving mode on their vehicle's emissions.

In addition, the results of the RDE monitoring emissions of PSA Group's recently certified vehicles are now posted on the website <http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data>.

## 2.3. VEHICLE QUALITY AND SAFETY G4-DMA

The Group objective is to target the top end of the market in terms of product quality, vehicle performances and quality of service to its customers. The Group has implemented the following procedures to achieve the objectives it has set.

### 2.3.1. Product and service quality

#### 2.3.1.1. THE GROUP'S OBJECTIVE: QUALITY FIRST!

On presenting the new Strategic Plan, Push to Pass, Carlos Tavares talked about the importance of quality for PSA Group:

"Making quality the number 1 priority, with no exception, guarantees customer satisfaction and protects the Company's long-term future. Long-term economic performance cannot be achieved if quality is not up to the mark. All behaviours, processes and decisions must be customer-focussed."

#### Targeting the No. 1 spot

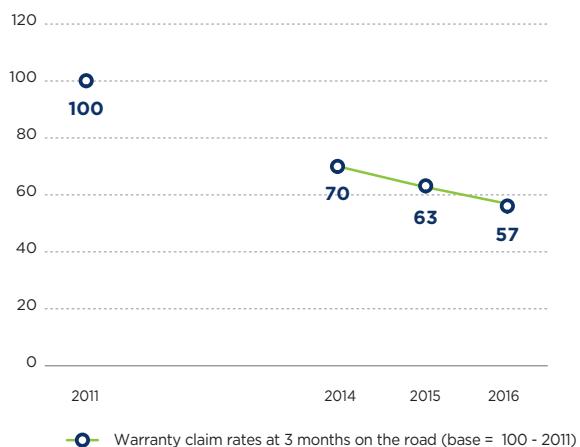
To meet its customers' expectations, PSA Group aims to guarantee, for its products, utmost reliability and the best possible services performances, as well as quality at the time of vehicle purchase/delivery and also in terms of after-sales.

On these two commitments, by the end of the P2P plan the Group aims to be number 1 in each region where the Group has a major presence, thus becoming "its customers' preferred car manufacturer and mobility supplier".

The graphs below show changes in the Group's quality results measured through its financial results and internal quality results and surveys:

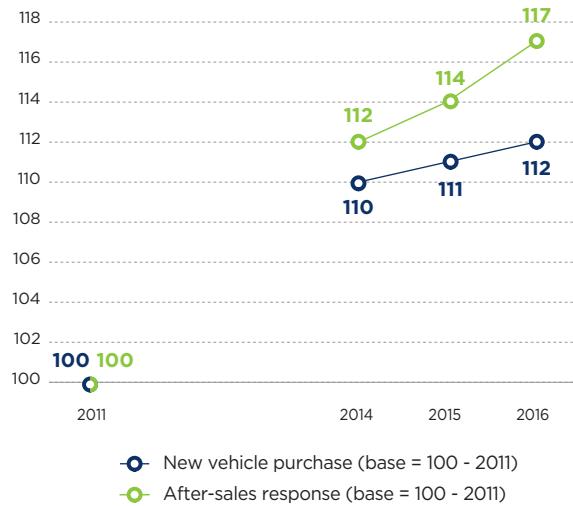
#### Change in 3-month failure rate (breakdowns+ incidents) under warranty

(Change in 3-month failure rate, excluding new vehicle preparation, 12-months of use - base 100 in 2011)



### Change in recommendation rate in service quality surveys by the Group for purchases sales of new vehicles and after-sales vehicle maintenance and repair

(% recommendation worldwide excluding China – 12-month total – base 100 in 2011)



The progress plans are paying off, resulting in improved quality performance:

In China, for the last three years PEUGEOT and CITROËN have been in the TOP3 of the JD Power opinion poll for after-sales, CITROËN in the TOP3 for sales and PEUGEOT entered the TOP3 rankings this year.

On 4 November 2015, the DPCA (DONGFENG PEUGEOT CITROËN AUTOMOBILES) joint venture received the prestigious National Quality Award in Beijing, China's most distinguished quality award. The award, given in recognition of the performance management and progress achieved by DPCA, was presented at the 15<sup>th</sup> China Quality Awards. 80 firms were up for an award.

DPCA became the first automotive joint venture subsidiary of a national car manufacturer to receive this distinction. It demonstrates the importance of DPCA's role in all areas in the Chinese industry, including product strategy, R&D, purchasing, production, supply chain, sales and after-sales service.

Created in 2001, the National Quality Awards are held each year by the China Association for Quality after a lengthy selection process. It is the highest award for performance excellence among firms in China.

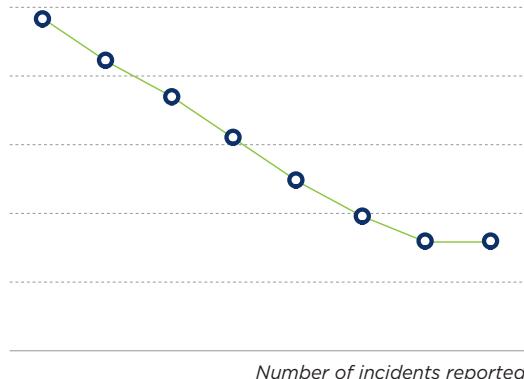
### The role of quality in sustainable economic performance

Through this ambition, the Group is targeting customer satisfaction, customer loyalty and also increased economic performance:

Brand loyalty is directly correlated to the level of incidents experienced with the product: customer satisfaction decreases as the number of incidents increases.

### Relationship between incidents and product quality score:

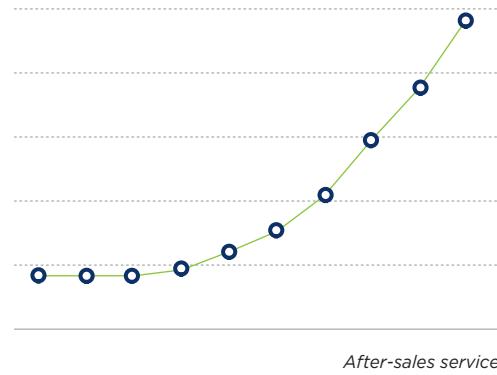
*Total satisfaction score - new vehicle*



The customer's loyalty to the network is correlated to the quality of the sales and after-sales service: it increases with customer satisfaction.

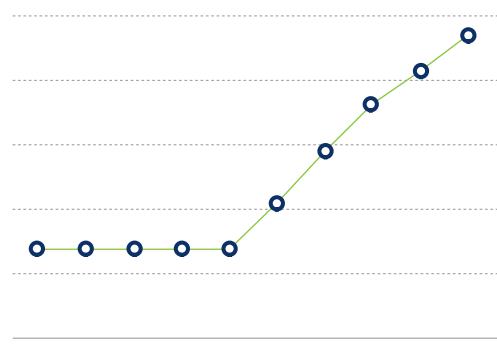
### Relationship between loyalty to the dealer and after-sales satisfaction:

*Dealer loyalty*



### Relationship between loyalty and product quality:

*Brand loyalty rate*



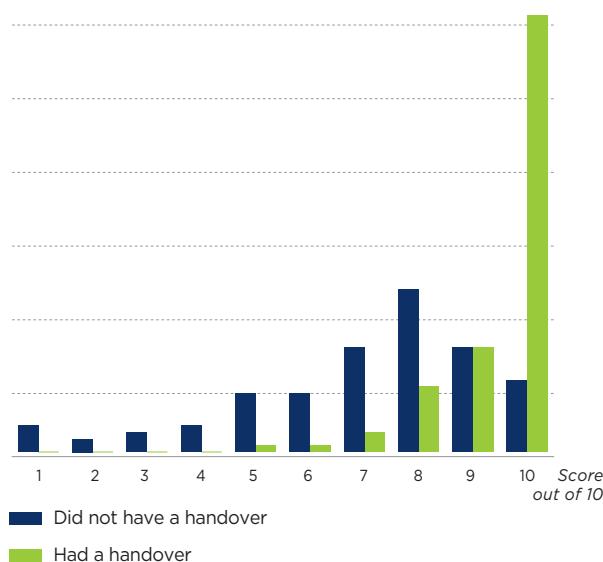
An increased level of quality is reflected by both a higher brand renewal rate and a higher success rate over competing brands.

The improvement of quality also relates to warranty cost savings for the Group:

- the reduction in warranty costs related to claims is proportional to the improvement in quality: between 2004 and 2010, a reduction by a factor of nearly three in the level of incidents after one year of use reduced warranty expenses by a factor of 2.5, despite an increase in technical hardware in vehicles;
- under its Push to Pass strategy, the Group aims to halve these warranty costs again by the end of the plan;
- service also plays a core role: the length of time spent handing the vehicle over to the customer on delivery significantly impacts satisfaction and significantly reduces the number of negative comments. The PSA Group also implements standards for optimum handovers in terms of duration and quality of information provided.

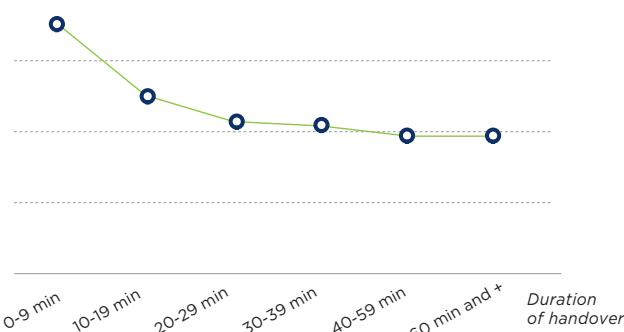
#### **Breakdown of satisfaction ratings according to provision of handover:**

*Number of customers who gave this score*



#### **Impact of handover time on the number of critical comments in the quality survey:**

*Number of critical comments in the quality survey*



#### **2.3.1.2. ORGANISATION AND GOVERNANCE IN SUPPORT OF AMBITION**

In order to achieve its objectives, the Group has implemented a quality policy applied throughout the value chain and in all countries where it operates.

The policy is rolled out to the Company's activities through the Quality Management System (QMS). The QMS is based on 90 essential requirements or principles throughout the Company's value chain (Scheduling, Design, Purchasing, Production, Transportation, Sales, After Sales).

- These requirements are the basis for the Group's operational processes and quality standards.
- A self-assessment by the entities concerned and controls through "customer perspective" inspections are the final elements of the procedure.
- Reports and Region and business lines Quality Committees ensure the implementation and enforcement of the policy, the achievement of results and, where appropriate, corrective action plans.



#### **STAKEHOLDER RELATIONS**

*PSA Group currently chairs IATF France (International Automotive Task Force) and has contributed to a tightening of the requirements of the 2016 version of the IATF 16949 quality standard, the automotive industry's version of ISO 9001, in collaboration with the other IATF members, equipment manufacturer organisations (FIEV, VDA, etc.) and the certification boards (UTAC, TÜV, Bureau Veritas).*

The Group's quality governance is global:

- the SVP Quality oversees the VP Quality Directors of the six Group regions and Business Management and reports to the Executive Committee (COMEX).

The Head of Quality ensures that the Group meets its quality objectives;

- the quality teams in Business Management oversee operational managers with a view to efficiency and achieving quality from the outset in the areas of product and service.

The business lines provide the regions with guidelines on quality expectations;

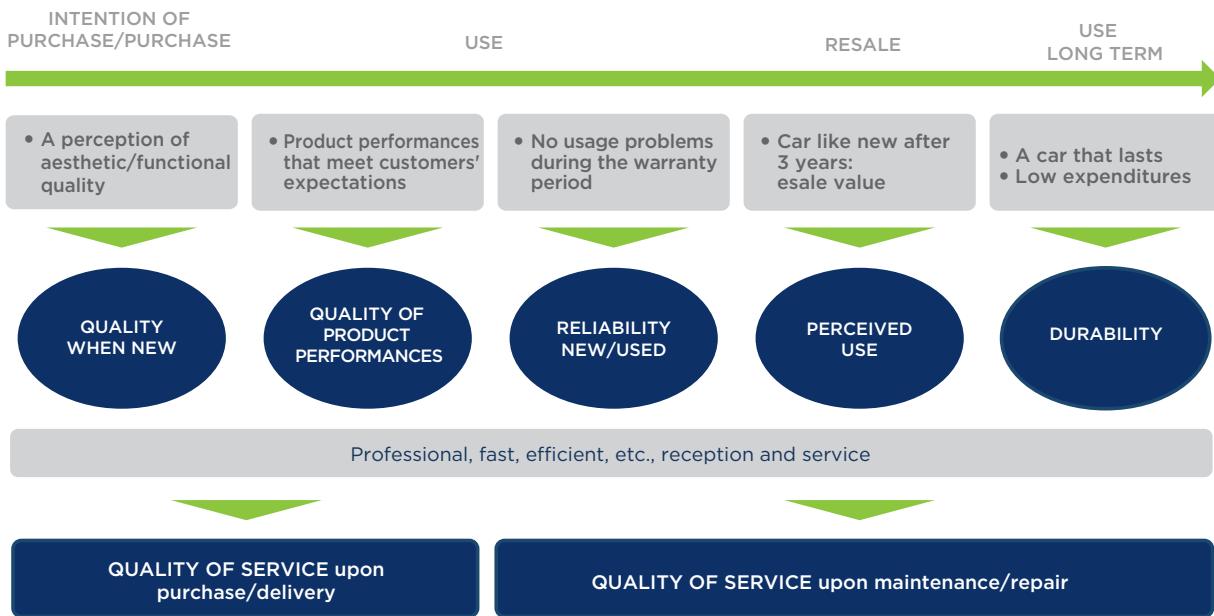
- the quality teams in the regions are in charge of the plants. In the field, they support the points of sale in their implementation of the operational quality standards, and ensure that customers receive a tailored response from all parts of the network. The objective is to ensure the mobilisation of those who are in direct contact with customers in points of sale. This practice markedly improves the results of quality-client surveys.

The regions guarantee that operational managers are highly skilled and all work is performed to a very high standard.

Executive Committee meetings are held during the year:

- once a year to draw up/validate the strategic objectives of the Medium-Term Plan;
- quarterly to take stock of the results and to adjust the quality initiatives of the business lines (twice a year) and the regions (twice a year);
- monthly to present the regions' results, discuss/adjust them. This meeting is attended by the Head of Quality.

### 2.3.1.3 CUSTOMER EXPECTATIONS OF PSA GROUP BRANDS



The PSA Group's quality commitment is centred on customer expectations.

The products must meet the following fundamental requirements:

- perceived quality must incite trust and encourage the purchase decision;
- the product performances (performance road capacities, style, comfort, enjoyment, etc.) must meet their expectations;
- reliability must be flawless (zero incidents when new and during use);
- the vehicles must be easy to resell because they age well. They are "like new after three years";
- durability must be guaranteed for customers who hold on to their vehicles or purchase a second-hand car.

The brands must guarantee excellent service quality during the customers' physical and digital ("phygital") experience:

- at the pre-sale stage and at the time of purchase (information searches, configuration, welcome, advice, explanations, handover);
- after-sales service (information searches, online purchase, welcome, care, vehicle maintenance, repair, adherence to deadlines);
- in terms of mobility offerings.

### 2.3.1.4. RESOURCES DEPLOYED TO SUPPORT PRODUCT QUALITY

#### 2.3.1.4.1. At the design and engineering phase

The Group has tools in place to guarantee product quality at every stage of the customer's journey:

##### Perceived quality at the time of purchase

The shape, style and lines of the vehicle are all factors which sway the global customer's perception of quality, but detail, finish, sturdy parts and the materials used both inside and outside the vehicle also play an important part.

A customer's overall impression is, therefore, a combination of all the detailed and general judgements they have made about the

vehicle. Therefore, perceived quality is without a doubt an important factor in the purchase decision. Residual Value influencers/lessees also rank it highly when establishing the criteria for the initial resale residual value when a new model comes out.

PSA Group has drawn up a detailed list of over 1,500 attributes which impact perceived quality and aims to position each future model at the level of the toughest competitor of each of the three brands. To do this, it uses evaluation tools and technical benchmarks to drive its vehicle projects towards the set targets.

##### Performances and reliability during use of the vehicle

- The performances: basing itself on customer expectations for a given sector and the brand experience it wishes to convey, the brand sets the quality standards for around 40 of the main static and dynamic performances (e.g.: visibility, seat comfort, etc.) which translate into almost 1,000 little extras. The Group wants to position each future model among the leaders at the competitive end of the target market. To do this, it uses static and dynamic evaluation tools which allow it to monitor the vehicle projects, make adjustments and steer them towards the objectives set for each of the performances.
- Reliability when new and in use: by optimising technical benchmarks and controlling design and manufacture, both in-house and by Group suppliers, the Group can guarantee measures have been taken to ensure the customer does not experience quality problems and that it can act fast should an anomaly arise. 2.5 million km driven behind the wheel of 200 pre-production vehicles to detect and fix incidents before release onto the market. These tests "under real conditions" are performed not only by design teams, but also by members of staff.

##### Quality in use for the possible resale of the vehicle

This is one of the key issues of the P2P plan: improvements in vehicle quality must ensure that the vehicle is "like new after three years" because it is after three years that many customers exchange their vehicles and lease cars arrive on the second-hand market. Optimum resale value is therefore vitally important for customers and the Group. The quality of the vehicle and the cost of bringing it up to the best possible second-hand standard are important factors in the resale value.

Specific, more stringent vehicle tests at 60,000 km (vibrations, climate cycles, load, etc.) are also conducted; the Group uses the results to improve the baseline design requirements and manage the ageing of the vehicle after three to five years of use (depending on geographical area and usage profile) so as to improve the scope of use and resale value;

#### Durability for long-term use

Beyond these three years, the Group must guarantee long-term quality for customers who keep their vehicle for a long time, clock up considerable mileage or purchase Group brand vehicles in the second-hand market. The general desire is for a vehicle which ages well and does not incur excessive future expenditure. Several years ago, the Group launched an action plan to deal with all the factors which significantly impacted on defects and costs after seven years and beyond.

#### 2.3.1.4.2. Production quality

The objective is quality control at the workstation, strict compliance from suppliers and at the plant, and excellence in quality processes, as part of the PSA Excellent Plant initiative:

- 1,800 functional and aesthetic features are checked on every car;
- 50 vehicles per model and per day are test-driven by two professional operators on specially-designed tracks (road surfaces, turns, obstacles, etc.); and on the road outside the plant;
- a monitoring and audit plan drawn up by the Quality Assurance Department ensures the plant employees in charge of the daily quality checks meet the requirements of the industry benchmarks.

#### 2.3.1.4.3. Handling customer incidents

##### Quality in use

- From delivery of the first cars, a “control tower” procedure provides an immediate response from weak signals, and can even involve crisis management.
- It enables the quality of consumer vehicles to be continually improved by identifying all of the flaws found by the network (10,000 exchanges per day), and providing technical solutions as quickly as possible. Specifically, 100% of potential safety-related failings are investigated.
- At the same time, the “control tower” provides information to design teams to constantly improve the vehicle design, production and repair reference guides.

##### Recall campaigns

The protocol implemented within the Group aims to maintain a high quality standard for vehicles in circulation, eradicating potential defects as soon as they become known. This protocol is applied, as necessary and on the Group's initiative, for vehicles of our three brands-PEUGEOT, CITROËN and DS.

In 2016, for the entire Group, 38 campaigns were carried out on volumes ranging from a few dozens to more than 100,000 vehicles.

These campaigns, practised by all car manufacturers, are carried out transparently by brand with respect to:

- the relevant authorities (regulatory filing of declarations for safety campaigns)

Each notification document submitted to the authorities indicates the models and parts concerned, vehicle manufacture dates, type of risk, description of the defect and corrective measures taken;

##### ■ PEUGEOT, CITROËN and DS dealership networks

The traceability of the components purchased during manufacture enables PSA Group to draw up a list of vehicles that are potentially concerned. Once a campaign is launched, an alert including all the necessary information (list of vehicles concerned, content of the message sent to customers, necessary procedure, any parts required, etc.) is sent to the dealership networks via the appropriate IT systems;

##### ■ the customers in question, notified individually.

The method used to notify the customer is line with the local regulations in each country. Customers affected by a safety campaign are invited to make an appointment with an authorised brand repaireer to make the necessary adjustments.

When the customer makes the appointment, the workshop will provide all the necessary information, including the appointment date, how long the repair will take, the confirmation that the repairs are free of charge, the terms for using a replacement vehicle, etc.).

The customer is asked to notify the brand of any change in vehicle status, including its sale, end of life or change of address.

The actual repairs made in application of each campaign are recorded in a centralised database. The Group monitors the implementation of each campaign specifically based on progress indicators. Repeat requests are sent to customers who do not come forward until the end of the campaign. The operations carried out are free for the customer.

#### 2.3.1.4.4. A global approach

All the actions are based on/adapted to the most demanding customer expectations, according to region, in order to handle perceived quality, quality in use and the durability of PEUGEOT, CITROËN and DS vehicles.

The same analysis, processing and feedback standards and campaigns for quality and safety issues are applied for vehicles produced by the Group's joint ventures in China, DPCA and CAPSA.

#### 2.3.1.5. RESOURCES DEPLOYED TO IMPROVE SERVICE QUALITY

In 2016, PSA Group made customer satisfaction the leading priority of its strategy and also included it in the business model for its dealership network.

The Quality Department sets out the customer satisfaction requirements for both sales and after-sales, in application of the Group Quality policy in this area.

##### Top-level operational skills

Particular attention is paid to the skills of the Group operations teams and of the teams at each of its points of sale.

- Job standards describe the full range of tasks for the zone managers and each key function of the dealership. In a sales team, for example, this includes the sales manager, the sales personnel, the sales secretary, the processor and the delivery manager. These job standards are the first self-training tool for each new employee at the dealership.

In 2016, top Group managers in Europe were trained on how to check these standards.

- The Group training policy applies to all the key sales and technical positions at the point of sale. In 2016, the PEUGEOT, CITROËN and DS dealership networks delivered 300,000 hours of distance learning.

### A service quality roadmap

The service quality roadmap has been updated worldwide for the period 2016/2019.

Each country is responsible for its own annual Service Quality Plan, which is structured around three key actions:

- the deployment of operating standards in each point of sale. These standards contain and guarantee all the Brands' requirements which must be met by each point of sale;
- control of the delivered quality by each point of sale;
- reducing the distance between points of sale.

### A process that delivers results

A key priority is to check the effectiveness of the dealership processes:

- a standard "Manager's Tour" has been created for the head of each point of sale to ensure they see their site and activities through the "customer's eye" at all times;
- the zone managers regularly conduct Internal Audits at all points of sale;
- external audits are conducted each year in line with operating standards;
- mystery shoppers visit regularly to ensure the dealership is delivering the Brands' desired customer experience:

Alongside this, the Quality Department runs internal audits each year at a number of subsidiaries.

### Ongoing performance measurement and a structured approach

There are three mechanisms in place to measure the quality performance of dealers of new vehicles and after-sales repairers:

- a customer quality survey (see 2.3.1.6);
- visits from mystery shoppers (4 to 12 visits to the point of sale each year, mystery leads, mystery calls);
- an audit of the operating standards (one to two audit campaigns a year by external auditors).

Using the "CITROËN ADVISOR" app which was introduced in Europe in 2015, customers can immediately and spontaneously review the quality of the sales or after-sales service they received from their dealer (see 2.3.1.6).

Coordinated, ongoing initiatives are in place to remind the Group Brand subsidiaries and importers of the importance of customer satisfaction.

#### FOR **more** INFORMATION

**"My quality is..." video:** [https://www.youtube.com/playlist?list=PLpXLwEad5ZrZ9SbKhNGWlx2\\_IK3pTzQ1d](https://www.youtube.com/playlist?list=PLpXLwEad5ZrZ9SbKhNGWlx2_IK3pTzQ1d)

### 2.3.1.6. CUSTOMER RELATIONS AND A LISTENING EAR

G4-PRS

For many years, PSA Group has had in place a procedure that allows the Group's brands to maintain continuous contact with their customers and to respond in the shortest timescale in case of difficulty.

This procedure is evolving rapidly to adapt to new customer expectations and habits and advances in technology.

#### The surveys

The system is based on surveys managed by the Group to measure, as close to the ground as possible, the progress and effectiveness of actions:

- with respect to service quality:

Since 2008, the Group has developed an extensive system of online customer surveys following vehicle purchase, and following contact with the after-sales service. 1.6 million customers in 30 countries responded in 2016, which equates to almost one in five customers in Europe, Russia, Ukraine, Japan, Turkey, Algeria, Brazil, Argentina, Mexico and Chile. Customers can answer the survey at a convenient moment and express themselves freely. In under 48 hours, the dealer in question receives the answers and is alerted to any points the customers were not happy with. In early 2016, the Group rolled out a quality portal for subsidiaries and dealerships, allowing the points of sale to compete to deliver the best results in the country/region/area. This portal also facilitates and streamlines the processing of the survey verbatim and the monitoring of an individual customer's turnaround from dissatisfied to satisfied;

- with respect to product reliability:

The Group has access, in real time, to customer data from product-focused surveys and customer feedback from the network. They identify vehicle criticisms (incidents, failures, frustrations), and analyse, prioritise and process these via a responsive device deployed throughout the world.

Multibrand surveys on vehicle sale and delivery and after-sales service, product quality/reliability and satisfaction with the performances which clearly position each brand vis-à-vis the competition and help it to better target customer expectations according to the markets. These surveys are carried out in most countries where the Group operates.

Finally, the Group continuously monitors the changing expectations of customers through studies and surveys and the information is fed into future products. The studies show in particular that awareness of energy use, the need for safety on board and the need to stay connected continuously is growing.

#### Customer Relations Management (CRM)

PSA Group's CRM ambition is to "provide the customers of each of the Brands with a personal, multi-channel customer experience to position the Group as a benchmark car manufacturer for customer acquisition, satisfaction and loyalty."

Customer expectations include a quality experience, a rapid exchange of relevant, coherent information and a guarantee that their personal details are handled with due care and attention.

To further its ambition and meet its customers' expectations, the Group has:

- digitalised the customer journey and introduced service packages with its connected vehicles;
- removed the barriers between the different customer relations activities (sales and after-sales, for example);
- created/incorporated new Group "brands" (Free2Move, EUROREPAR car service, MISTER AUTO, etc.);
- protected personal data (see § 7.5.1).

## A new global customer relations platform in 2016

### ■ For the uniform deployment of the best standards:

CARe&Business is an international app which is available for the three brands, PEUGEOT, CITROËN, DS. This multi-channel customer relations app places satisfaction within easier reach of the customer. This satisfaction is closely linked to loyalty and Brand recommendations.

Designed to reduce the order processing time, it allows customer services to contact the points of sale quickly to find the best solution.

This unique solution covers all the interactions between the customer and the brands through any digital channel (Internet, texts, Chat, social media, media, click to call, co-navigation, etc.)

A multilingual knowledge base with a large number of articles allows Group customers to find a response to their questions independently in the FAQ, and Group customer services can find and put together the best response. The tool can also be used for statistical analyses to enable ongoing service improvements.

### ■ For improved customer relations through new connected services:

It is also designed to facilitate the brands' move over to digital marketing, support the development of new services such as connected vehicles and services and help them identify, implement and manage opportunities.

The CARe&Business app has been rolled out progressively since October 2015 for all three Brands in Europe (France, UK, Germany, Austria, Switzerland, Italy, Spain, Portugal, Denmark, Benelux, Slovenia, the Czech Republic, Slovakia, Croatia, and Hungary), in South Africa, Russia, Turkey and Algeria (PEUGEOT).

Always striving to improve the quality of the service the Group brands delivered to the customers and prospective customers, in 2017 customers will be provided with new ways to interact with the Group brands (for example, web call back, video chat). The Group will extend the opening hours of Customer Services Department (8am till 10pm Monday to Saturday).

### FOR more INFORMATION

**"Digital Transformation and Customer Experience"** video:  
<https://www.youtube.com/watch?v=4Dh5wDJ16QU>

## Responsible brand experiences for customers

The Group brands develop a long-term responsible, personal, appropriate and transparent relationship with each customer. (see § 7.5.1)

For example, they have published on their websites actual consumption figures drawn up in compliance with Transport and Environment, and *France Nature Environnement* (see § 2.1).

**The PEUGEOT brand** continuously strives to offer a simpler, faster customer journey through a seamless digital and physical experience. On the new international website, customers can read and share product reviews in full transparency and can obtain an instant response from a Brand Genius a live chat.

Customers can remain in contact with the brand via the new MYPEUGEOT app that was launched in 11 countries in 2016. The app allows them to view saved journeys, their consumption and warnings and they can make sales or after-sales appointments.

### FOR more INFORMATION

**"PEUGEOT My PEUGEOT"** video: <https://www.youtube.com/watch?v=SNaX2JbLwgw>

**PEUGEOT's website, on "PEUGEOT Connect Systems":**  
<http://www.peugeot.co.uk/technology/connectivity/peugeot-connect-systems/>

**The CITROËN brand** is currently reinventing the customer experience at its dealership network with CITROËN & VOUS, a new brand/customer relationship. A long-term relationship based on a promise of transparency and attentiveness, with strong commitments to improve trust and peace of mind.

The veritable cornerstone of CITROËN & VOUS, CITROËN ADVISOR ([www.citroen-advisor.fr](http://www.citroen-advisor.fr)) allows CITROËN customers to freely express their opinions, interactively and in real time, on the quality of service offered by their local CITROËN dealer, whether following a new vehicle purchase or a service visit. This is a first for a car manufacturer.

Since October 2016, customers have also been able to review their new vehicle.

To further its quest to offer its customers full transparency, CITROËN ADVISOR incorporates AFNOR-certified review collection and customer authentication standards to guarantee that all reviews are published and are genuine. (see § 7.5.2.1)

### FOR more INFORMATION

**Vidéo "CITROËN Inspired by You - CITROËN ADVISOR, Your opinion matters":** <https://www.youtube.com/watch?v=7eg1bELxIAM>

**"CITROËN Inspired by You - CITROËN ADVISOR, rate your dealership" Video:** <https://www.youtube.com/watch?v=8ufKdIkFAUU>

**"CAMPUS #4 - CITROËN and Facebook: "from like to live" Video:** <https://www.youtube.com/watch?v=bhywVDtFT6Q>

**"Mobile app My CITROËN" Video:** [https://www.youtube.com/watch?v=PF\\_dZ4hi738](https://www.youtube.com/watch?v=PF_dZ4hi738)

**The DS brand** is developing an exclusive customer relations service called "ONLY YOU". Its launch has begun in France and it will be rolled out in Europe and China in 2017 then in the rest of the world from 2018.

It incorporates a major advance "DS À VOTRE SERVICE". To ensure relations between the Brand and its customers, or prospective customers, are smooth and straightforward, DS AUTOMOBILES is introducing a single, multi-channel gateway to respond to customers' questions, handle their requests and interact with them. Their DS adviser is always available to answer their questions.

**FOR more INFORMATION**

**"Only YOU The DS Experience" video:** <https://www.youtube.com/watch?v=TmZIEToBYw0>

**"Only YOU The DS Experience" website:** <http://www.dsautomobiles.fr/univers-ds/only-you.html>

**Free2Move:** in response to major societal changes and the emergence of new shared uses, PSA Group has grouped all its connected and mobility services under a new brand, Free2Move, which was unveiled on 28 September 2016 at the PSA Group Mobility Days (see § 2.5).

**ECONOMIC INSIGHT**

Improvements to the quality of the Group's products have led to:

- an accelerated fall in the cost of factory quality control and touch-up, with a gain in 2016 of €22 per vehicle produced in Europe and Latin America (through an increased number of vehicles without fault in final validation and a reduction in damage sustained during transport);
- a reduction in its warranty expenditure in 2016 by 7% since 2012 under a comparable volume and product mix; (reporting scope of the consolidated companies);
- continued control of warranty costs at DPCA (JV DONGFENG – PSA in China) which will allow it to absorb in 2017 the move from the two-year contractual guarantee to a three-year contractual warranty back in September 2013;
- a reduction in warranty provisions of €221 million in 2016;
- an increase of more than 60% in sales of extended warranty with service agreements since 2010. In 2016, for example, contract revenue was €72 million in the five largest European markets.

This improvement is also one of the factors that legitimises the positioning of the DS brand in the high-end segment and the move upmarket of the PEUGEOT brand.

## 2.3.2. Vehicle safety

The Group is introducing operating safety measures and is simultaneously improving three types of safety devices: primary, secondary and tertiary. It is also carrying out vital work on the new threats linked to cyber security.

### 2.3.2.1. SAFETY, A COMMITMENT THAT GOES BEYOND THE PRODUCT

The safety of different road users has been for many years the primary priority of PSA Group. This commitment makes its vehicles among the safest in the world. The Group is focusing on technologies that have shown a proven ability to make automobiles more effective in terms of safety, at an affordable cost for the largest number of motorists.

However, addressing road safety issues involves more than just installing increasingly sophisticated onboard safety systems. Roadway infrastructure must also be upgraded, while motorists and other road users must be effectively educated in safe driving and road use practices. The Group continues to improve its road safety measures, specifically by reviewing travel habits among its employees, stipulating precise rules for business travel and commutes to work and by organising road safety awareness campaigns at its various sites.

In terms of its products, research and development is pursuing its efforts to improve vehicle safety as the Group wishes to manufacture vehicles which help to make the roads safer.

### 2.3.2.2. OPERATING SAFETY

PSA Group is implementing operating safety measures to control the risk of defects and take customer safety into account from the vehicle design stage.

It has deployed a network of experts tasked with bringing this area into line with international standards.

**STAKEHOLDER RELATIONS**

*For over 10 years, PSA Group has been actively participating in a project to bring the safety of vehicle on-board systems into line with ISO standards. It is part of a group of some hundred experts including car manufacturers, equipment suppliers universities and government bodies. PSA Group has taken the lead in a new safety of the intended functionality initiative: the aim is to ensure that the assistance systems make the correct decision in every day-to-day situation. This is vital for the advanced driver assistance systems (ADAS) and, beyond that, the functions of autonomous vehicles. This work follows on from the previous work which focused on defects.*

PSA Group experts automatically use these methods in each of its projects.

The vehicle design process includes a systematic review by the Head of R&D to check that the operating safety results have been attained.

Once the vehicle is on the market, any incidents which could compromise customer safety are passed on by the vehicle repair network to the quality teams and are examined on an individual basis. Corrective measures are taken in line with the legislation of each country. (see §2.3.1.4.3)

#### FOR **more** INFORMATION

**"PSA Group- talents maker: Nicolas, expert master" Video:**  
[https://www.youtube.com/watch?v=eJ8oTNWH6CE&list=PLpXLwEad5ZrYqOGprcm\\_ibBCDKdLh-wz7&index=2](https://www.youtube.com/watch?v=eJ8oTNWH6CE&list=PLpXLwEad5ZrYqOGprcm_ibBCDKdLh-wz7&index=2)

### 2.3.2.3. PRIMARY SAFETY: AVOIDING ACCIDENTS

All of the systems described below are the first steps in creating an autonomous vehicle.

#### 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.

PSA Group had anticipated changes in regulations by equipping its vehicles with driving assistance technologies aimed at helping the driver, such as:

- the ABS, or Anti Blocking System, which stops the brakes blocking when performing an emergency stop;
- the EBA, or Emergency Brake Assist, which increases braking power when performing an emergency stop;
- the ESC, or Electronic Stability Control, which helps drivers maintain control in a skid;
- the TPMS (Tyre Pressure Monitoring System), which detects drops in tyre pressure that could destabilise a vehicle.

#### Controlling trajectory and safety distances:

- the LDWS (Lane Departure Warning System) warns the driver of unintentional lane departure, which is responsible for many accidents on motorways;
- LKA (Lane Keeping Assist) operates on the steering system to keep the vehicle in lane;
- the DA, or Distance Alert function gives the stopping time between the driver's vehicle and the vehicle in front;
- the ACC, or Adaptive Cruise Control adjusts the speed of the vehicle according to the traffic;
- the SLI, or Speed Limit Information, recognises the speed limit and passes the information on to the different ISA (Intelligent Speed Assist) systems;
- the AEBS or Autonomous Emergency Braking System:
  - gives out a warning and increases braking if the driver reacts to a risk of collision with a vehicle or pedestrian, or triggers if the driver does not react,
  - or increases the driver's braking in an emergency situation on roads and motorways;

- the DAA or Driver Attention Alert: as driver inattention is a major cause of road accidents, PSA Group equips its vehicles with functions which monitor the driver's behaviour and alerts them in the event of risk.

#### See and be seen better

PSA Group has moved beyond the technologies which are in widespread use (camera-assisted reverse sensors, panoramic vision, LED lighting) to develop many new, ground-breaking innovations in this area which are available on several vehicle lines:

- lighting to support the safety features (including automatic activation of hazard warning lights in the event of sudden deceleration and automatic switch between dipped beam/full beam);
- 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 proliferation of driver assistance systems and spread of infotainment technologies demand close attention when designing HMIs.

PSA Group conducts extensive research on the factors and risks linked to distraction in order to assess the driver's state of alertness and generate interactions that will enable them to refocus on driving.

Through collaborative projects such as car to xSCOOP@F (which takes over from SCOREF, the French Experimental On-Road Cooperative System) based on new information and communications technologies (NICT), 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 such as a vehicle breakdown on the carriageway, 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 its pilot phase and customers will be asked to trial the system to assess the potential benefits.

### 2.3.2.4. 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 PSA Group and Renault. A unique organisation, LAB has conducted research projects for more than 40 years (26,750 accidents in its database) to enhance understanding of accident mechanisms and their related injury mechanisms.

LAB's research projects have helped to guide the Group's technological choices and to assess their real-life performance on the road. LAB is behind a number of core advances in automotive safety, including load-limiting restraints, airbags and stronger structural components for passenger compartments. It also feeds into active safety research for the definition of the road holding and driver assistance validation criteria.

PSA's work focuses on two specific areas:

### **Body structure and bodywork**

Vehicles are structurally designed to dissipate an impact in a controlled manner, thanks to the positioning of the shock absorption structures and deformable crash boxes (shock absorbers), whilst also ensuring the vehicle will be repairable. The passenger compartment is treated as a survival unit, by reducing its deformation to a minimum, and deploying powerful restraints.

### **Airbags and restraint systems**

The capacity of structures to absorb energy and protect the cab leads to a reduction in the impact on occupants in crashes through sophisticated restraint systems. The Group's vehicles offer up to eight airbags:

- two front airbags: they protect the head, neck and thorax of the driver and front passenger in a frontal impact;
- two front side airbags: they protect the thorax, pelvis and abdomen of the driver and front passenger in a side impact;
- two windowbags: these protect the side of the head of front and rear occupants in a side impact;
- two rear side airbags: protect the thorax of the rear passengers in a side impact.

They are also equipped with front and rear seatbelts with tensioning devices and load-limiting retractors.

Buckle-up reminders sound a warning and light up to warn the driver when someone has not buckled their belt.

Thanks to ISOFIX attachment points, compatible with the iSize standard, PSA Group vehicles ensure the proper use of child safety seats, which are adapted to their morphology.

### **2.3.2.5. TERTIARY SAFETY: POST-ACCIDENT EMERGENCY RESPONSE**

PSA Group 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 a wide-scale, location-aware emergency call system, without a subscription or any cut-off date. Since March 2010, the Connect Box developed by PSA Group includes a SIM card and separates the telematics function from the radio, navigation and telephone functions. In case of accident or health related incident on board a vehicle, the occupants are connected with a dedicated assistance centre that pinpoints 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 could 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 eyewitnesses.

The confidential information relating to customer journeys is not saved.

	<b>Cumulative total through 2014</b>	<b>Cumulative total through 2015</b>	<b>Cumulative total through 2016</b>
Cumulative total of PEUGEOT, CITROËN and DS vehicles equipped as standard with the PSA Group emergency call system	1,672,495	1,877,026	2,300,764
Cumulative total alerts sent to emergency services	12,885	16,167	20,184
Countries in which the PSA Group emergency call service is available	17 countries: France, Germany, Italy, Spain, Belgium, Luxembourg, Netherlands, Portugal, Austria, Switzerland, Denmark, Poland, United Kingdom, Czech Republic, Slovakia, Norway and Sweden	17 countries: as above	17 countries: as above

## **OVER 2.3 million**

**PSA GROUP CONNECTED VEHICLES, AT THE SERVICE OF ROAD SAFETY**

The motorway control centres in France are now automatically warned of any accidents on their roads via the e-call service in equipped PEUGEOT, CITROËN and DS vehicles. Drivers can also use the e-call in their vehicles to alert the emergency services if they witness an accident. Messages can then be displayed on motorway signs to warn other drivers of the potential dangers they may encounter.

In the future, other vehicles will provide the data that will enhance drivers' awareness of their surrounding environment. For example, a vehicle will be informed by the vehicle in front if a pedestrian is on the road to anticipate automatic braking in the safest conditions possible.

### **Victim removal instruction and rescue manuals**

To facilitate the job of rescue workers after an accident, PSA 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.



### STAKEHOLDER RELATIONS

PSA Group has worked with ISO to define an international standard for victim removal instructions. This standard has been applicable from January 2015 and will become a guideline throughout the world. ISO standardisation work continued in 2016 with the drafting of a safety manual standard (all vehicle types): the Group is actively involved in this work which is overseen by the CTIF (international association of fire fighters and rescue teams).

### FOR **more** INFORMATION

**Extraction files available for after sales services links:**

**CITROËN:** <http://staticedocapvr.citroen.inetpsa.com/AC/secours/>

**PEUGEOT:** <http://staticedocapvr.citroen.inetpsa.com/AP/secours/>

### 2.3.2.6. EURO NCAP AND CHINA NCAP SAFETY RATINGS

The Group vehicles tested by the organisations Euro NCAP and China NCAP were awarded strong scores, reflecting the high safety standards we offer to the customers of the PEUGEOT, CITROËN and DS brands.

Since 2009, a new Euro NCAP rating system has been in place: the vehicles tested now receive an overall rating which combines the results for adults, pedestrians and children (which were previously awarded three separate scores), as well as the presence of safety equipment.

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.

50% of the Group vehicles which were still on the market in 2016 obtained the maximum five-star rating for Euro NCAP and 100% for China NCAP (see the table below and previous publications).

### EURO NCAP: VEHICLES WHICH HAVE RETAINED THEIR NCAP SCORE (VALID FOR SIX YEARS)

Model	Test protocol in force from 2009		
	Year launched	Year tested	Overall rating
PEUGEOT 3008	2016	2016	*****
PEUGEOT Traveller/CITROËN Spacetourer <sup>(1)</sup>	2015	2015	*****
CITROËN C1/PEUGEOT 108 <sup>(1)</sup>	2014	2014	****
CITROËN C4 Cactus	2014	2014	****
CITROËN C-Elysée /PEUGEOT 301 <sup>(1)</sup>	2013	2014	***
CITROËN Berlingo / PEUGEOT Partner <sup>(1)</sup>	2008	2014	***
PEUGEOT 308	2013	2013	*****
PEUGEOT 2008	2013	2013	*****
New CITROËN C4 Picasso	2013	2013	*****
CITROËN C1/PEUGEOT 107 <sup>(1)</sup>	2005	2012	***
PEUGEOT Expert	2007	2012	***
PEUGEOT 208	2012	2012	*****
DS5	2011	2011	*****
DS4	2011	2011	*****
PEUGEOT 508	2011	2011	*****
CITROËN C-Zéro/PEUGEOT iOn <sup>(1)</sup>	2010	2011	****
CITROËN C4	2010	2010	*****
CITROËN Nemo/PEUGEOT Bipper	2010	2010	***

(1) Vehicles appearing on the same line have the same technical specifications.

**CHINA NCAP**

	<b>Year launched</b>	<b>Year tested</b>	<b>Overall rating</b>
CITROËN C4 (BZ3)	2015	2016	*****
PEUGEOT 308S (T91)	2015	2016	*****
PEUGEOT 408 (new)	2014	2015	*****
DS 6	2014	2015	*****
PEUGEOT 2008	2014	2014	*****
DS 5	2013	2014	*****
PEUGEOT 3008	2013	2013	*****
CITROËN C4L	2012	2013	*****
PEUGEOT 308	2012	2012	*****
PEUGEOT 508	2011	2011	*****
PEUGEOT 408	2010	2010	*****
CITROËN C5	2010	2010	*****
PEUGEOT 307 Notchback	2009	2009	*****
CITROËN C-Quatre	2008	2009	****
CITROËN C-Triomphe	2006	2007	*****

**2.3.2.7. CYBERSECURITY: A NEW THREAT**

Faced with the emergence of new threats linked to malicious attacks on the vehicle computer systems (hacking, etc.), PSA Group has introduced operating security guidelines and a set of procedures, together with a special operating security organisation, based on the work of a group of experts who are also working on international standards in this area.

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 on-board electronic architecture for future Group vehicles, beginning with the driverless connected vehicle.

**STAKEHOLDER RELATIONS**

PSA Group experts are involved in the drafting of an international technical standard (ISO in Europe and SAE in America) setting out the basic cyber security compliance rules. This standard is a prerequisite for the government bills which are currently being discussed by the European Automobile Manufacturers' Association (ACEA) and European governments.

The Group is also involved in wider research aimed at finding security solutions for car (IRT SystemX), rail and air transport.

**2.3.3. Protecting consumer health and safety**

G4-DMA G4-SO8 G4-PRI G4-PR2 G4-PR9

Vehicles are not subject to a regulation requiring a comprehensive description of their components for consumers. However, standards governing the approval of vehicles by the government include, among other points, passenger and pedestrian safety criteria, environmental compliance criteria (including CO<sub>2</sub> emissions) and human health-related criteria (REACH for components, European Euro X emission standards for air pollutants). These points are described in sections 2.1, 2.2 and 2.4.

All Group brand vehicles are evaluated on their health and safety impact through approval procedures and are compliant with regulations.

**Violation of regulations on health and safety of consumers**

In 2016, PEUGEOT, CITROËN and DS were not prosecuted for non-compliance with health regulations and safety of consumers.

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

**G.22** **G.29** **G4-EN27** **G4-DMA** **G4-EN4**

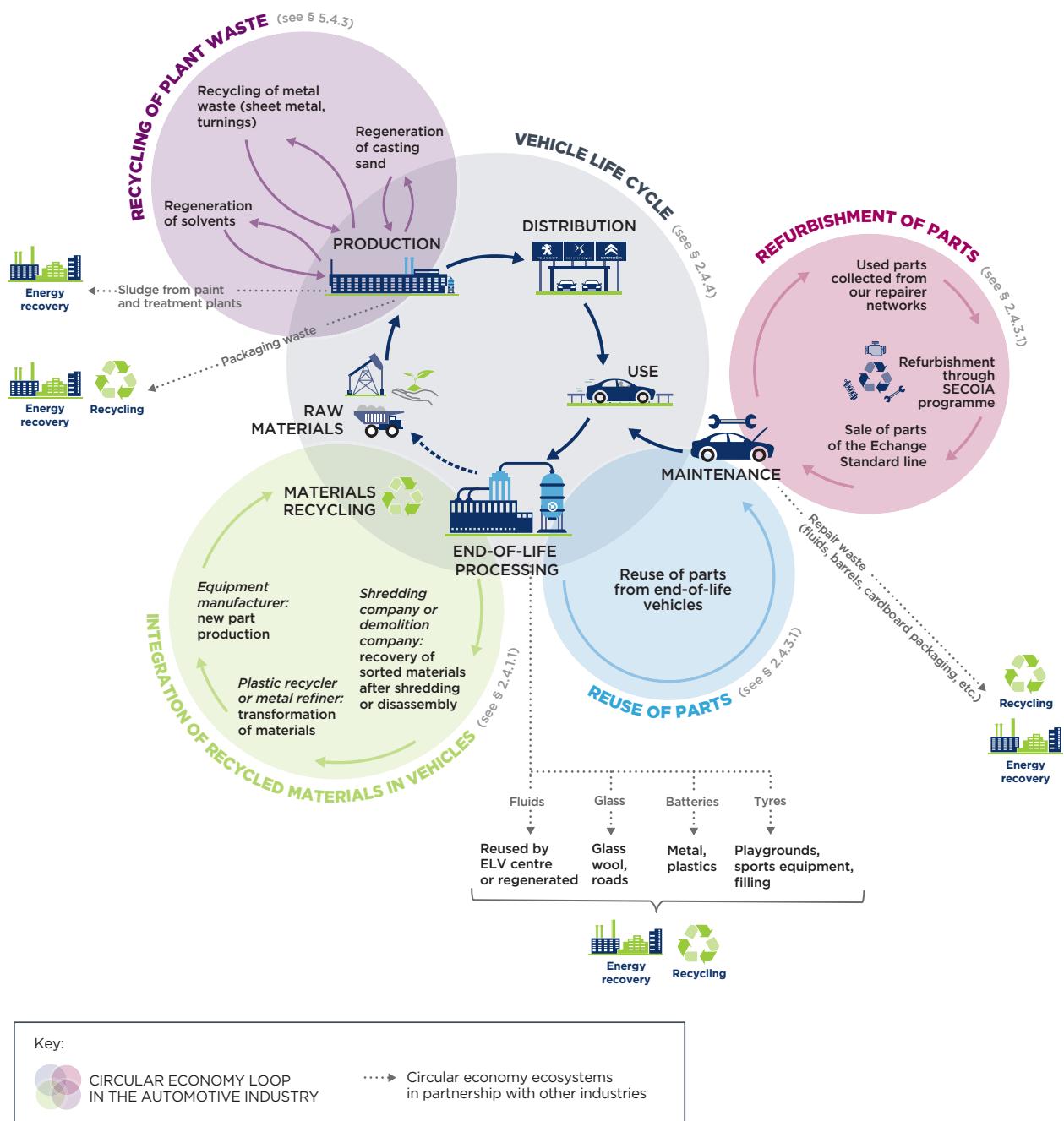
From the design phases, the PSA Group teams are tasked with limiting the vehicle's environmental footprint as much as possible by controlling fuel consumption, CO<sub>2</sub> emissions, and pollutants, and through the responsible use of natural resources, by improving recyclability, etc. at each stage of its life cycle. In addition to ensuring that its vehicles comply with local environmental legislation, eco-design also guarantees that the Group will stay ahead of the competition in terms of sustainable mobility and new materials.

The Group's partners in China have also embraced this type of eco-friendly design in accordance with the C-ECAP standard which covers a large number of the environmental aspects of the vehicles: consumption and CO<sub>2</sub> emissions, interior air quality, sound emissions, recyclability, life cycle analysis, etc. After assessment, the CITROËN C4 and PEUGEOT 308 were awarded Platinum medals in 2016.

Life cycle stage	Core challenges
<b>Product definition</b>	Define new automotive products and services taking into account the mobility needs of consumers around the world, local legislation and people's expectations with regard to the environment, safety, etc.
<b>Design and engineering</b>	Design vehicles at an acceptable cost and attenuate their impact: ➤ on the environment: CO <sub>2</sub> emissions, local pollutants, the use of resources and recyclability; ➤ on society: road safety, noise pollution, traffic congestion, etc.
<b>Production</b>	Reduce the environmental impact of automobile manufacturing. Ensure workplace safety. Participate in the economic and social life of local communities.
<b>Transport and sale</b>	Integrate environmental concerns into supply chain and dealership network management. Responsibly inform customers in its advertising and labelling, and ensure a satisfying ownership experience with effective sales and customer service processes.
<b>Use</b>	Helping to limit the impacts associated with car use: promoting safer, more environmentally responsible driving practices, improving fuel economy and developing ever more effective exhaust emissions control systems.
<b>End of life</b>	Facilitate the collection and processing of end of life vehicles and components by specialised providers and optimise their recyclability (pollution control, recycling, recovery and reuse).

To reduce the pressure on natural resources, for the different stages in the life of its vehicles, the Group is developing internal procedures and partnerships with industrial players in the automotive industry and other sectors, to close the gaps in the circular economy.

## Examples of some of PSA Group's typical circular economy initiatives





## ECONOMIC INSIGHT

The PSA Group's raw materials management allows it to combine **competitiveness with the preservation resources**.

Economic conditions in 2016 were not ideal for recycling operators. The prolonged decline in oil prices and most commodity prices has undermined the competitiveness of secondary commodities (ferrous and non-ferrous metals and recycled plastics). It has also resulted in a concentration of actors in the recycling industry.

Despite this, the Group has pursued efforts to fulfil its commitment of 30% recycled or bio-sourced materials in vehicles.

The use of 30% recycled or bio-sourced materials remains one of the ways it can **control materials purchasing costs**: the use of recycled polypropylene and polyamide (rather than the same virgin materials) yielded **savings of €3.8 million in 2016 (€4.8 million had already been saved in 2015, for EU vehicle sales<sup>(1)</sup>, contributing to the Group target of reducing the manufacturing production cost as part of the "Back in the Race" plan**. This objective also contributes to the sustainability of end of life vehicle management systems by guaranteeing an outlet in the car industry for recycled materials from ELVs.

What is more, the flat steel used in the body falls into a circular economy loop, with stamping cut-offs being sold for recycling. The Group is cutting back on its steel consumption: in 2016, steel requirements were reduced by several thousand tonnes with steel-saving initiatives at the design stage and optimisation of the manufacturing process which reduced wastage. This led to **a saving of €10 million**.

Through its choice of materials, the Group also aims to promote the recyclability of its products and guarantees the continued approval of its vehicles and their sales. This goal also generates additional revenue for distribution networks in some cases. For example in France, the collection and handling of end of life vehicles generated **total revenue of €2.3 million in 2016, including €0.66 million for the sole company-owned network (PSA Retail)**.

In addition, the brands, and their dealer networks, commit to the circular economy: in anticipation of the French decree on the circular economy (Energy Transition Law), the Group already offers a Standard Replacement Range in Europe. The Group is developing a "standard replacement service" with renovated mechanical parts: prices are on average 30% lower than the same parts new. This generated **total revenue of €108 million** in 2016.

# €3.8 MILLION

**SAVED IN 2016 THROUGH THE USE OF RECYCLED OR BIO-SOURCED MATERIALS**

### 2.4.1. Responsible use of materials

G.29

G4-DMA

Eager to optimise its use of natural resources and to limit the impact of its products on the environment right up to the end of their useful life, the Group is implementing a life cycle analysis procedure to evaluate and validate the selection of materials in new projects. Each stage of the life cycle and the main environmental issues are examined (see § 2.4.4).

This policy to search for new materials is being implemented in conjunction with the Group's commitment to using more renewable, recycled or bio-sourced materials in its vehicles.



#### STAKEHOLDER RELATIONS

*This approach to analysing strategic material requirements is shared with other French manufacturers within a national think tank led by the French Ministry of Industry, so that analysis tools adapted to this methodology can be rolled out in small and medium-sized companies (COMES Committee of Strategic Metals).*

#### 2.4.1.1. REDUCING CONSUMPTION OF MATERIALS

G4-EN1

In 2016, despite sales increasing by 5.83% on 2015, the Group consumed (excluding Latin America):

- 2,160,000 tonnes of steel (versus 2,090,000 tonnes in 2015, an increase of 3.3%), 680,000 tonnes of which directly (compared to 715,000 tonnes in 2015, down 0.5%);
- 290,000 tonnes of non-ferrous metal (unchanged from 2015), of which 61,000 tonnes of aluminium directly (versus 57,000 tonnes in 2015, up 7%);
- 450,000 tonnes of synthetic materials, polymers and elastomers (no change from 2015).

The net reduction was due to the production of lighter vehicles, of which the PEUGEOT 3008 is a very good example (see § 2.1.3.2).

<sup>(1)</sup> Change: calculation method based on volume of sales in Europe in 2016 vs based on volume of production Europe in 2015.

### 2.4.1.2. AN ASSERTIVE COMMITMENT TO USING GREEN MATERIALS G4-EN2

PSA Group has pledged to reach an average rate of 30% recycled and natural materials in the Group's vehicles. The integration of recycled materials covers all materials used in vehicles. Although metals are a type of material which is widely recycled, the target is to promote the recycling of these metals in automotive products.

Furthermore, the Group is pursuing its research efforts into recycled polymers (non-metallic and non-mineral), since polymers account for 20% of total vehicle mass on average. 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 offers several advantages:

reducing the use of mined and fossil-based materials, and fostering the development of the recycling industries by increasing 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.

The use of green materials is now included in the engineering design guidelines and in the specifications of the calls for tender for supplies of parts and components. The use of green materials is also one of the selection criteria when choosing suppliers.

The policy, initially launched in Europe, has now been rolled out to Latin America where, for example, the vehicles have bumpers made from 100% recycled thermoplastics and rear seat trays made from locally-sourced natural fibres. Likewise, investigations have begun in China to identify potential sources of green materials which meet the automotive parts specifications.



#### STAKEHOLDER RELATIONS

*PSA Group 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:*

- *it takes part in the FINATHER project aimed at developing innovative thermosetting composite materials with low environmental impact for the automotive and rail transport sectors. Innovations consist of the large-scale substitution of compounds of petrochemical or organic origin with bio-based, renewable compounds, which also produces lighter vehicles. As a result, in the case of the materials being researched, the conventional petrochemical resins are substituted with resins derived from linseed oil, and the glass fibres, with fibres from flax and hemp. One such example is the development of an alveolar false floor made entirely from green materials which comprises bonded natural fibres coated in epoxy resins derived from linseed oil and uses a honeycomb board as a spacer;*
- *through the Regional Association of the Automotive Industry of Île-de-France, PSA Group is a partner of the BIOMass for the future/Miscanthus project alongside the INRA (French National Institute for Agricultural Research). The Group's involvement consists of taking part in the validation tests of materials containing miscanthus fibres.*

The latest vehicles brought to market illustrate the results obtained on the inclusion of materials that are recycled or from natural sources:

- the new CITROËN C3 contains an average of 31% recycled and natural materials overall. Approximately 50 polymer parts, including a storage case and an inlet distributor, contain recycled materials. In addition, natural fibres such as wood are used to make the boot carpet;
- the new PEUGEOT 3008 and 5008 contain an average of 30% recycled and natural materials overall. Approximately 100 polymer parts incorporate recycled materials and materials of natural origin; Some of the noteworthy features include:
  - the use of textile fibres from eucalyptus pulp in the seats,
  - the use of recycled plastic in the instrument panel, the central console and the rear bumpers.

In addition, PSA Group has forged innovative partnerships to promote the emergence of new materials. It has approved the introduction of a high-performance 6.6 grade recycled polyamide for diesel filters manufactured by SOGEFI. SOLVAY has developed an innovative procedure to recycle complex textile waste, such as airbag fabric, to produce high-quality polyamides with significant environmental benefits. The resulting high-quality material is then delivered to the equipment manufacturer SOGEFI.

#### FOR MORE INFORMATION

**"Polyamide 6.6 Technyl® 4earth™" webpage (including T4E video):** <http://www.technyl.com/en/products-and-solutions/products/technyl-4earth/index.html>

**"Projet Move 4earth™" webpage (including M4E video):** <http://www.technyl.com/en/products-and-solutions/move4earth/index.html>

The average integration rate of green materials in vehicles sold in 2016 was more than 30% (volume-weighted average of European vehicle sales in 2016).

**30%**

**OF NATURAL AND RECYCLED MATERIALS  
IN THE GROUP'S VEHICLES**

In 2016, 600,000 tonnes of green materials were used to manufacture the vehicles on the market, including 580,000 tonnes of recycled materials.

### 2.4.1.3. REDUCING THE USE OF HAZARDOUS SUBSTANCES G.24 G.42

For many years now, PSA Group has been attentive to the health and safety of its customers and employees.

Regulatory requirements regarding 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. To ensure the traceability of all the substances referred to in the regulations, the Group collects information via MACSI (Material Composition System Information). This initiative centres around two key issues:

- the elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium) that are regulated by Directive No. 2000/53/EC on end of life vehicles. Since 2002, Group suppliers have been asked to provide a compliance certificate for each part delivered.

Examples include:

- chromium VI used in anti-corrosion coatings for many metal parts has been replaced;
- from January 2016, lead was no longer used in the seals of the electronic boards of new vehicles;
- compliance with the REACH regulation. As the final link in the production chain, 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. PSA Group uses the REACH automotive industry guidelines to which it contributed as a member of the European Automobile Manufacturers' Association (ACEA). And for the French automotive platform, PSA Group also helped to draft a leaflet to inform the supply chain of the 2018 deadline for registering the last chemical substances.

PSA 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 as far upstream as it can during the new material research and innovation phase.

For example, DEHP (Diethyl Hexyl Phthalate), used as a plasticiser in PVC sheaths for wiring harnesses, has been replaced.

#### FOR **more** INFORMATION

**“REACH: Automotive Industry Guideline” article:** <http://www.acea.be/publications/article/reach-automotive-industry-guideline>

**Information leaflet on the risk of material supplies within the framework of REACH 2018:** <http://www.pfa-auto.fr/recommandation-risque-dapprovisionnement-matiere-cadre-de-reach/>

The other regulations related to chemical substances (regulation on Persistent Organic Pollutants, on Biocides, etc.) which impact the design and/or production of parts are also taken into account.

In addition to monitoring regulatory requirements, PSA 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 (VOCs) in materials used. The air in the

passenger compartment is checked for VOCs before the vehicle goes on the market. A High Efficiency Particulate Air filter, linked to a carbon filter to eliminate certain VOCs, was launched on the new PEUGEOT 3008.

Suppliers are also asked to declare using the MACSI tool the use of nanomaterials in the parts and materials used in the vehicles. This requirement is implemented as far upstream as possible because it is part of the environmental evaluation process for innovations. As a result, companies supplying new innovations are asked to declare the use of nanomaterials and agree to a risk analysis conducted jointly with the Group.

### 2.4.1.4. MONITORING MATERIAL CRITICALITY

PSA Group is keen to control the risks associated with the supply of its materials. It has therefore begun to identify and monitor the materials it deems to be “strategic”. These materials are evaluated according to different criticality criteria :

- use criticality: materials used for special features which are important for competitiveness, and for which there is little or no current alternative;
- supply criticality/potential scarcity: limited global production or unreliable supply chains;
- CSR criticality: the extraction or use of these materials is questionable from a CSR viewpoint (environmental impact, breach of human rights, etc.).

Following tensions in the rare earth market, these were monitored separately. A detailed analysis of the use of the different rare earth materials identified possible alternatives and allowed for the continued production of the applications which require these materials.

Polymers were also included. This material is critical due to a high concentration of some of the stages of the production process among a very small number of suppliers.

PSA Group also introduced a traceability system for supplies that contain conflict minerals (see § 4.2. Suppliers: linchpins of the sustainability chain).

#### Materials Strategy Committee

A Materials Strategy Committee, run jointly by the Heads of Purchasing and the Research and Development Department, has been set up to map materials risks, based on different factors for each raw material, such as its importance in developing technologies for the vehicles of the future, the size of known or estimated reserves and their geographic location, political or logistical accessibility, cost, and its place on the markets. This mapping is designed to enable the Group to manage and secure its supply over the long term and focus its R&D work on replacement materials. This strategy was initially implemented for raw materials and is now being rolled out to synthetic raw materials.

A support unit from the Purchasing Department performs cost monitoring on materials, in liaison with operational purchasing teams and technical teams from the Group's Research and Development Department, to better anticipate and manage cost developments and help diversify and manage the most strategic supplies.

Supplier relations are a favoured and strategic vehicle for the Group's “materials” and product development policy in the context of the increasing scarcity and expense of raw materials in the long term.

## 2.4.2. Eco-design for better recycling

G.26

G4-EN28

The Group's actions in this field fall within the framework of European Directive No. 2000/53/EC of 18 September 2000 on end of life Vehicles (ELV) which sets vehicle design requirements and operational processing requirements for the vehicle at end of life. It identifies three types of ELV recovery: reuse of parts, recycling of materials, and energy recovery. Until 2015, it required vehicles to be overall 85% recoverable by vehicle weight, of which 80% is actually reusable or recyclable. Beginning in 2016, vehicles have to be 95% recoverable, of which 85% reusable or recyclable.

In order to meet these obligations, the Group has organised a network. This highly horizontal organisation brings together all the skills to deal with upstream and downstream 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. This work is conducted in close collaboration with partners such as suppliers, recycling operators and manufacturers associations. This structure, which was originally implemented in Europe, is being rolled out on the Group's other sales platforms.

### Prevention measures recyclability commitment

The impacts of recycling end of life vehicles (ELVs) are taken into account from the design phase. Vehicle materials are selected according to increasingly strict criteria that are designed to foster the development of recovery and recycling facilities. 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 core function, so that an entire sub-assembly can be recycled without prior dismantling;
- marking all 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. For example, PSA Group has developed a tool for assessing the impact of innovations on the recyclability of future vehicles. These assessments identify the actions to be undertaken with suppliers to develop and improve recycling facilities;
- As part of this commitment, the Group is involved in research and development projects with partners from the automotive and recycling sectors;
  - it is heading the European project ABattReLife with the following partners: Bayerische Motoren Werke AG (Germany), Pôle Car of the future, Université de Technologie de Belfort-Montbéliard, Université de Technologie de Troyes, Nederlandse organisatie voor toegepast natuurwetenschappelijk onderzoek (Netherlands), KEMA Nederland B.V. (Netherlands), Fraunhofer-Gesellschaft (Germany), Bayern Innovativ GmbH

(Germany), University of Freiberg (Germany) and University of Munich (Germany).

The ABattReLife project ended in August 2015 and deepened the Group's understanding of the life cycle of high-voltage batteries. Practically speaking, it focused on the assembly and management of a database on the behaviour and deterioration of high-voltage batteries, and on the development of strategies and technologies for recycling and reusing lithium-ion batteries,

- the Group has already entered into partnerships with specialised recyclers for the handling of batteries for electric and hybrid vehicles. The end of life batteries will be treated through appropriate and effective recycling technologies;
- designing the vehicle taking into account the depollution phase. Depollution or pre-treatment, is the first mandatory step in the processing of end of life vehicles. It involves draining all fluids from the vehicle, neutralising pyrotechnical components and dismantling parts considered harmful to the environment. The objective of this step is to avoid any pollution transfer during the ELV treatment:
  - As a result, the Group has developed an internal method of assessing the depollution ability of vehicles. This qualitative method evaluates the accessibility of parts that must be depolluted and the ease at which this can be done. The results of these evaluations have been used to define new design requirements, with the goal of making it easier to depollute ELVs. For any component that has to be depolluted, a datasheet describing the necessary procedure must be prepared during the design stage.

For example, in the housings of automatic transmissions, a so-called area of weakness is now created in addition to the drain screw. This area will be pierced during the clean-up operation and will allow the complete drainage of the oil contained in the transmission. Similarly, when designing the fuel tanks, designers mark the low point(s) to indicate to the operator leading the clean-up operations the area(s) which have to be drilled to completely drain the tank,

- 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 9 December 2014, 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.

**ALL THE GROUP'S VEHICLES ARE**

**95% RECOVERABLE**

**85% RECYCLABLE**

## 2.4.3. Managing products at end of life: reuse, recycling and recovery

### 2.4.3.1. REUSE AND REFURBISHMENT OF PARTS

The Group has always monitored the sustainability of its products through various commercial repairs services, which reduce the amount of waste generated. In addition to availability of new spare parts for up to ten years after the end of series production of the model, the Group also offers two ranges of parts from the circular economy.

#### **The standard replacement service: refurbishment of parts and components with high value.**

The SECOIA programme (ECO-friendly service for the Automotive Industry) demonstrates the Group's commitment to the circular economy through the refurbishment of used parts regularly collected from brand repairer networks for over 30 years at the Hérimoncourt centre.

With 16 product families handled in 2016, 671,000 items processed per year, more than three-quarters of which are refurbished and resold as "standard replacement parts" and the rest used for materials recovery, this activity generates no waste. For example, 37% of powertrains, 42% of gearboxes, 46% of clutches, 68% of injectors, 78% of particulate filters, and 77% of alternators sold in Europe are from standard replacement parts. These parts are offered to the public with the same manufacturer warranty as new parts.

**522,000 PARTS  
REPLACED EACH YEAR**

#### **FOR more INFORMATION**

##### **"Standard Exchange" leaflets:**

**CITROËN:** <http://www.citroen.fr/apres-vente-services/pieces-et-accessoires/pieces-echange-standard-citroen.html>

**PEUGEOT:** <http://media.peugeot.fr/file/24/1/brochure-change-standard.24241.pdf>

### **Parts for reuse service: the recovery of parts from ELVs**

The brands are developing a commercial used parts service so that their network of repairers can offer their customers a salvage solution for vehicles written off by their insurer. The Group demonstrates its social commitment with "base of the pyramid" services, and its environmental commitment through its participation in the circular economy. The *Loi française sur la Transition Énergétique* (French Energy Transition Act) came into force from 1 January 2017 and information will be sent to approved repairers to inform them of their new obligations. The memo will also contain the contact details of the approved sources which can help them access second-hand parts.

### 2.4.3.2. RECYCLING END OF LIFE VEHICLES (ELV)

The Group has been involved in collecting and processing ELVs from its dealership networks through partnerships with vehicle dismantling and shredding companies for more than 20 years. 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.

#### **FOR more INFORMATION**

**"Vehicle life cycle - End-of-life vehicles management of PSA Group" video:** <https://www.youtube.com/watch?v=ZgJ2131FgVs>

To meet regulatory obligations for the handling of end of life vehicles and meet the challenges of economic profitability, the Group uses a combination of dismantlers and shredders, the first for its ability to develop the reuse of parts business and part-by-part material recovery and the second for its technical expertise in sorting after shredding. A post-shredding sorting system now creates an economically profitable business in a secondary raw materials market increasingly shaped by price fluctuations. This supplies two sectors of business activity: recovery and recycling of materials and recovery and recycling of energy. In addition to metals and plastics, the Group aims to recover a wider range of materials.

In France, the Group uses industrial partnerships of a high standard, technically and financially. They ensure full tracking of ELVs and guarantee the achievement of the overall recovery rate. The Group's industrial partners work with networks of certified dismantling companies (331 ELV centres at year-end 2016), that collect ELVs, deregister and depollute them and then dismantle them to resell certain parts for reuse.

Between 2009 and 2016, this saw the collection and processing of over 816,895 ELVs from PEUGEOT and CITROËN dealership showrooms, which equates to 51% of the Group brand's ELVs.

**816,895**

**END OF LIFE VEHICLES COLLECTED AND PROCESSED  
IN FRANCE BETWEEN 2009 AND 2016**

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 2014 = 94.9% of which 88.6% reused or recycled by weight<sup>(1)</sup>.

<sup>(1)</sup> Since ADEME has not released official statements for the end of 2016 concerning ELV operators in France, the Group is not yet able to determine its performance for 2015.

As previously reported, the most recent ADEME data (2014) at the national level reports overall performance in reuse, recycling and recovery to be 91.3% (of which 85.9% recycling and reuse).

The core challenge now is to maintain favourable economic conditions for the ELV sector, while ensuring the ambitious effective 95% recycling and recovery rate for ELVs collected.

To meet this requirement, the Group works with industrial partners that are capable of achieving these objectives: regulatory compliance, ability to meet removal deadlines, dealer incentives, overall recovery rate of 95%, R&D investment to identify new commercial outlets for the recycling and energy recovery sectors.

In addition, this strategy opens opportunities for new sources of materials for the automotive industry, allowing for the incorporation of recycled materials (plastics, metals, etc.) in the manufacture of new vehicles, in line with the Group's design goals.

To enable retail customers to return their end of life vehicle directly to a dismantling company complying with the highest environmental standards, the Group has developed a location-based search tool for its brands so that customers can find their nearest ELV partner centre based on their postcode or town. The app was launched in France by CITROËN in 2015 on its used vehicles website [http://www.citroenselect.fr/fr/Recyclage\\_véhicule](http://www.citroenselect.fr/fr/Recyclage_véhicule). The same service will be introduced by PEUGEOT as part of the redesign of its PEUGEOT Occasion du Lion website [www.occasionsdulion.com](http://www.occasionsdulion.com)

According to the Agency for the Environment and Energy Management (ADEME), of the 1,084,766 ELVs (total for all brands) which were processed by all the approved ELV centres in France in 2014; 33.1% were ELVs from the PSA Group (PEUGEOT, CITROËN, DS, TALBOT). By way of comparison, the Group's share of the new vehicles market 18 years ago (average age of an ELV) was 29.5%.

In September 2016, PSA Group 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 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 by a letter of commitment from the brands involved and the launch of the operation in a pilot in early 2017.

**In European markets,** the Group is involved in implementing the action plans defined within the European Automobile Manufacturers' Association (ACEA) on a number of topics, including the circular economy, the recycling/recovery performance of different countries and optimal performance of the processing channels through better practices. PSA Group is also involved in the debate on the best

ways to curb illegal activities. The objective of these action plans is twofold: better compliance with environmental standards and ensuring the financial survival of the legal channels by sourcing as many materials from them as possible.

As part of its European campaign, PSA Group monitors various criteria of all the ELV vehicle contracts between its subsidiaries and the local operators, and checks they have attained their recycling and recovery obligations. For instance, the Group's work in 2016 involved:

- in Italy: a collaboration with the UNRAE (*Unione Nazionale Rappresentanti Automobilistici Europei*) and the Environment Ministry to introduce a certification process for dismantling companies based on a single organisational and technical standard shared with other car manufacturers. The process, which will come into operation in 2017, will allow PSA Group to set its own certification objectives for the network of dismantling companies which work with its brands and, once evaluated, ensure it works to its full potential;
- in Spain: its commitment to a partnership with one of the key players in the ELV processing industry for the last few years has resulted in a global recovery rate of 93.5%, 84.3% of which in recycling<sup>(1)</sup>. Because Spain has a mandatory annual road tax for all registered vehicles on the road, it has been possible to keep tabs on the flow of ELVs entering the approved channel because the last owner must provide its local prefecture with either a certificate of sale or a certificate of destruction if they wish to stop paying the annual road tax. This regulation, agreed in conjunction with the car manufacturers, has significantly reduced the size of the illegal channels in Spain;
- in Poland: finding the best possible optimal solution in response to the new regulation which, in discontinuing a subsidy paid to the operators in the processing sector, is asking car manufacturers to subsidise a significant portion of this support. The PSA Group subsidiary in Poland, in collaboration with its current partner, must find the best financial solution to ensure the continued operation of the ELV vehicle processing channel and keep its network of partner dismantlers operating smoothly.

**In China,** the Group is contributing to public debate by providing the legislators with the information they require in order to understand the end of life vehicle regulations that will come into force in the future. A draft directive on the processing of ELVs is currently being drawn up.

**In Russia,** the Group has, since 2012, been meeting the government-imposed obligation to provide an eco-contribution to finance the ELV processing channel country-wide.

(1) Latest figures available on Eurostat = 2014.

## Battery recycling

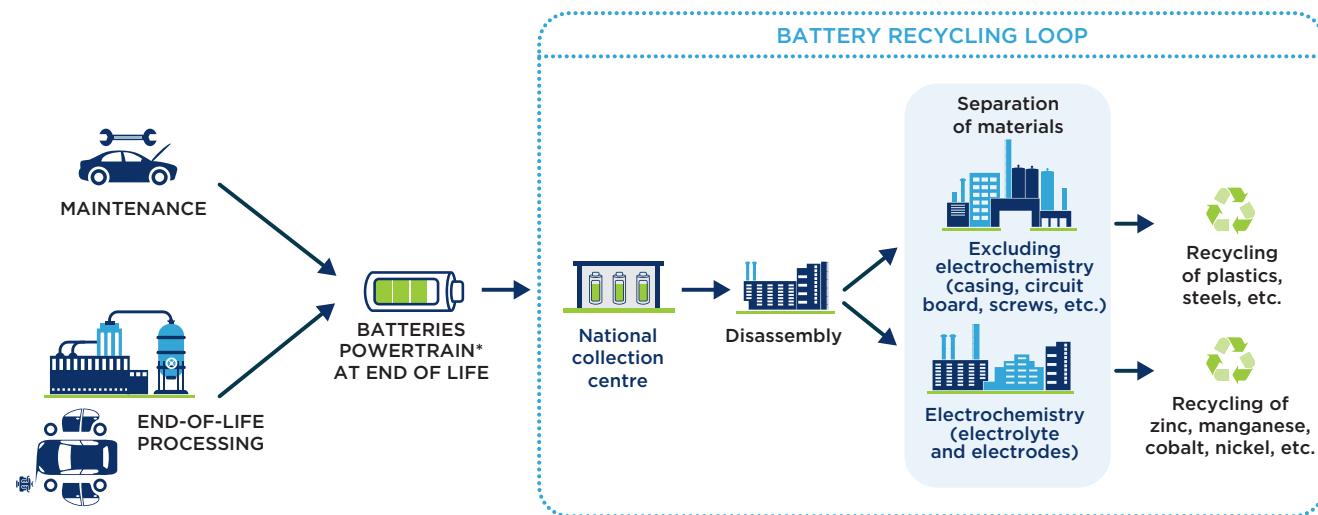
In accordance with Directive No. 2006/66/EC, the Group has implemented collection and treatment procedures for its batteries used in hybrid and electric vehicles sold in Europe. The battery technology in electric and hybrid vehicles requires specific handling methods.

The Group has a contract for the entire European market with a single, efficient partner, whose recycling rates in 2015 were 70% for Li-ion batteries of electric vehicles and 84% for the Ni-MH batteries of hybrid vehicles. These rates are significantly higher than the 50% regulatory thresholds for materials recycling. The agreement covers all of the Group's dealership networks and industrial sites for all

traction battery technology across all European marketing regions. In terms of battery legislation, the Group is closely involved in developing standards via the European Automobile Manufacturers' Association (ACEA). Outside Europe, particularly in China, the Group makes an active contribution in partnership with local joint ventures.

Furthermore, it is involved in the research and development of non-automotive solutions for the use of second-hand electric vehicle batteries once they no longer offer optimal vehicle performance. The objective is to be able to offer solid economic and technical solutions for the reuse of batteries in end of life vehicles when sufficient quantities become available.

### Hybrid and electric vehicles: processing end of life batteries



\* Batteries from hybrid and electric vehicles.

## Recycling of tyres

In France, on the basis of the principle of extended producer responsibility, the Group's brands have implemented procedures for collecting and processing the tyres held by authorised ELV centres. In 2016, 4,160 tonnes of tyres from ELVs were at least 50% treated as "materials recovery" (for reuse, drainage solutions, granulation, etc.). In addition, all used tyres collected from authorised repairers following vehicle repairs, representing 286,282 units in 2016, are

collected and recovered at the national level, of which more than 58% under "materials recovery" (for reuse, granulation, etc.) in 2016. Thanks to the PSA's support for one of its partners, a new materials recovery process based on vapour thermolysis was unveiled at the end of 2015. This method ensures high-quality materials recycling from used end of life tyres (45% fuel oil, 32% carbon black and 5% metal; the remaining 18% is used to power the thermolysis process).

## 2.4.4. Life cycle and vehicle carbon footprint analyses

G4-EN4

### 2.4.4.1. LIFE CYCLE ANALYSIS TO IMPROVE THE VEHICLES' ENVIRONMENTAL RECORD

Usually conducted at the end of product design, life cycle analyses can be used at the innovation phase to consider environmental impacts as early as possible. The Group has therefore developed a

method for assessing the environmental performance of innovations for the Advanced Research & Development Division teams. Two specific tools are used: one to assess the recyclability of innovations and a second to evaluate their environmental performance. Accordingly, environmental impacts are taken into account in the innovation process and a complete evaluation of each critical innovation is conducted.



### STAKEHOLDER RELATIONS

PSA Group is a founding member of the EcoSD network, a 1901-Law association whose main purpose is to foster exchanges and interaction between researchers and industry players in order to create and disseminate eco-sustainable design expertise (EcoSD) in France and beyond, thereby promoting France's EcoSD expertise internationally.

The Group takes part in collaborative projects with industry and laboratory members of the network. Achievements of these projects include:

- an assessment of the methodology used to measure the “water footprint” of an entire vehicle;
- the creation of a tool which takes environmental criteria into account in the design of traction batteries for electric vehicles.

The Group takes part in the annual themed workshops and the Doctoral Courses of Excellence delivered by members of the association.

Link to the association website: <http://www.ecosd.fr/fr>

The Group conducts life cycle analyses, within the framework defined in the ISO 14040/044 standards, on its vehicles and components. 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.

The Group has set a goal of analysing the life cycle of each new family of vehicles. In addition, for each core technological change or strategic innovation, a study is carried out in order to assess any developments in the environmental impacts from these technologies.

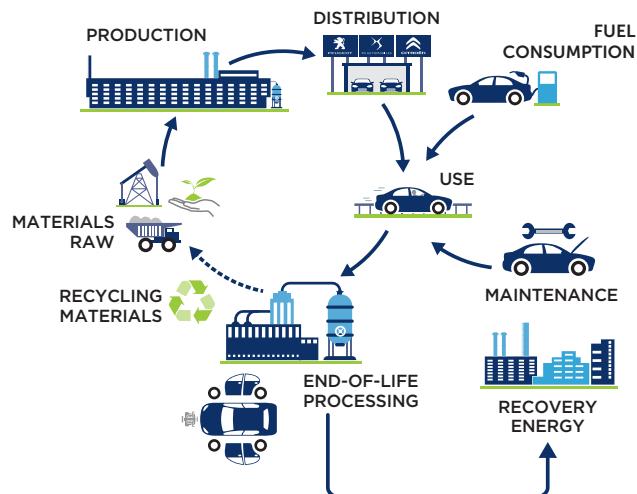
The methodology used to conduct the vehicle LCAs has been certified by a critical review Bio By Deloitte, a firm with expertise in life cycle analyses.

As a result, in 2016 life cycle analyses covered 44.6% of the total fleet sold compared to 44.5% in 2015 and 28% in 2014.

## 44.6%

OF THE FLEET SOLD IN THE YEAR COVERED  
BY LIFE CYCLE ANALYSES

**Simplified diagram of a vehicle life cycle**



### MAIN INDICATORS OF ENVIRONMENTAL IMPACTS MONITORED BY PSA GROUP

<b>Impact on air</b>	Global Warming Potential in kg CO <sub>2</sub> eq.: Characterises the average increase in substances that contribute to global warming (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, etc.).  Acidification potential in kg SO <sub>2</sub> eq.: Characterises the increase in the content of acidifying substances that cause acid rain and decay of some forests (SO <sub>2</sub> , etc.).  Photochemical Ozone Creation Potential in kg ethene eq.: Characterises the phenomena leading to the formation of ozone which have harmful effects on human health and on plants (VOCs, etc.).
<b>Impact on water</b>	Eutrophication potential in kg phosphate eq.: Characterises the introduction of nutrients such as nitrogen and phosphate compounds that promote the growth of certain algae (NO <sub>2</sub> , etc.).
<b>Impact on natural resources</b>	Potential for the depletion of natural mineral resources in kg antimony eq. (Sb): Aims to measure the extraction of mineral resources considered to be non-renewable.

The results of life cycle analyses help to:

- highlight the environmental interest of one innovative solution compared to another, and, more broadly, the overall environmental impact of a product;
- identify possible pollution transfers from one phase of the life cycle to another;
- highlight core environmental impacts;
- choose more environmentally friendly technologies and materials.

### Examples of the application of life cycle analysis

These analyses are carried out using software linked to environmental databases that makes it possible to calculate a product's environmental impact.

The goal is to guarantee that the environmental impacts from a new model are less than those of the previous generation. These results were verified with regard to:

- the petrol and diesel Euro 6 versions of the new PEUGEOT 3008 and 5008, compared with previous versions;
- the new Euro 6 diesel versions of the PEUGEOT Expert and CITROËN Jumpy commercial vehicles, compared with previous versions.

In addition, the Group cooperates with suppliers to conduct life cycle analyses on vehicle parts or components going into core innovations (changes in raw materials, inclusion of natural/recycled materials, strategic or functional innovations, etc.).

For example, a life cycle analysis performed in collaboration with Plastic Omnium showed that by replacing the steel with a composite material on a rear floor brought an environmental benefit throughout the life cycle, particularly in terms of resource depletion, global warming, air acidification and the creation of photochemical ozone.

In 2017, the Group plans to carry out a life cycle analysis on the new CITROËN C3 and will continue its analysis of its major innovations and the introduction of green or composite materials.

#### 2.4.4.2. VEHICLE CARBON FOOTPRINT

**G4-EN17**

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

These calculations take into consideration all Group activities that emit greenhouse gases (primarily CO<sub>2</sub>) over the whole life cycle of an automotive product.

Accordingly, this assessment will take into account, over one year of activity, emissions from:

- production of materials and components for the vehicles manufactured: all component materials of vehicles manufactured in 2015 have been taken into account, from extraction to moulding and assembly on the vehicle, using life cycle analysis databases;
- the Group's manufacturing plants (assembly plants or components factories) and tertiary sites (including development sites): this

information is derived from GHG (greenhouse gas) assessments carried out at all Group plants and tertiary sites (reference 2014 GHG Report);

- fuel extraction and production necessary to use the vehicles manufactured;
- use phase of the vehicles manufactured.

Use of vehicles produced in 2015 has been taken into account according to the following operating criteria: use over ten years and 150,000 km.

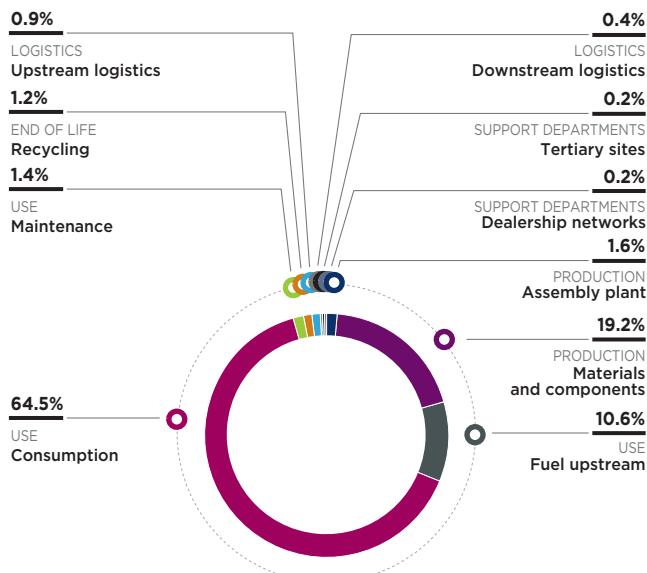
This assumption allows us to assess the amount of fuel consumed. The impact of the production of these fuels is taken into account using the life cycle analysis databases.

Similarly, CO<sub>2</sub> emissions data for each vehicle produced were taken into account;

- vehicle end of life: vehicle end of life was modelled on current treatment, enabling CO<sub>2</sub> emissions to be assessed for the vehicles treated.

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 produced by the group over a year (2015 data)



Total emissions of CO<sub>2</sub> equivalent for vehicles produced by the Group in 2015 amounted to 34.8 million tonnes.

The vehicle use phase represents almost 80% of the CO<sub>2</sub> emissions equivalent of the overall vehicle carbon footprint. For this reason, the Group devotes significant research and development effort on the issues of fuel consumption and vehicle weight reduction (see section 2.1).

## 2.5. A PRESENCE ON ALL MOBILITY SEGMENTS

G.33

G4-4

G4-8

G4-EN7

G4-EN17

G4-EN27

### PSA GROUP IS A PIONEER IN COMMUNICATING CARS AND IS WORKING TOWARDS BECOMING A FIRST-CLASS PROVIDER OF MOBILITY SERVICES

Social, environmental and technical changes impact consumer transport behaviour: urbanisation, regulations on air quality and CO<sub>2</sub> emissions, economic crises, Generation Y and the systematic use of connected devices have fostered a boom in the sharing economy, which is particularly well illustrated in the mobility sector.

The car is no exception to this general trend, and it tends to be perceived much less as a tangible asset than as an object of mobility, especially by new generations. Analysts therefore foresee a market of 300,000 vehicles for professional car-sharing fleets by 2018, with 15 million car-sharing solution users in 2020 in Europe.

PSA Group positions itself on this market based on its experience and technical expertise: Since 2003, the Group has been renowned

for its best-selling emergency call and automated assistance systems, which automatically call for help in case of an accident. To date, more than 2.3 million PEUGEOT, CITROËN and DS vehicles have been equipped with this system (see § 2.3.3.3.).

Carsharing, carpooling and rental are growing and becoming more widespread among individuals. Thanks to Group offers, these practices are becoming totally secure and more widespread, thereby helping to limit prolonged periods during which the vehicle is not in use and maximise the use of the existing fleet. To mark itself out as a socially responsible Group, PSA Group is developing a portfolio of mobility services in response to the changing expectations of its stakeholders, be they consumers or local authorities.

The Group aims to become a first-class provider of mobility services. Its strategy is to have a presence on all mobility segments. The director of the Group's dedicated business unit for mobility services is now a member of the Executive Committee.



### ECONOMIC INSIGHT

PSA Group projections see the European mobility market growing to more than €13.6 billion in 2020, from €7.7 billion in 2014, an explosion of 56%. 1.7 million vehicles would be required to serve this market in 2020 (vs. 1.27 million in 2014) in G10 Europe, including 500,000 in the area of car-sharing alone.

As part of the Push to Pass, plan for the period 2016-2021, the Group intends to invest €100 million in risk capital in order to expand its portfolio of mobility solutions, primarily by investing in start-ups, to attain revenue of €300 million by 2021.

### PSA GROUP HAS GROUPED ALL ITS CONNECTED AND MOBILITY SERVICES UNDER A NEW BRAND, FREE2MOVE.

On 28 September 2016, during the Mobility Days, Carlos Tavares, Chairman of the Managing Board, announced the launch of Free2Move, a new PSA Group brand which will expand experiences of a sustainable, smart, secure and shared mobility for all.

The new Free2Move brand will pool all the new PSA Group mobility services on a single platform to meet its customers' different mobility requirements:

- "Free2Move Car-sharing" – car-sharing services operated by the Group or external partners;

- "Free2Move Smart Services" – connected services to simplify life and save time;
- "Free2Move Fleet sharing" and "Free2Move Fleet Management" – corporate fleet services;
- "Free2Move Lease" – financial solutions to make vehicle ownership more affordable.

The lease and car-sharing services of PEUGEOT, CITROËN and DS and partners of PSA Group will also become part of this new brand.

PSA Group will continue to offer its mobility services through Free2Move.

## ADDITIONAL SERVICES TO MEET ALL MOBILITY NEEDS

	Mobility services and fleet management		Connected after-sales	Data analysis
	I am free to use a car	I make my automotive budget go far	My brand makes my life easier	I'm looking for easy, safe transport
<b>Services developed by PSA Group</b>	Leasing  PEUGEOTRENT local mobile vehicle rental  DS RENT RENT & SMILE	Public car-sharing  multicity	Fleet management And car-sharing for companies  CREDIPAR Interparc Connect Management (fleet management)	Predictive maintenance  EUROPEAN UNION flag Teleservices and telemaintenance
<b>Acquisition of non-discretionary profit-sharing</b>		emov Bolloré Bordeaux & Lyon communauto	Koolicar TRAVELCAR	OpenFleet B2B car-sharing (car-sharing for companies)
<b>Partnerships</b>			TOMTOM TELEMATICS masternaut (fleet management)	IBM

### FOR **more** INFORMATION

**"Speech of Carlos Tavares at the "Mobility Days" event- 28/09/2016"** video: [https://www.youtube.com/watch?v=J923fhb63\\_8](https://www.youtube.com/watch?v=J923fhb63_8)

## SPOTLIGHT ON CHINA

Backed by its experience in Europe, in 2014 the Group launched packages of connected services in China with its joint venture partners DPCA and CAPSA: Blue-i (PEUGEOT), CITROËN Connect and DS Connect were included in new vehicles. Designed to be compatible with the driving position, these round-the-clock services are offered to customers on a two-year contract. They allow access to emergency services and assistance and provide information on traffic, local points of interest and new vehicle features, as well as news updates. These in-car services are accompanied by a mobile app on the customer's smartphone. This includes, for example, a "last-mile guidance" system, enabling the customer to complete the journey on foot with guidance to the final destination after parking the vehicle.



### STAKEHOLDER RELATIONS

On 10 December 2015, the presidents of PSA and Bolloré Groups, in partnership with the association Environnement France Chine, organised a conference-debate entitled "L'avenir de l'auto-partage électrique dans les grandes villes: l'expérience de Paris" [The future of electric car-sharing in cities: the Paris experience].

The three conference topics were:

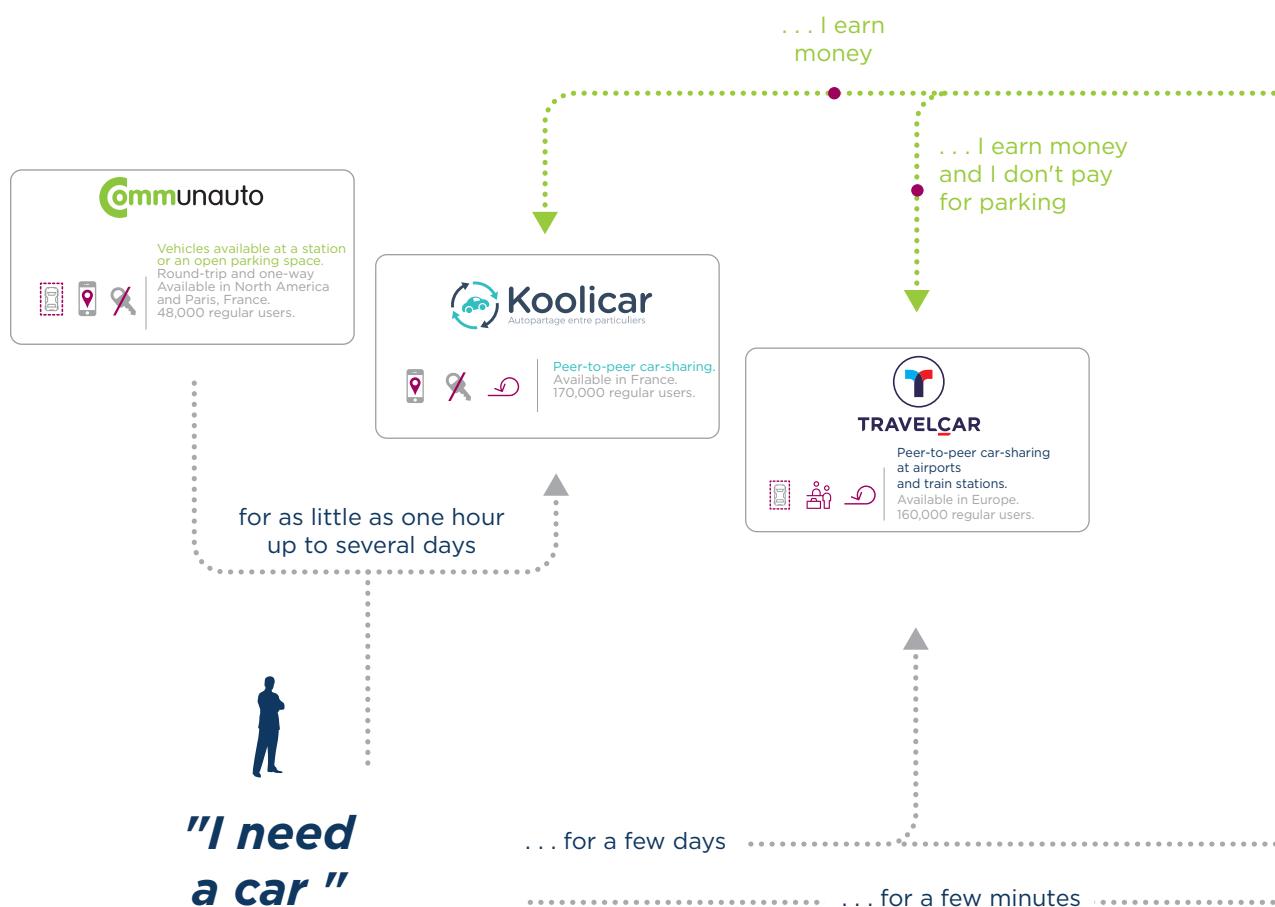
- the origins of electric car-sharing;
- the concrete example of electric car-sharing in Paris;
- prospects for electric car-sharing in China.

Questions from the audience related mainly to adapting the model for the Chinese market with a focus on multimodal electric transport, the economic model and the PSA Group and Bolloré Group's development projects for China.

## 2.5.1. Shared mobility

Through the use of new connected vehicle technology and a range of extremely environmentally-friendly products, from two-wheel vehicles to LCVs, the Group offers a wide range of affordable mobility services in response to the new uses and different mobility needs of businesses and individuals. These services are supported by BANQUE PSA FINANCE and offered through the Group's partners and PEUGEOT, CITROËN and DS.

**9,500**  
GROUP VEHICLES SUPPLIED TO SHARED MOBILITY SERVICES IN 2016



Key:

**Shared MOBILITY**  
BY PSA GROUP

### Parking



At a station  
Go to the station to access the car.

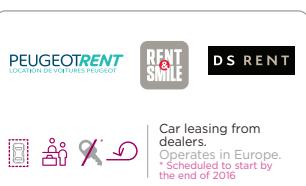


In an open parking space  
Use your smartphone to find the car, and then go pick it up on the street.

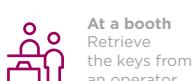
... I lower my monthly payments



*"I have a car"*



#### Access to the car



Keyless entry.  
Unlock the car with a badge or your smartphone.  
Use the keys inside the car to start the engine.

#### Trip type



Round-trip.  
Return the car to the place where you picked it up.



One way.  
Finish your rental wherever you'd like within a predefined area.

### 2.5.1.1. PUBLIC CAR-SHARING

#### Development of car-sharing solutions in Europe and North America with the Bolloré Group



The strategic cooperation agreement signed between the Group and Bolloré Group in June 2015 reflects their shared ambition to become a major player in the car-sharing market, an important part of the new mobility economy alongside public transport.

This partnership is for the development of electromobility in two areas: the distribution and manufacturing of a Bolloré Group electric car at the PSA Group plant in Rennes (CITROËN E-Mehari) and the development of shared mobility solutions through car-sharing solutions worldwide.

Holding 24% of capital of the joint company, Blue Alliance, PSA Group expanded the Bluely in Lyon and Blueclub in Bordeaux car share fleets in 2016. 30 fully-electric CITROËN C-Zéro vehicles were provided to users of the Bluely service and 20 Group vehicles entered the Blueclub fleet.

In 2016, PSA Group also worked with several other cities, including Los Angeles, on the launch of a car-sharing service in partnership with the Bolloré Group.

#### Supporting the development of Communauto, the carsharing pioneer in North America



In September 2016, the Group took a share in the capital of Communauto. A key player in the carsharing business in North America for the last 22 years with a presence in seven cities in Canada, the Communauto carsharing service offers different types of vehicles (electric, petrol and hybrid) and intermodality solutions in conjunction with the public transport services.

This was a joint capital expenditure of PSA Group and MKB, a merchant bank specialising in private investments in the renewable energy and smart cities sector. The transaction will help Communauto speed up its international expansion, consolidate its leadership position in North America and roll out its electrification strategy.

This partnership with a long-standing player in the North American car-sharing market is part of the PSA Group's Push to pass strategic plan. The partnership fulfils a dual objective: meeting customers' various mobility needs, particularly through car-sharing, and enabling it to offer mobility services to the North American market.

The Communauto car-sharing service in Paris counts 43 Group vehicles in its fleet.

#### CITROËN Multicity Berlin



The Group's first urban car-sharing experiment, CITROËN Multicity Berlin is equivalent to Autolib' in Paris.

Launched in 2012 in partnership with Deutsche Bahn, the scheme consists of a fleet of 250 CITROËN C-Zéro electric cars and 100 CITROËN C1 cars. Members of the scheme can book vehicles online or using a smartphone app. Rental is highly flexible because it is billed by the minute at very attractive prices. CITROËN Multicity Berlin has over 12,000 customers.

#### FOR more INFORMATION

**CITROËN Multicity Carsharing's website:** <https://www.multicity-carsharing.de/en/>

#### emov in Madrid



The new emov car-sharing service was launched in December 2016. The service is run by a joint venture between PSA Group and the Spanish operator EYSA. It comprises a fleet of 500 CITROËN C-Zero and one of its key selling points is the area it covers: the vehicles can be used outside Madrid city centre as it serves some of the areas surrounding the city.

Driving a fully-electric car in Madrid offers several important benefits. The vehicle can be parked free of charge in a paying car park inside the area covered by the service. Traffic restrictions imposed during periods of peak pollution do not apply to emov users. Finally, users also have access to resident-only areas and areas subject to temporary traffic restrictions.

#### FOR more INFORMATION

**Emov's website:** <https://emov.es/?lang=en>

#### VULe Partagés: trial of a business car-sharing service using commercial electric vehicles in Paris

Since the autumn 2016, in the 2<sup>nd</sup> and 3<sup>rd</sup> arrondissements in Paris, local shopkeepers and artisans have access to a car-sharing service through a fleet of ten commercial electric vehicles, including four PEUGEOT Partners and four CITROËN Berlingos.

The aim is not only to combat the air pollution generated by deliveries but also to reduce the number of vehicles driving round Paris. Indeed, each day in Paris 100,000 deliveries are made in vehicles and trucks which, according to Airparif, are responsible for 40% of nitrogen oxide emissions (NO<sub>x</sub>) and 30% of carbon dioxide (CO<sub>2</sub>) emissions.

The trial, part of the *Innovation en faveur de la mobilité durable* [Innovation for sustainable mobility] call for projects launched by the greater Paris region, will run for one year and will be evaluated by an economic and environmental study. If the results are conclusive, the service will be rolled out elsewhere in the capital.

#### FOR **more** INFORMATION

**Press release of the 26/01/2017 “PSA Group makes electric commercial vehicles available for car sharing as part of a partnership with the Paris Town Hall (Mairie de Paris)”: <http://media.groupe-psa.com/en/psa-peugeot-citroen/press-releases/group/psa-group-makes-electric-commercial-vehicles-available-for-car-sharing>**

#### 2.5.1.2. PEER-TO-PEER CAR-SHARING

##### Koolicar



In March 2016, PSA Group took a stake in Koolicar, a peer-to-peer car-sharing start-up.

Currently present in 40 urban areas in France with more than 160,000 members, Koolicar's unique selling point is its innovative peer-to-peer car rental technology in Europe. Members of the Koolicar community are offered a simple, automatic rental solution for their vehicle through its connect box units: automatic mileage and rental time calculation, GPS tracking and access to the vehicle via a smartphone or an ID card so that keys no longer have to be physically handed over.

In November 2016, the PEUGEOT France network, which has 2,500 points of sale, became an official supplier for installing the Koolicar connect boxes. Koolicar members can have a connect box installed free of charge in any make or model of car. At the time of installation, PEUGEOT runs a free check on the customer's vehicle to ensure that it is sufficiently safe to be offered via the car-sharing service.

**“Thanks to PEUGEOT’s vast dealership network, we are going to be able to rapidly increase our vehicle offering throughout France, in both urban and rural areas”**

**Stéphane Savouré**, Koolicar founder, commented.

Other Koolicar benefits include service quality, ease-of-use and a dynamic, customer-facing team. PSA Group's support will allow Koolicar to speed up the implementation of its strategic plan and provide it with the means to equip up to 30,000 cars to become a global player in the car-sharing market. Its team will also increase from 30 to 100 in Paris and Montreal.

#### FOR **more** INFORMATION

**Koolicar's website:** <https://www.koolicar.com/>

**Koolicar's video:** <https://www.youtube.com/watch?v=EH6IBkwWTL4>

##### TravelCar



**TRAVELCAR**

In June 2016, PSA Group took an equity interest in TravelCar, a French start-up offering a hybrid model somewhere between a traditional rental agency and a platform to connect private car owners. Users are offered a quality service whilst supporting an environmentally-friendly, sustainable, resource-saving initiative.

TravelCar services aim to make life easier for car owners and renters by:

- offering free parking to owners who offer their vehicle up for rental. The car is covered by fully-comprehensive insurance and TravelCar handles the process from A to Z. For example, rather than paying for airport parking, TravelCar offers owners the option of putting their car up for rental for the duration of their trip and the car is covered by fully comprehensive insurance. Not only do owners not have to pay for parking, but they actually receive payment if their vehicle is rented out;
- reduced price peer-to-peer car rental. This service is operated by the TravelCar agencies which connect owners with renters. The renter saves up to 50% compared to the cost of car rental from a traditional car hire company.

These offers are available in certain airports, train stations and city centres in six countries: France, Spain, the Netherlands, Germany, Switzerland and Belgium.

#### FOR **more** INFORMATION

**TravelerCar's website:** <https://www.travelercar.com/english/>

**TravelerCar's video:** <https://www.youtube.com/watch?v=4jZtkBFydm0>

### 2.5.1.3. SHORT-TERM HIRE



DS RENT

Since 2010, PEUGEOT has offered short-term vehicle hire under Mu by PEUGEOT and then PEUGEOT RENT. Launched in France, followed by Germany and the UK, as of 31 December 2016 PEUGEOT RENT had a fleet of 8,435 vehicles designed to meet several types of needs for business customers and individuals:

- traditional short-term rental of a wide range of vehicles for specific purposes, from small city cars ideal for getting around town, to commercial vehicles for moving house;
- extended vehicle test drives;
- replacement vehicle when the driver's own car is being serviced.

In the last quarter of 2016, CITROËN and DS launched the same short-term rental service: CITROËN RENT & SMILE and DS RENT.

Soon, Keyless access will mean a car can be hired using an Id card or smartphone. An on-board system will check that the customer has been authorised to borrow the car and will unlock the doors. The customer will then find the keys in the passenger compartment.

#### FOR more INFORMATION

**PEUGEOT Rental website:** <http://www.servicing.peugeot.co.uk/peugeot-rental/>

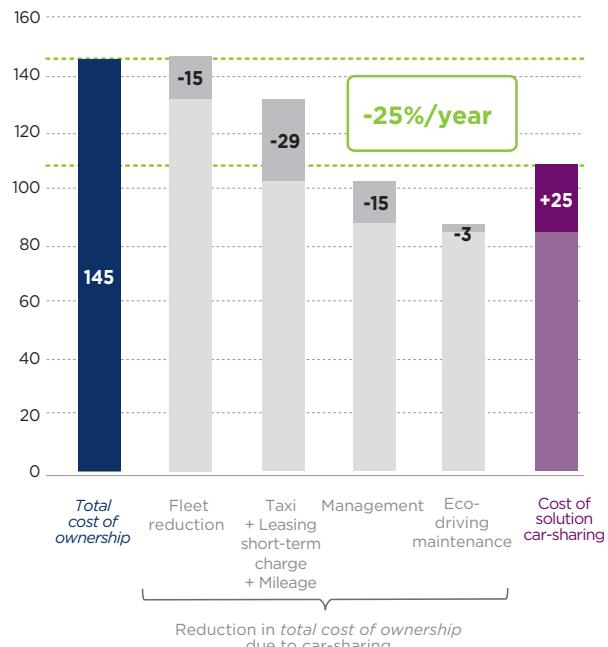
### 2.5.1.4. A CAR-SHARING SOLUTION FOR BUSINESS FLEETS

This service, which is primarily intended for medium-sized and large business car fleets, allows employees to reserve their vehicles online via a simple, user-friendly electronic platform, and access them without keys using an Id card system.

It includes all the services of a standard long-term leasing (maintenance, insurance, etc.), online assistance, and car-sharing technology installed in the vehicles covered under their warranties.

This solution allows companies to:

- reduce mobility costs by up to 25% through the optimised use of vehicles, lower taxi/public transport costs and additional revenue generated by private use of the vehicles: in the latter case, employees can use company vehicles at the weekend for example, in return for a rental fee;



- provide an employee incentive: access to vehicles 24/7, flexible use (booking up to 15 minutes before departure).

It began to sell the service to companies in the last quarter of 2016.

## 2.5.2. Smart mobility

### 2.5.2.1. VEHICLE EFFICIENCY SERVICES FOR INDIVIDUALS

#### MyPEUGEOT, MyCITROËN and MyDS

These are free, simple and intuitive apps that extend the driving experience to the smartphone. Customers stay connected to their vehicle and can access driving data, locate their vehicle and receive warnings about any assistance or maintenance requirements. They receive service and maintenance reminders and have access to their service agreements. Finally, they can make appointments online, obtain a quote or request advice from their contacts (point of sale, customer relations and helpline).

Since 2014, over 222,000 customers have already downloaded these apps.

#### Connect Packs

All three Group brands offer private customers Connect Packs:

**The Monitoring Pack** provides a virtual log book (automatic monitoring of mileage and servicing schedule, warning of maintenance work required) and eco-driving module (advice tailored to the motorist's driving style);

**The Mapping Pack** allows the vehicle to be located in real time, displays the route, stores previous journeys and sends an email notification when the car is used (for example, if it leaves a predefined area or is driven without the owner's consent). Details of the current journey and previous journeys can also be displayed;

**The Tracking Pack** locates the car via GPS so that the police can trace it in the event of theft.

The service was first launched at PEUGEOT in France in 2016 and has been sold to almost 500 customers.

### PEUGEOT teleservices, CITROËN teleservices, DS telemaintenance

If a mechanical problem or service due warning is automatically detected, the customer is contacted by the call centre or point of sale to offer them an appointment with the network. The customer no longer has to worry about maintenance deadlines as they are contacted directly by the network if there is a problem with the vehicle.



#### ECONOMIC INSIGHT

Through PEUGEOT teleservices, CITROËN teleservices and DS telemaintenance, the customer is contacted at the right moment by the point of sale and the latter can programme an appointment according to the problem found. The brands thus improve customer satisfaction and customer loyalty, and thereby revenue. Studies carried out by the Group show that the services increase customer loyalty by 15 points compared to the averages reported by the GIPA observatory, the leader for after-sales market studies.

### 2.5.2.2. FLEET OPTIMISATION SOLUTIONS FOR FLEET MANAGERS

According to the President of the *Observatoire du Véhicule d'Entreprise*, the observatory for company cars, which publishes an annual TCO (total cost of ownership) study, the way vehicles are used can increase the TCO by up to 40% through higher consumption, insurance premiums, maintenance and admin costs (processing fines) and even the residual value. For this reason, in today's fleets, it is important to have tools which monitor consumption and pass on information on driver behaviour.

#### Connect Fleet Management

To meet this need, the Group brands offer a special service for companies: Connect Fleet Management, which responds to

three fleet management issues: fleet maintenance, with various mechanical and technical notifications; the environment, with CO<sub>2</sub> emissions, actual fuel consumption and personal eco-driving advice for the driver; and optimisation of vehicle use with statistics on usage, GPS tracking and mileage.

The services are operated by the partners of PSA Group on their service platforms. In fact, the Group made the decision to open its vehicle data to its partners to enable customers to continue to hold service reports on the platforms already used. The Group is the only manufacturer to have done this and its partners are among the best-known on the fleet management market in Europe, including TomTom Telematics, Masternaut and Orange Business Services.

The service was launched in September 2014 and at the end of 2016 it had already been sold to over 300 companies with a combined fleet of more than 45,000 cars.



#### ECONOMIC INSIGHT

The 2BR Mobilité group, which has equipped its fleet with the Connect Fleet Management service, estimates that it has made a fuel saving of around 5%, thereby reducing the cost of owning PSA Group vehicles rather than competitors' vehicles by the same percentage. It also anticipates a saving in insurance costs, mainly through the installation of eco-driving measures.

#### FOR **more** INFORMATION

**Vidéo PEUGEOT Fleet Management:** <https://youtu.be/uRCuFFGVmrM?list=PL3428325A8C75E542>

**Vidéo CITROËN Fleet Management:** <https://youtu.be/xGRzJwYo-Rg?list=PL3428325A8C75E542>

**Vidéo DS Fleet Management:** <https://youtu.be/BecCjGYhCtw>

#### Interparc Connect Management

Since February 2016, CREDIPAR has offered connected services to its business customers entering into a long-term leasing agreement: Interparc Connect Management. Depending on the package selected, the Company can collect real-time data on its vehicles, such as fuel consumption and CO<sub>2</sub> emissions, and also driver conduct and location information. By accessing data in addition to the information provided by the loan agreement, companies can identify the vehicles which do not meet driving conditions in order to put riders in place or organise a replacement.

The service offers companies optimal fleet management while reducing the fleet management cost, which is often a considerable expense. The popularity of these value-added services is proven by the fact that packages 2 and 3, the most expensive, are the most popular.

#### FOR **more** INFORMATION

**09/03/2016 press release “Crédipar launches Interparc Connect Management, a new fleet management solution for professionals”:** <http://media.groupe-psa.com/en/groupe/crédipar-launches-interparc-connect-management-new-fleet-management-solution-professionals>

At the end of 2016, Crédipar had already sold the service to more than 40 companies with a combined fleet of 500 cars.

The Connect Fleet Management and Interparc Connect Management services operate through a telematics box which is included as standard in most PEUGEOT, CITROËN and DS passenger cars intended for Business use. The equipment can also be installed as an option on the customer's entire fleet, regardless of the make of vehicle.

#### PEUGEOT Green Connect

PEUGEOT also offers the PEUGEOT Green Connect service, in partnership with Mobicgreen, which trains drivers in eco-driving techniques through an e-learning module on a dedicated website combined with on-road training.

### 2.5.3. **Safe mobility**

Since 2003, the Group has led the market in sales of emergency call and assistance systems, which automatically call the emergency services in the event of an accident. To date, more than 2.3 million PEUGEOT, CITROËN and DS vehicles have been equipped with this system (see section 2.3.3.3.).

Since 2012, the Group has also offered drivers online support, communication and information services. The Group is also one of the first car manufacturers to use smartphone screen-to-vehicle transfer technology.

Although it will not be required by law in Europe until 2018, PSA Group is continuing to install telematics units in its vehicles, thereby providing communicating technologies in all its vehicles.

#### 2.5.3.1. **CUSTOMISED ROAD SAFETY PROMOTION SERVICES FOR CITIES**

In partnership with IBM, the Group is providing cities, local communities and facilities managers with decision-making tools which use anonymous data from PEUGEOT, CITROËN and DS vehicles circulating in the area. This data can be used to solve

traffic congestion problems and detect danger areas in order to draw up development plans. For example, if it is found that ABS is triggered frequently in a particular bend in the road, the bend can be classified as dangerous, thereby speeding up the introduction of corrective measures (speed reduction measures or lowering the speed limit, etc.)

The “Smarter cities” project is currently being deployed in the Nice Côte d’Azur Metropolis and the Wallonia (Belgium) region who report:

*“Initial results we have obtained to date in a test area are very encouraging. They have allowed us to see problematic areas in a new light. By detecting “at risk” areas, managers can take action to alter the infrastructures before accidents happen. The system also offers new road safety developments and opportunities for the road management departments.”*



#### ECONOMIC INSIGHT

These new services actively contribute to the development of safer, smarter and more user-focused mobility (all data used is automatically anonymised). They also provide an additional source of revenue for the PSA Group and its partner, IBM.

#### 2.5.3.2. **CARS THAT COMMUNICATE TO PREVENT ACCIDENTS**

From 2017, the wide-scale SCOOP@F trial will permit communication between vehicles and the road infrastructures in France through a special wifi system for cars, the ITS G5 communication system. 100 PSA Group vehicles will be deployed over more than 2,000 km of roads in France (see § 2.0.2.1 and § 2.3.2.3).

## 2.5.4. Laying the groundwork for new mobility experiences

The Group is committed to providing enjoyable, personalised and relevant experiences to satisfy the ever-changing needs of its customers. The Group was an early adopter of communicating cars and is pursuing its plans for this technology. In January 2016, the Group announced that it was joining forces with Ford to develop the next generation of on-board infotainment standards, with a view to offering motorists a safer and more practical in-car experience. The two partners will explore possible synergies between SmartDeviceLink and Car Easy Apps technology.

- SmartDeviceLink (SDL) integrates smartphone apps (entertainment, traffic updates, parking, etc.) with vehicle infotainment systems, allowing them to be accessed via voice recognition or the dashboard with its built-in touchscreen. SDL technology also uses the vehicle's data to create a rich, immersive experience that is streets ahead of competing solutions.
- Car Easy Apps allows secure data exchange between the vehicle, smart devices and the cloud, thanks to a built-in app manager. Without compromising data security or vehicle performance, this technology creates opportunities for new customer services and applications.

Moreover, to meet the needs of increasingly connected consumers, the Group is developing a new generation of open, scalable telematics platforms. Launched in 2016, this has been designed to offer a seamless digital interface with a smartphone or tablet. This technology will allow the rapid introduction of new services and an ecosystem of applications will emerge.

From 2017, the Group will launch innovative solutions that will put PEUGEOT, CITROËN and DS at the heart of the Internet of Things. With secure access, our customers will be able to interface with their household appliances and control some functions remotely, such as heating and TV.

### 2.5.4.1. PARTNERING WITH START-UPS TO ANTICIPATE NEW USES

To enable it to identify emerging trends, the Group is making contact with more and more start-ups whose business is in line with its ambition to become a leading mobility provider. The Group constantly monitors developments in on-board comfort and emerging technologies (bots, blockchain, etc.).

It has partnered with EuraTechnologies, the number 2 start-up incubator in Europe, in order to bring new trends onto the market. Authorised start-ups are given access to the Group's vehicle data and are tasked with finding new innovative models that can be exploited.

The internal "PSA Group 4 Developers" programme fosters connected mobility innovation and is backed by a platform and partners.

#### FOR **more** INFORMATION

**"PSA Group for developers" website:** <https://developer.psapeugeot-citroen.com/>

**"Join PSA Group for developers – connected vehicle APIs for developers" video:** <https://youtu.be/FumoLLdsEq4>

### 2.5.4.2. THE AUTONOMOUS CAR: PSA GROUP LEADS THE WAY

The new connected services offered by the Group are designed to make mobility safer, more efficient and more environmentally friendly.

The Group's Connectivity roadmap consists of three key stages that will enable it to meet these challenges: Save Time (2016), Easy Life (until 2018) and Enjoy Life (by 2020).

Based on this roadmap, the Group will gradually introduce a series of technological solutions, such as remote services and Car-to-Car and Car-to-Infrastructure communications technology, to create a sort of automotive social network.

Continuous connectivity will pave the way for autonomous driving, a huge opportunity to improve road safety (nearly 90% of road accidents are caused by human error).

PSA Group has defined three stages for its advanced driver assistance systems (ADAS).

- The first stage is known as "Hands-On" (2016). The driver keeps his or her hands on the steering wheel but is supported by various solutions, such as autonomous braking and driver assistance.
- The second stage is "Hands-Off", and will take place until 2018. It will see the introduction of full parking and driving assistance.
- The third and final stage, "Eyes-Off", is planned for 2020-2025. It includes remote parking capabilities and the advent of a fully autonomous, driverless vehicle (Mind-Off). The Group has already demonstrated its prototype autonomous vehicle on the motorway in self-driving mode in October 2015 (see section 2.0.2.1.).

The autonomous vehicle will satisfy the aspirations of younger generations with minimum constraints, while serving the needs of older drivers with maximum driver assistance to extend their mobility. In an autonomous car, drivers will be able to spend their time either working or relaxing with passengers, making the journey even more enjoyable.

The Group's vision of the autonomous vehicle is the subject of commitment No. 4 in the Group's strategic CSR issues dashboard, presented in Chapter 1 of this report.

## 2.5.5. Dedicated finance and insurance packages

BANQUE PSA FINANCE sets itself apart from the competition with its One Stop Shopping packages for the end customer. The offer, designed in close collaboration with PEUGEOT, CITROËN and DS combines finance, insurance and services, thereby offering the customer everything they need immediately at the point of sale.

This arrangement allows BANQUE PSA FINANCE and the brands to offer the end customer a comprehensive insurance and services package linked to the individual or the vehicle and the corresponding loan, which is marketed together with, or separate from, the loan offer. The service packages include insurance cover for the loan (loan insurance or additional insurance) and the car (car insurance) or a comprehensive mobility package with services such as an extended warranty and maintenance agreement. This One Stop Shopping increases the vehicle's appeal to the customer. With the packages, customers receive a more competitive global offer and the best possible protection for their vehicles.

Moreover, BANQUE PSA FINANCE has promised to fulfil its role as a fully-fledged mobility services provider, in support of the second pillar of the Push to Pass plan, which aims to see PSA Group become a major player in the market for new mobility solutions. For example, a rental offer from €0 has been marketed to private customers in France for the first time in collaboration with CITROËN and the TravelCar car-sharing platform. BANQUE PSA FINANCE is playing an active part in the deployment of the new PSA Group mobility brand, FREE2MOVE, and its corporate mobility offering, by setting up dedicated centres in Europe.

With many years' experience in the long-term leasing market, BANQUE PSA FINANCE now manages a fleet of over 400,000 vehicles. These new mobility services and products will be on offer from January 2017 under the Free2Move Lease label.

For its corporate customers, the financing solutions designed for vehicle fleets allow customers, depending on their profile, to opt

either for a variable budget based on the mileage driven by their vehicles, or for a constant budget for consistent use. An extranet site is also offered in six countries, which allows managers of business vehicle fleets to track their vehicle costs in real time (TCO or total cost of ownership), optimise their fleets and manage fuel consumption.

On receipt of bids for brand-related calls for tender, BANQUE PSA FINANCE:

- offers its core corporate accounts training in eco-driving - designed for drivers of financed vehicles to help them control fuel expenses by teaching them how to use less fuel, thus reducing emissions and the risk of accidents and promoting greater respect for the rules of the road;
- encourages customers to obtain a business pack, which includes a GPS and Bluetooth device so that they can restructure their travel time and reduce the risk of accidents.

BANQUE PSA FINANCE facilitates electric vehicle use by its customers by offering them services such as battery rental and maintenance, in the form of a general offer (rental of vehicle and battery), or in the form of a separate offer (battery rental only).

PEUGEOT, in collaboration with BANQUE PSA FINANCE, offers its private customers an "Electric Box" package which combines the long-term leasing of a PEUGEOT iON with an electric bike in return for a monthly lease of €99. To be eligible, customers must have a diesel vehicle that is more than 14 years old, which is scrapped at the same time. The PEUGEOT brand also offers Group employees the opportunity to buy the PEUGEOT iON with a special staff discount. The CITROËN brand offers Group employees two similar schemes for the CITROËN C-Zero, one of which requires an older diesel (over 14 years old) to be scrapped at the same time. These schemes, which have been developed in association with BANQUE PSA FINANCE, are designed to encourage employee uptake of electric vehicles.

## 2.6. SCOPE AND REPORTING METHODOLOGY

G4-20

G4-22

G4-23

The data in this section correspond to the set of products and services designed and marketed by the Group in its business locations; where the scope is different, this difference is noted at each indicator.



# 3

## HUMAN RESOURCES: ENABLER OF PERFORMANCE

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For PSA Group, company performance and social performance are bound together. The Group's human resources policy aims to create the right environment for the success of the Push to Pass strategic plan and support the related transformations.

To do this, the Group will have to rely on competitive teams worldwide to be in a position to challenge its best competitors. Recognising talent and ensuring equal opportunities are based on merit, to reward individual and collective performance. Giving 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, the Group 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.

Each employee is at the core of the Company's concerns as regards the transformations to be accomplished and achieve the performance objective. The 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 is an opportunity to boost collaborative working methods and flexibility, and to provide solutions that simplify employees' day-to-day lives. All these actions help to enhance the work-life balance, which is synonymous with greater engagement and motivation.

The Group is committed to rolling out this policy worldwide, using as its basis of reference PSA Group's Global Framework Agreement on Social Responsibility, which was renewed on 7 March 2017, and its commitments to respect human rights.

This policy offers strong responses to the five key human resources issues identified by the Company:

#### ■ “Social dialogue and responsible management of jobs and skills” – internal and external impacts

Against the backdrop of weakening European markets, which has led to excess production capacity across all manufacturing sectors and has endangered the financial well-being of companies, international companies with operations in Europe have been compelled both to restructure their historic sites in the region and strengthen their positions in fast-growing emerging markets.

The automotive industry is one of the most at-risk sectors: it needs to adapt to a regionalisation of the economy (location of production centres closer to markets, particularly in China), and it needs to boost its economic performance by again becoming competitive (optimise production flows, rate of use of its sites). The challenge for car manufacturers is therefore to accompany these changes with a responsible approach to the management of jobs and skills as well as an approach to social dialogue that will allow them to:

- achieve greater flexibility in the organisation of work via the signing of agreements,
- meet stakeholders' expectations in regions where the Company operates: convert industrial sites with overcapacity and offer employees personalised career guidance.

#### ■ “Attracting, developing and retaining talent” – internal and external impacts

With heightened competition in the automotive industry, car manufacturers need personnel with increasingly specialised skills to maintain their capacity for innovation, their operational

capacity and their R&D performance. Furthermore, the successive restructuring efforts necessitated by the financial crisis entail the loss of industry-specific skills.

Attracting, developing and retaining skilled employees is therefore an issue with a substantial impact on Company performance. Companies must put in place systems to match jobs with skills that also nurture and develop talent, boost employee motivation and commitment, and preserve know-how.

#### ■ “Occupational health and safety and working conditions” – internal impacts

The manufacturing sector is, by its very nature, exposed to occupational safety risks. In addition, in a context of internationalisation and with the establishment of plants in developing countries, the media are paying very close attention to health and safety conditions in the workplace and to compliance with International Labour Organization recommendations.

For many years, the automotive industry has mobilised around health and safety risks. The latter are less critical than in other manufacturing sectors (due to the presence of a highly skilled workforce for production involving a significant technology component) and well identified (musculoskeletal disorders, chemical risks, psychosocial risks, road risks and risky behaviours). However, health and safety at work must remain a strategic concern for companies and must continue to be the focus of careful attention supported at the highest management level.

Good management of health and safety risks contributes to the reputation of companies, their capacity to attract talent, the effective functioning of their business processes and thus their financial performance.

#### ■ “Diversity and equal opportunity” – internal impacts

As a traditionally male-dominated industry, automobile manufacturing faces issues relating to diversity amid changing regulatory contexts in many countries.

In addition, the deferral of retirement ages throughout Europe is prompting companies in the sector to focus attention on the needs of older employees.

The challenge for companies is therefore to fight against all forms of discrimination (seniors, the disabled, cultural diversity, etc.) in line with internationally recognised human rights standards. Ensuring diverse teams and guaranteeing equal opportunity are key drivers, both to attract talent and to better understand the expectations of customers.

#### ■ “Respect for human rights and union rights” – internal and external impacts

As part of their international development, companies in the automotive industry are confronted with the issue of human rights and working conditions in countries where the social protection of employees is a relatively recent tradition.

This issue is an important part of the Company's relations with its stakeholders. After all, the freedom to organise is a human right that is set out in international declarations and conventions.

The PSA Group's human resources policy offers strong responses to the five human resources issues. The policy has led to a number of initiatives which are presented in this chapter.

This policy is articulated around three areas: the human resources development policy, the occupational health and safety policy and the employee relations policy. Management systems specify the requirements and maturity stages. Their application is monitored and improved in the interests of ongoing development.



## SCOREBOARD

					
<b>SOCIAL DIALOGUE AND RESPONSIBLE MANAGEMENT OF JOBS AND SKILLS<sup>(1)</sup></b>  Organiser: Head of Human Resources	<b>Strategic commitment 6:</b> In the event of organisational transformations with an impact on jobs and skills, anticipate the necessary adaptations to meet the organisation's future needs, using contractual measures to match jobs and skills, thus promoting employment security.	Anticipate changes in professions and skills by way of permanent systems deployed in the Group's various host countries.	Support the implementation of the new "Push to Pass" strategic plan by negotiating, with employee representatives, a new agreement following the "New Social Contract".	Target met: signature of the "New Momentum for Growth" agreement on 8 July 2016 by five trade unions representing around 80% of employees.	<ul style="list-style-type: none"> <li>■ Support talent development and employability through a new global agreement.</li> <li>■ Incorporate 2,000 jobs for young people.</li> <li>■ Carry out 1,000 job changes as part of the "Top Compétences" programme.</li> </ul>
<b>OCCUPATIONAL HEALTH AND SAFETY<sup>(1)</sup></b>  Organiser: Head of Human Resources	<b>Strategic commitment 7:</b> Ensure workplace health and safety	<ul style="list-style-type: none"> <li>■ Achieve an annual average lost-time incident frequency rate<sup>(2)</sup> of 1 point, an occupational illness frequency rate of 2 points and a work-related stress frequency rate of 7%.</li> <li>■ Apply the Workplace Health and Safety Management System (OSHMS) at its highest maturity level.</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain an annual average lost-time incident frequency rate<sup>(2)</sup> of 1.2 points.</li> <li>■ Achieve an annual average occupational illness frequency rate of 3.3 points.</li> <li>■ Maintain a work-related stress frequency rate of less than 8.2 points.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ annual average lost-time incident frequency rate<sup>(2)</sup> of 1.16 points;</li> <li>■ annual average occupational illness frequency rate of 2.79 points;</li> <li>■ work-related stress frequency rate of 7.3 points.</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain an annual average lost-time occupational accident frequency rate<sup>(2)</sup> of 1.2 points.</li> <li>■ Maintain an annual average occupational illness frequency rate of 2.8 points.</li> <li>■ Maintain a work-related stress frequency rate of less than 7.5 points.</li> </ul>
<b>ATTRACTING, DEVELOPING AND RETAINING TALENT</b>  Organiser: Head of Human Resources	Develop and recognise talent, the cornerstone of the Push to Pass plan.	Increase the annual access rate to training to 85%.	Doubling of digital learning training.	Target met: digital learning training multiplied by 2.4.	Increase the annual access rate to training to 78%.
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>  Organiser: Head of Human Resources	Promote gender equality and diversity, ensure equal opportunity and prevent discrimination.	Increase the proportion of women senior managers and executives to 20%, i.e. a proportion above the current representation of women in the Company.	Increase the percentage of women in top management by 1 point.	Target not met: 12.6% of senior managers and executive managers are women, i.e. a 0.8-point progress over one.	Increase the proportion of women in top management to 13.4%.
<b>HUMAN RIGHTS AND UNION RIGHTS</b>  Organiser: Head of Human Resources	Guarantee the respect and application of the Global Framework Agreement on Corporate Social Responsibility.	Lead and monitor the Company's commitments to social responsibility through social dialogue that would include the employee representatives in each company of the Group.	Zero non-compliance or disagreement regarding the application of the Global Framework Agreement without resolution in the year.	Target met: no non-compliance regarding the enforcement of PSA Group's Global Framework Agreement on Corporate Social Responsibility.	Zero non-compliance in the review process to identify and mitigate human rights risks.

(1) Strategic issue monitored by the Executive Committee and presented to the Supervisory Board.

(2) Incl. temporary employees.



## 3.1. SOCIAL DIALOGUE

The PSA Group has elected to make the quality of the dialogue and mutual trust with unions a competitive advantage for the Company. This involves sharing Group strategy with unions to create a right supporting environment for transformation hand in hand.

With the July 2016 signature of the "New Momentum for Growth" agreement, the Company has gone beyond the usual practices to promote a culture of co-construction.

The dialogue established by the PSA Group with trade unions at the international level seeks to encourage this dynamic in order to establish in all countries labour relations that are based on dialogue and shared building.

### 3.1.1. The PSA Global Framework Agreement on Social Responsibility



The PSA Group 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. The agreement was renewed in 2010, dedicating a new section to safeguarding the environment and strengthening social commitment. It applies to all facilities and was contractually extended to its partners, suppliers and distributors.

The PSA Group and the IndustriALL Global Union and IndustriAll European Union federations were negotiating towards a new agreement in 2016. On 7 March 2017, in Geneva, these negotiations resulted in the signing of a new global framework agreement respecting the PSA Group's Social Responsibility.

This new agreement reflects the PSA Group's desire to co-create its future with employee representatives on a global scale and to involve all employees in its global human resources policy, thus ensuring a common basis with regard to fundamental rights and social practices based on the expression of personal and collective talents.

This agreement is made up of two parts. The first part gives a formal framework to the PSA Group's 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. 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 Works Council and its mission to share economic and social issues on a worldwide scale.

The Group thus has a 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. The Group 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 agreement is expressed in 15 commitments.

#### The 15 commitments of the 2010 Global Framework Agreement on Social Responsibility

1. Non-complaisance in the violation of human rights
2. Freedom of association and recognition of the right to collective bargaining
3. Abolition of child labour
4. Elimination of discrimination and promotion of equal opportunities
5. Fight against corruption
6. Safety, working conditions and health
7. Developing future skills through continuous in-service training
8. Opportunities for employee participation
9. Advance planning for changes to professional and job profiles
10. Pay
11. Social protection
12. Negotiated work organisations
13. Shared social responsibility with suppliers, subcontractors, industrial partners and distribution networks
14. Consideration of the impact of company activity at the local level
15. Environmental protection

To enforce this agreement, every year, each subsidiary identifies its priorities for action and applies action plans to improve their ability to fulfil the commitments. In 2016, 201 action plans were designed in the 52 Group companies based in 25 countries on four continents.

Every three years, each subsidiary carries out a self-assessment of the agreement application, involving the trade unions in the process. In 2015, 85% of the 79 unions and staff representative bodies involved in this triennial assessment reported progress in the enforcement of the CSR commitments of the agreement.

## 79 UNIONS

INVOLVED IN MONITORING THE COMMITMENTS  
OF THE GLOBAL FRAMEWORK AGREEMENT ON CSR



## STAKEHOLDER RELATIONS

An assessment of the enforcement of PSA Group's Global Framework Agreement on Social Responsibility is carried out every year with the employee representatives, first locally in each country and in each Group company, and then worldwide with the Group's Global Council.

In 2016, the Global Council met in the presence of the IndustriALL Global Union and IndustriALL European Union, signatories to the Global Framework Agreement that represent employees from across different manufacturing business segments, including the automotive segment, in more than 100 countries.

In 2016, for the first time, a representative from "Voice of Employees", the Committee for dialogue with PSA Group employees in China, participated in the Global Council and discussed the functioning of Voice of Employee and the participation initiatives it has enacted.

The Vice-President of Research of EcoVadis, the independent firm chosen by the Purchasing Department to assess the Group's suppliers on environmental, social, ethical and sustainable procurement criteria, and on control of the subcontracting chain, presented to the employee representatives a report on the assessments of PSA Group's supplier base (see 4.2.2.2., Assessment by an outside company).

This meeting was also an opportunity to share ideas with the Vice-President of the NGO France Nature Environnement, member of the European Economic and Social Committee. He discussed the partnership formed between PSA Group and two NGOs, France Nature Environnement and Transport & Environment, in order to publish the real-world fuel consumption of its vehicles (see 1.3.3.2. A relationship of trust built on transparency).

### 3.1.1.1. LABOUR RELATIONS RIGHTS

G.16 G.17 G.18 G.19 G.41 G.43

The PSA Group recognises the essential role of unions in company dialogue and social cohesion. The Group actively supports employee freedom of association and employee representation, is committed to respecting the independence and pluralism of trade unions at all its sites and exercises an active contractual policy. In all countries and all sites with a large workforce, Works Committees or Councils are formed of staff representatives. 98% of employees are represented by trade unions or employee representatives. In the event of no staff representation, other participative initiatives have been implemented. In Shanghai, for instance, the "Voice of Employee" information and exchange body liaises with employee representatives from all company entities.

**98%**  
OF EMPLOYEES ARE REPRESENTED  
BY TRADE UNIONS OR EMPLOYEE  
REPRESENTATIVES

Staff representation is ensured in the Group's governance (see 1.4.1. CSR in the Group's governance).

Structured around six principles, PSA's employee relations policy is designed to support a harmonious working environment in every plant and facility. A set of tools is in place to foresee and manage all developments impacting the business. They form a management system.

#### The System for Managing Employee Relations - the six principles

1. The Group respects and is committed to promoting the principles of the Universal Declaration of human rights and the International Labour Organization
2. Working processes and standards meet current labour regulations
3. The Group's social dialogue is based on independent trade unions and employee representatives
4. Contractual agreements combine the Company's operational efficiency with the satisfaction and commitment of employees, strengthening internal social cohesion
5. Social dialogue, based on respect and responsibility, takes place daily by managers within the work units
6. Social policy in all subsidiaries is assessed regularly

### 3.1.1.2. HUMAN RIGHTS

In signing the Global Framework Agreement on Social Responsibility on 20 May 2010, the Group formalised its commitments to its stakeholders in a detailed and public manner, and shared its social requirements with suppliers, industrial partners and dealer networks.

In this agreement, PSA Group undertakes to go beyond simply complying with local and national standards and to work within a recognised framework for fundamental human rights. The agreement sets out the Group's commitments and refers to conventions 87, 135 and 98 of the International Labour Organization on freedom of association and protection of the right to organise, on employee representatives, on the right to organise and to bargain collectively, conventions 29 and 105 on the abolition of forced labour, convention 138 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. For example, by signing the "Social and Environmental Guidelines for PSA Group Suppliers", Group suppliers commit to not resorting to forced or compulsory labour or child labour. This practice has been in force since 2006, well ahead of the entry into force of regulations such as the UK Modern Slavery Act.



## HUMAN RESOURCES: ENabler OF PERFORMANCE

### 3.1. Social dialogue

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 UN's Guiding Principles on Business and Human Rights ("Ruggie Principles") and the OECD Guidelines for Multinational Enterprises.

In 2016, PSA Group examined and addressed claims sent by its stakeholders in accordance with PSA Group's Global Framework Agreement on Social Responsibility. In 2016, the Group did not receive any citation for non-respect of basic human rights.

In addition, PSA Group is dedicated to abiding by laws and regulations and to preventing disputes. In 2016, 506 employment grievances were filed: 471 before an official external body (court, employment tribunal, public mediation body, etc.) and 36 according to an internal procedure; 265 grievances were settled during the year.

*(For the year)*

Areas	Number of hours	Number of employees
Equal opportunity, diversity, anti-discrimination training	4,471	1,395
Compliance with internal rules, global agreement, Code of Ethics, data privacy guidelines	26,736	6,034
Corruption, conflicts of interest	964	1,018
<b>TOTAL</b>	<b>32,171</b>	<b>8,447</b>

### 3.1.2. International social dialogue bodies

#### GLOBAL WORKS COUNCIL

Set up in 1996, the European Group 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 the general management to understand the concerns, expectations and suggestions of employees, but also to build the partnerships necessary to carry out large cross-functional projects.

During its annual plenary meeting, the European Group Works Council is expanded into a Global Works Council, with delegates from Argentina, Brazil, Russia and China. As every year, a review of the Global Framework Agreement application was made at the plenary meeting.

In 2016, the European Works Council and its Liaison Committee of officers met eight times.

#### 3.1.3. TRAINING ON HUMAN RIGHTS POLICIES AND PROCEDURES

**G.41** **G4.DMA** **G4-HR2**

In 2016, 8,447 Group employees participated in dedicated training in human rights policies and procedures. This included guards and security staff. When these activities are outsourced, specialist contractors are selected and must comply with the Global Framework Agreement on social responsibility requirements.

Some of the courses focus on issues related to employees' duties, such as anti-corruption laws, combating fraud, anti-money laundering rules and compliance with competition laws.

A training course on "Managing diversity - Preventing discrimination" is provided to a large number of managers and Human Resources teams. About 3,800 people have completed this training since 2009. 24 sessions were conducted in France in 2016 for 294 new managers. This is essential in terms of promoting inclusive management practices, realistically applying the principles of respect for differences and forbidding all discrimination. The training is also provided to employee representatives (42 in 2016). Diversity and non-discrimination training is also provided in other countries such as Germany and Russia. These training sessions include a presentation of reporting procedures.

#### THE JOINT UNION-MANAGEMENT STRATEGY COMMITTEE

A body for dialogue and discussion, this Committee allows more and earlier involvement of the employee representatives in the Group strategy. The French representative organisations and the main trade unions of the non-French European companies are represented on the Committee.

As part of the "New Momentum for Growth" agreement, 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 (PMT) and the industrial strategy. In 2016, it met twice.

### 3.1.3. Negotiation of company agreements

G.7

G4-11

G4-LA4

PSA Group is committed to enacting a quality contractual policy, based on a sound understanding of the Company, which seeks out innovative solutions and demonstrates a capacity to reconcile the Company's economic and social challenges.

In 2016, 107 company agreements were concluded, 84 of which were outside France.

# 107

**COMPANY AGREEMENTS SIGNED IN 2016**

Worldwide, 95% of Group employees are covered by a collective bargaining agreement at sectoral and/or company level.

In July 2016, the PSA Group and five unions (CFE/CGC, CFTC, CFTD, FO, GSEA) that together represent 80% of employees signed an agreement called the "New Momentum for Growth". 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, the PSA Group is aligning itself with a policy of responsible employment that anticipates transformation, enhances workers' employability and secures careers both internally and externally. The six Territorial Career Mobility and Transition Platforms will drive mobility in the different regions where the Group operates by promoting the development of inter-company and inter job families mobility. Internal job mobility is also boosted with 6,000 mobilities per year. 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 will be made 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. Innovative

teleworking and flexible working systems are planned in order to improve employees' quality of life; the goal is to increase the number of teleworkers from 2,000 to 4,000. The agreement also addresses ways of supporting employees during the Company's digital transformation.

#### FOR **more** INFORMATION

**"5 unions representing 80% of the workforce sign the new Momentum for Growth agreement"** Press release of 08/07/2016: <http://media.groupe-psa.com/en/press-releases/group/5-unions-sign-New-Momentum-for-Growth-agreement>

At the international level, agreements established with unions pertained to a range of topics including salaries and bonuses, professional development appraisals, working hours and working together to support Company changes in a way that is tailored to local economic and social circumstances.

### MINIMUM NOTICE PERIODS FOR CHANGES IN ORGANISATION

The PSA Group human resources policy provides for the anticipation of changes to professions and employment together with a social approach to business changes. In its Global Framework Agreement on Corporate Social Responsibility, the Group "agrees, in the event of change in activity, to ensure information and consultation with employee representatives in due time". The provisions vary in accordance with the country regulations and the types of changes in organisation expected. The notice procedures and conditions for execution and compensation for collective work schedules are set out in local company agreements. For example, the Kaluga production centre in Russia has implemented reduced working hours for a temporary six-month period to adapt production levels and preserve jobs. A two-month notice period was given between notification of the plan and its implementation.

### 3.1.4. Dialogue with employees

G4-DMA

Employee motivation and engagement, the cornerstone of social progress, are based on participatory actions. The Group conducts regular satisfaction surveys and has a social barometer.

#### SOCIAL BAROMETER

The Group has a set of tools for measuring the satisfaction of employees and better assessing their aspirations. Surveys conducted on a regular basis by opinion study organisations measure the satisfaction and confidence levels of Group employees.

The Workplace Stress Measuring and Monitoring Programme (see section 3.4.1.4), beyond gauging stress factors, can regularly estimate a motivation index and provide information on its fluctuation and its factors. Action plans are put in place in order to anticipate psychosocial risks and increase employees' commitment and motivation.

#### PARTICIPATORY ACTIONS

The PSA Group works hard to keep employees informed, listen to them and implement participatory initiatives. A company-wide social network is currently in the testing phase.

The Group encourages and places value on suggestions from operators. A business support system ("Déclic" or "Idea" depending on the country) makes it possible to collect ideas for improvement, quickly process them in view of their application and reward the best of them. This participatory initiative is an indication of employee commitment and motivation. It is monitored among the performance indicators by each production plant and taken into account among the skill assessment criteria and in operator career development action plans.



## 3.2. RESPONSIBLE EMPLOYMENT AND SKILLS MANAGEMENT G.35

To achieve its transformation plans, the PSA Group engages in ongoing dialogue with employee representatives and promotes a contractual approach. Anticipating changes via workforce and skills planning (GPEC), a major priority for the Group, was at the core of developing the "New Momentum for Growth".



### ECONOMIC INSIGHT

The priority is given to internal resources and their development. The "Top Compétences" programme meets the Group's competitiveness and skill reallocation needs. This training programme offers retraining opportunities and enhances employability to the mutual benefit of the Company and the employees. Indeed employees following this training programme do gain entry to the professions with a key role in the Group's future.

In addition to addressing a social issue, the "Top Compétences" programme responds to a simple economic equation: the capital expenditure devoted to it helps to avoid both external recruitment expenses and the costs of dismissal.

In 2016, €831,000 were spent (excluding continued wage cost) to retrain 605 people. The cost benefits of this programme are positive: expenditures are far lower than the costs generated for a hiring or dismissal.

### 3.2.1. Ways to adapt resources to the Company's needs

G4-DMAG4-10G4-LA12

The PSA Group is keen to ensure its sustainability as well as that of its workers' employment by drawing on operational excellence, performance and agility. The Group operates according to 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 in France, 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). It is based on the job families and professions initiative (see section 3.3.1). Meeting once annually at the corporate level and twice per year locally, the Observatory implements ongoing action plans to restore balance among the professions.

The Professions and Skills Observatory is a key Group tool to anticipate employment developments, communicate with transparency and responsibility, trigger professional mobility and prevent overstaffing. This transparency and access to information allow all employees to take control of their careers.

The Professions and Skills Observatory enables the PSA Group to identify the skills it needs to preserve and to implement retention, matching, retraining and professional integration programmes.

#### SAFEGUARDING CAREER PATHS

The priority is given to internal resources and their development. The "Top Compétences" programme launched in 2012 is designed to better meet the Group's competitiveness and skills reallocation needs. Aimed at all socio-professional categories, it has opened up new opportunities for career reconversion supported by an increased emphasis on individual training. Employees who benefit from this training programme have access to new positions with promising futures.

With "Top Compétences", since 2012, more than 3,300 employees have had the opportunity to get trained in a new Group profession, while a total of 201,550 hours of training have been provided in courses lasting 80 hours on average, over periods of 18 to 24 months. This programme is active in France and Europe, and is being phased in globally.

Safeguarding career paths has also taken the form of external professional mobility supported by re-employment, retraining in a new activity and setting up businesses. In France, these actions are based on innovative mechanisms stemming from the "New Social Contract" and reiterated in the "New Momentum for Growth" framework agreement:

- probationary mobility period under the Jobs and Skills Alignment Plan (DAEC) to allow outplacement candidates to return up to the end of their trial period with a new employer;
- secure mobility periods under workforce and skills planning (GPEC), allowing outplacement candidates to return to PSA Group, if they wish, for up to two years after starting a new job;
- career transition passport under the Territorial Career Mobility and Transition Platforms (PTMTP).

## BUILDING AN ECOSYSTEM BENEFICIAL TO EMPLOYMENT



### STAKEHOLDER RELATIONS

The Territorial Career Mobility and Transition Platforms (PTMTP) are an example of the PSA Group's corporate social and societal responsibility approach, helping safeguard careers at the regional level. They are the outcome of sustained dialogue with regional stakeholders.

Created with the support of public authorities in six French regions in which the Group operates (Bourgogne-Franche-Comté, Bretagne, Grand-Est, Hauts-de-France, Île-de-France, Normandy), these platforms are based on partnerships forged with recruiting companies of a variety of sizes, from SMEs to international corporations.

On the basis of these organisations' offers and their commitment to hiring PSA Group employees who successfully complete their retraining programmes, the Group puts together with its partners suitable training programmes lasting more than 300 hours for operators and 100-300 hours for technicians and supervisors and managers. This career transition passport allows employees interested in transitioning measures to fill the gap between their current and future job while remaining PSA Group employees until they are definitively hired (end of trial period) within their new position. Partner companies benefit from a process of selection, training and professional integration involving motivated and experienced employees. This programme is particularly beneficial for SMEs. The scheme boosts the local job market and supports regional development in line with the PSA Group societal commitment.

This initiative has been in place since 2015 and the professional mobility of Group employees has been undertaken in the luxury (Hermès), chemistry (Solvay), transport (Transdev), security (Centaure) sectors, etc.

## BACKING GROUP ACTIVITIES WITH STRATEGIC PARTNERSHIPS

To support its ambitions and growth, the Group has forged new strategic partnerships in order to entrust certain activities to

operators specialised in those activities and capable of developing their performance and competitiveness over the long term. Despite being included in outgoing staff numbers in the following tables, the staff transfers within this framework help to preserve employment and skills development with stronger career prospects.

### 3.2.2. Group workforce

G4-LA1

#### CHANGE IN NUMBERS OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS

G.1A

(At 31 December)

	2014	2015	2016
Automotive Division	103,894	95,669	89,927
Other Businesses	3,510	1,270	411
<b>TOTAL</b>	<b>107,404</b>	<b>96,939</b>	<b>90,338</b>

The lower number of employees in the "Other Business" category results from the completed implementation of the partnership begun in 2015 between BANQUE PSA FINANCE and Santander Consumer Finance, which culminated in the creation of five new joint ventures in 2016: in Italy, the Netherlands, Germany, Austria and Poland. In August 2016, the partnership between BANQUE PSA FINANCE and the Santander Group also expanded to Brazil.

Only staff members employed in companies in which the Group holds a majority stake are consolidated in this report. The workforce employed in these joint ventures is as follows:

- in China, the Group's second market after Europe, PSA Group has joined forces with its strategic partners DONGFENG and CHANGAN to develop major activities which now include five assembly plants and two components plants, along with an R&D centre and the regional Asia headquarters;

- DONGFENG PEUGEOT CITROËN AUTOMOBILES (DPCA), which is comprised of three assembly plants in Wuhan, one assembly plant in Chengdu, one components plant in Xiangyang, employing 13,432 workers at 2016 year-end,
- CHANGAN PSA AUTOMOBILES (CAPSA): one assembly plant, one components plant and DS's sales office in Shenzhen, employing 1,277 workers at 2016 year-end,
- PSA Asia's regional headquarters, which was moved to Wuhan. At 2016 year-end, it had 142 employees,
- PEUGEOT CITROËN Automotive Trade Company, a wholly owned subsidiary of PCA, in Shanghai, comprising PSA's R&D activities in China and employing 704 people at the close of 2016;
- in the Czech Republic, the joint venture TPCA (TOYOTA PEUGEOT CITROËN AUTOMOBILE) had 2,353 employees at 2016 year-end.



## HUMAN RESOURCES: ENABLER OF PERFORMANCE

### 3.2. Responsible employment and skills management

#### NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY REGION G.1D

(At 31 December)

	France	Rest of Europe	Rest of the world	Total
Automotive Division	62,036	20,509	7,382	89,927
Other Businesses	298	102	11	411
<b>TOTAL</b>	<b>62,334</b>	<b>20,611</b>	<b>7,393</b>	<b>90,338</b>

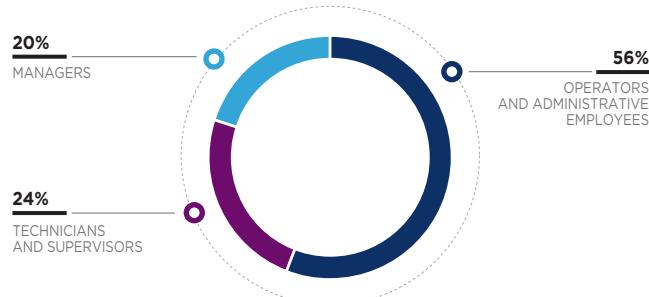
At 31 December 2016, the Group had 90,338 employees: 94% on permanent contracts, i.e., 84,808 people. 31% of employees work outside of France (23% in Europe and 8% outside of Europe). More than half of employees on fixed-term contracts are on work-study training contracts.

**94%**

OF EMPLOYEES WORK UNDER PERMANENT CONTRACTS

#### Breakdown of employees under permanent and fixed-term contracts by socio-professional category

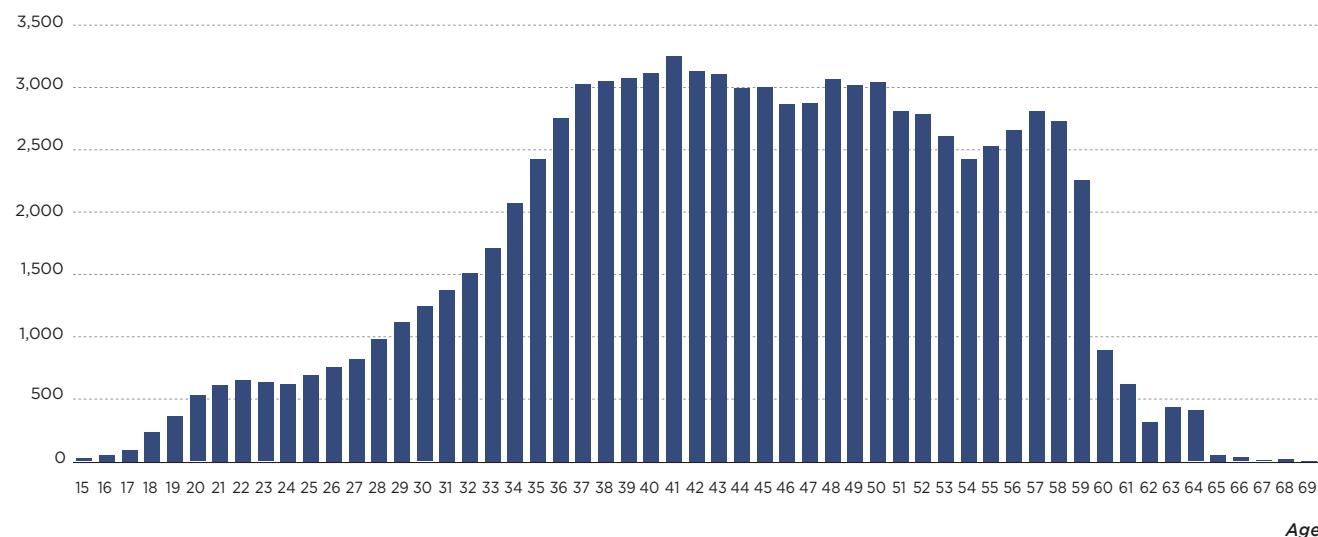
(For the year)



#### Age pyramid

(Number of employees under permanent contracts and fixed-term contracts, at 31 December)

##### Workforce



## NET CHANGE IN JOBS, 2014-2016

	Workforce at 31/12/2014	2014-2016 acquisitions/ disposals balance	Net jobs development	Workforce at 31/12/2016
Rest of Europe	26,636	(2,195)	(3,830)	20,611
Rest of the world	9,060	-	(1,667)	7,393
Worldwide except France	35,696	(2,195)	(5,497)	28,004
France	71,708	(2,871)	(6,503)	62,334
<b>TOTAL WORLDWIDE</b>	<b>107,404</b>	<b>(5,066)</b>	<b>(12,000)</b>	<b>90,338</b>

## TARGETED AND DIVERSIFIED RECRUITMENT

In 2016, the Group maintained hirings targeted at experienced profiles, particularly in electronics and electricity and in the Supply Chain, Digital and Aftermarket fields to acquire new skills in growing sectors and to reinforce the Group's competitiveness. A number of key hirings were also made in areas such as style or health and safety in the workplace to maintain our priorities in these areas. The Company also recruited 200 young graduates under permanent contracts to strengthen sales teams across France.

In 2016, the Group hired 1,791 employees. 65% of these hirings were for the Group's international business. The percentage of women recruited under permanent contracts was 24.5% in 2016.

Steps were also taken to hire young people in 2016, with a hiring target of 2,000 work-study students, which corresponds to the Group's commitments.

The recruitment policy is described in further detail in sections 3.3.2 "Attracting talent" and 3.5.3 "Fostering integration into the labour market".

## EMPLOYEES HIRED UNDER PERMANENT CONTRACTS **G.2A**

(At 31 December, including transfers from fixed-term to permanent contracts)

		France	Rest of europe	Rest of the world	Total
<b>Automotive division</b>	<b>2016</b>	<b>623</b>	<b>939</b>	<b>208</b>	<b>1,770</b>
	2015	387	601	476	1,464
	2014	453	480	243	1,176
<b>Other businesses</b>	<b>2016</b>	<b>5</b>	<b>15</b>	<b>1</b>	<b>21</b>
	2015	2	22	2	26
	2014	23	28	12	63
<b>TOTAL</b>	<b>2016</b>	<b>628</b>	<b>954</b>	<b>209</b>	<b>1,791</b>
	2015	389	623	478	1,490
	2014	476	508	255	1,239



## HUMAN RESOURCES: ENABLER OF PERFORMANCE

3.2. Responsible employment and skills management

### EMPLOYEES HIRED UNDER PERMANENT CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY AND REGION

(At 31 December)

	France			Rest of Europe			Rest of the world			Total		
	Operators and administrative employees	Tech-nicians and supervisors	Managers	Operators and administrative employees	Tech-nicians and supervisors	Managers	Operators and administrative employees	Tech-nicians and supervisors	Managers	Operators and administrative employees	Tech-nicians and supervisors	Managers
Automotive Division	246	228	149	472	403	64	18	139	51	736	770	264
Other Businesses	-	-	5	-	9	6	-	-	1	-	9	12
<b>TOTAL</b>	<b>246</b>	<b>228</b>	<b>154</b>	<b>472</b>	<b>412</b>	<b>70</b>	<b>18</b>	<b>139</b>	<b>52</b>	<b>736</b>	<b>779</b>	<b>276</b>

41% of permanent contract hirings were for operators and administrative employees, 44% were technicians and supervisors and 15% were managers.

The percentage of permanent contract hirings (permanent contract hirings/total permanent contract workforce) was 2.1% in 2016.

### EMPLOYEES HIRED UNDER FIXED-TERM CONTRACTS BY REGION

(At 31 December)

	France	Rest of Europe	Rest of the world	Total
Automotive Division	2,095	1,339	506	3,940
Other Businesses	21	3	-	24
<b>TOTAL</b>	<b>2,116</b>	<b>1,342</b>	<b>506</b>	<b>3,964</b>

In 2016, the proportion of women recruited under fixed-term contracts was 29.1%.

### LEAVERS

(G.2B)

### CHANGE IN PERMANENT CONTRACT TURNOVER RATE

(At 31 December)

	2014	2015	2016
Turnover rate	8.5%	6.3%	6.2%

The turnover rate is calculated by taking all leavers under permanent contract over the year, excluding redundancies, as a percentage of the total Group workforce on permanent contracts at 31 December.

### TURNOVER RATE UNDER PERMANENT CONTRACTS BY AGE RANGE, GENDER AND REGION

(At 31 December)

	< 30 years old		30-39 years old		40-49 years old		>= 50 years old		TOTAL		Total (M+F)
	F	M	F	M	F	M	F	M	F	M	
France	9.0%	11.4%	3.4%	3.0%	1.3%	1.4%	5.6%	6.5%	3.7%	4.1%	4.1%
Rest of Europe	20.6%	26.9%	10.5%	9.1%	9.0%	4.7%	13.0%	14.2%	11.5%	10.0%	10.3%
Rest of the world	12.7%	19.2%	14.6%	13.8%	15.3%	9.9%	11.9%	14.3%	14.2%	13.4%	13.5%
<b>TOTAL</b>	<b>15.1%</b>	<b>18.2%</b>	<b>7.5%</b>	<b>6.1%</b>	<b>4.1%</b>	<b>2.7%</b>	<b>6.7%</b>	<b>7.9%</b>	<b>6.6%</b>	<b>6.1%</b>	<b>6.2%</b>

## LEAVERS UNDER PERMANENT CONTRACTS BY AGE RANGE AND GENDER

(At 31 December)

	< 30 years old		30-39 years old		40-49 years old		≥ 50 years old		TOTAL		Total (M+F)
	F	M	F	M	F	M	F	M	F	M	
Resignations	131	488	269	819	146	402	56	208	602	1,917	2,519
Dismissals	10	61	39	157	43	180	27	201	119	599	718
Redundancies and job transfer	26	67	227	622	241	756	266	1,311	760	2,756	3,516
Other departures: expiration of fixed-term contract, retirement, death, etc.	18	45	23	56	25	76	227	1,542	293	1,719	2,012
<b>TOTAL</b>	<b>185</b>	<b>661</b>	<b>558</b>	<b>1,654</b>	<b>455</b>	<b>1,414</b>	<b>576</b>	<b>3,262</b>	<b>1,774</b>	<b>6,991</b>	<b>8,765</b>

The table shows all Group leavers, all reasons combined, separating volumes by category of reasons.

## CHANGE IN LEAVERS UNDER PERMANENT CONTRACT

(At 31 December)

	France	Rest of Europe	Rest of the world	Total
<b>2016</b>	<b>4,720</b>	<b>3,099</b>	<b>946</b>	<b>8,765</b>
2015	5,418	3,497	1,330	10,245
2014	6,169	2,814	3,405	12,388

This distribution of leavers demonstrates good control of the necessary workforce adjustments while giving priority to voluntary departures. In 2016, most departures did not result in loss of expertise because it was not necessary to hire at an equivalent level.

### 3.2.3. A socially controlled policy of hiring temporary employees and subcontractors

At PSA Group's initiative, a charter concerning working conditions for temporary employees mutually binds the Group and temporary agencies to respect standards and best practices. The Charter which governs working conditions for temporary employees in France limits in particular the continuous presence of temporary staff in the Company to 15 months, in order to give visibility to the duration of their mission. The Charter guarantees temporary employees similar employment conditions to those of the Group's employees and free from any form of discrimination.

On 14 September 2015, an agreement was signed between the PSA Group and Manpower leading to setting up a ground-breaking partnership for temporary permanent contracts to safeguard the career paths of 300 operators for PSA Group industrial sites in France. In 2017, this partnership was extended to include other temporary employment agencies. These permanent work contracts guarantee strong and permanent employability within PSA Group as well as in the employment region through regional mobility platforms, while reinforcing the Group's economic performance through optimised industrial flexibility.

## NUMBER OF TEMPORARY EMPLOYEES

(average annual numbers)

The average annual number of temporary employees is calculated by dividing by 12 the total of the temporary workforce at the end of each month.

	France	Rest of Europe	Rest of the world	Total	
<b>Automotive Division</b>	<b>2016</b>	<b>5,166</b>	<b>1,072</b>	<b>54</b>	<b>6,292</b>
	2015	3,900	1,009	40	4,949
	2014	2,916	807	45	3,768
<b>Other Businesses</b>	<b>2016</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
	2015	0	34	-	35
	2014	52	34	-	86
<b>TOTAL</b>	<b>2016</b>	<b>5,167</b>	<b>1,072</b>	<b>54</b>	<b>6,293</b>
	2015	3,901	1,043	40	4,984
	2014	2,968	841	45	3,854



## HUMAN RESOURCES: ENABLER OF PERFORMANCE

### 3.2. Responsible employment and skills management

Staffs from contractors made available to the Group under service provider contracts and working on Group sites are accounted for. The main activities resulting in these intellectual services are R&D engineering and IT. Service providers are consulted for skills

that are specific or unavailable in house and allow for flexibility in the overall expenses essential to the performance and shortening of R&D processes. Since 2014, an increasing proportion of these activities have been conducted outside the Group's infrastructures.

#### NUMBER OF EMPLOYEES FROM CONTRACTORS WORKING ON SITE

(At 31 December, in full-time equivalent)

		<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>2,826</b>	<b>501</b>	<b>665</b>	<b>3,992</b>
	2015	3,325	673	480	4,478
	2014	3,440	455	508	4,403
<b>Other Businesses</b>	<b>2016</b>	-	<b>9</b>	<b>1</b>	<b>10</b>
	2015	-	41	-	41
	2014	26	51	-	77
<b>TOTAL</b>	<b>2016</b>	<b>2,826</b>	<b>510</b>	<b>666</b>	<b>4,002</b>
	2015	3,325	714	480	4,519
	2014	3,466	506	508	4,480

#### 3.2.4. Organisation of working hours G.4

In every host country, working hours are equal to or less than the legal work week or industry practices.

#### SHORT-TIME WORK TO PRESERVE EMPLOYMENT

The use of short-time work leads to preserving employment by offering an alternative to unemployment and redundancies. In recent years, it was an important vehicle for the Group to avoid job losses during a period of recession in some automotive markets, whilst developing employees' skills and protecting the future. This way of adjusting resources, which protects employment, has been used in various European countries, including France.

Short-time working hours in France represented the equivalent of 400 jobs saved in 2016 (number of short-time working hours applied to an annual average of 1,607 hours).

#### SHORT-TIME WORKING

(At 31 December)

		<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>1,200,679</b>
	2015	1,178,152
	2014	4,172,246
<b>Other Businesses</b>	<b>2016</b>	-
	2015	3,061
	2014	11,196
<b>TOTAL</b>	<b>2016</b>	<b>1,200,679</b>
	2015	1,181,213
	2014	4,183,442

#### OVERTIME

(At 31 December)

		<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>392,036</b>	<b>532,776</b>	<b>267,770</b>	<b>1,192,582</b>
	2015	443,506	514,975	216,595	1,175,076
	2014	233,843	588,526	288,697	1,111,066
<b>Other Businesses</b>	<b>2016</b>	-	<b>428</b>	-	<b>428</b>
	2015	-	8,052	-	8,052
	2014	17,002	11,994	4,136	33,132
<b>TOTAL</b>	<b>2016</b>	<b>392,036</b>	<b>533,204</b>	<b>267,770</b>	<b>1,193,010</b>
	2015	443,506	523,027	216,595	1,183,128
	2014	250,845	600,520	292,833	1,144,198

PSA Group has implemented flexible working hour initiatives, also known as banks of hours, in most countries with industrial or logistics facilities. As such, working hours are determined on an annual or multi-year basis in these countries.

### HOURS OF PAID SICK LEAVE G.5

(At 31 December)

		<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>2,268,972</b>	<b>1,134,074</b>	<b>205,484</b>	<b>3,608,530</b>
	2015	2,537,776	1,261,847	228,209	4,027,832
	2014	2,909,390	1,298,668	540,303	4,748,361
<b>Other Businesses</b>	<b>2016</b>	<b>14,963</b>	<b>1,714</b>	<b>128</b>	<b>16,805</b>
	2015	2,618	41,387	119	44,124
	2014	54,573	75,027	2,609	132,209
<b>TOTAL</b>	<b>2016</b>	<b>2,283,935</b>	<b>1,135,788</b>	<b>205,612</b>	<b>3,625,335</b>
	2015	2,540,394	1,303,234	228,328	4,071,956
	2014	2,963,964	1,373,695	542,912	4,880,571

In 2016, out of 107 million hours worked, the rate of sick leave was 3.4%. In addition, 419,323 hours of maternity leave and 177,562 hours of absence due to accidents were recorded.

### 3.2.5. Supporting the Group's international expansion G4.EC6

The internationalization of the Group is supported by an increased development of talents and skills, in all their diversity, with teams and managers ever more international, with stronger cross-cutting backgrounds. Specific effort is devoted to integrating and offering career development opportunities to local managers.

To support local skill improvement, the international mobility policy is built around three main objectives meeting the Group's performance needs:

- increasing the level of autonomy in the regions by making available skills/expertise not available locally;
- ensuring that certain strategic or key positions approved by the Executive Committee are successfully assumed by the expatriation of the best talent;
- implementing international career paths for some high-potential managers to strengthen the Group's international managerial culture.

To improve talent management abroad, strengthen the selection of talent seconded abroad and to cultivate this talent, the Group has established a robust system: for each pre-identified candidate, this system makes it possible to assess and validate technical and behavioural strengths and areas of concern in terms of need, along with the cost of expatriation, and consequently base a decision on a return-on-investment approach.

At the end of 2016, 215 women and men were working as expatriates in 36 countries in the world. China and Europe are the main destinations for the Group, however over 65% of these expatriations are actually based outside Europe. In order to prepare its international development and accompany the best local talent in their development plan, the Group has 36 expatriate employees in France from 11 different countries. More than 8% of expatriates are women, a proportion on the increase.

Based on the manufacturing programmes and needs, the Group also has on average more than 200 employees on international missions lasting up to 18 months, in particular on manufacturing sites. It involves participating in various product launches by improving local skills with the support of expertise.



## 3.3. PSA GROUP, BUILDER OF TALENT

The PSA Group aims to offer the best opportunities for development and employability to all its employees and intends to build talent.

The value and commitment of human capital of the PSA Group was fully demonstrated by its achievement of the economic reconstruction plan Back in the Race. The Group's earnings growth is above all the result of good work.

To accomplish its strategic plan, the Group relies on a core base: Talent Management. The goal is to provide the Group with competitive teams all over the world and challenge its best competitors.

### VALUES

The values of the PSA Group 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.

- Win together
- Respect
- Drive
- Dare
- Agility
- Demand

The Group seeks to embody these values in the behaviours that accompany the Group's transformations. To do this, the executive managers relayed the set-up of workshops on behaviours. During these workshops, employees reflected together on behaviours that should be stopped, introduced or continued, and they shared ideas on how to embody the values on a daily basis.

### THE CONTRIBUTION OF HUMAN CAPITAL IN CREATING THE STRATEGIC PLAN FOR GROUP GROWTH AND INNOVATION

The design of the Push to Pass strategic plan grew out of a combination of Group department projects, their "Want to be" and new, disruptive projects ensuing from an original, cross-functional initiative that enlisted 150 Group talents to work on strategic task teams. These teams, which combined different genders, ages and

nationalities without regard for hierarchical position, successfully generated new ideas and breakthrough proposals without having any constraints placed on them. In communicating regularly with members of the Executive Committee, the strategic task teams helped speed up the decision-making process. Openness, enrichment and enthusiasm were the three key words that summed up the participants' experience.

The creation of the Business Lab in December 2016 is one of the Group's initiatives in this area, functioning as an innovative tool to identify and support new value propositions for the Company's customers, shareholders and employees, outside its traditional business lines.

### THE HUMAN RESOURCES DEVELOPMENT POLICY

G.11 G4-DMA

The human resources development policy, which is implemented on a global scale, aims to:

- promote the career development of all employees and make managers responsible for developing their teams;
- improve competitiveness and support the Group's globalisation by attracting, developing and retaining the best talent;
- deliver professional training to employees, bringing them to the highest skill levels;
- support employees during change.

This policy is based on six principles:

#### The human resources development policy

1. Each Group employee is an active participant in his or her career development
2. Each manager is responsible for the development of his or her team
3. Each employee has an annual performance review
4. Career paths are defined by job family, through each family's profession
5. Training is a core investment for the Company and for each employee
6. Job mobility allows interested employees to expand their career horizons and develop their skills



### 3.3.1. Management by job family and profession

The job family and profession strategy developed by the PSA Group is central to the Group's human resources development policy to manage talent and skills, today and tomorrow. This global governance of skills is based on 20 job families and 104 professions.

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 strategy makes it possible to prepare for transitions and design appropriate skill development programmes. It also provides recognition by experts, who are responsible for maintaining the highest level of expertise in their field.

As a result of job families and professions, currently:

- 90% of positions and strategic skills have at least one "immediately ready" replacement with 197 pools maintained;
- all employees are aware of the technical skills required for the position and the development actions enabling them to progress, and have access to 133 qualifying career paths;
- 23 master-experts, 173 experts and 635 specialists ensure the highest level of expertise in their field. Since 2015, this initiative to promote expertise has been enacted in all Group departments, with both technical and non-technical scope.

By cultivating job families and professions, the Group demonstrates its ability to retain and grow its automotive expertise.

### 3.3.2. Attracting talent

A premium is placed on actions promoting proximity and discussion among young people and teaching staff, using a network of very active and motivated "campus partners" to publicise the Group professions and the training and employment opportunities. This involved participation in forums, organising visits to Group sites, participation in teaching at selected partner colleges and placements for lecturers.

Initiatives supporting the employment of young people were another key feature of 2016. The Group once again exceeded its target of hiring 2,000 work-study students in France, a commitment of the "New Social Contract". The Group's policy of employing young people also includes PhDs students (CIFRE), international corporate volunteering contracts (VIE) and interns. The PSA Group has strong appeal among young people, as evidenced in the fact that the corporate website created specially for recruitment got more than 100,000 hits and the Group received more than 10,000 curriculum vitae during its apprenticeship recruitment campaign.

PSA Group is dedicated to continuing to support apprentices after their contracts expire, so it asked its two partners, Adecco and Manpower, to meet with these young workers and help them with their career plans. As a result, in June and July 2016, ten forums were held at Group sites, and more than 800 apprentices, ranging from those with a professional qualification to those with a five-year post-secondary qualification, benefited from this unprecedented initiative.

#### PARTNERSHIPS WITH ACADEMIC INSTITUTIONS



##### STAKEHOLDER RELATIONS

*To attract a diverse range of talent, PSA University has joined forces with internationally recognised schools to offer placements or the opportunity to study for PhDs at the Group's facilities. PSA University currently partners with 30 scientific and management schools and universities on three continents (Europe, Asia and the Americas). These partnerships are in operation in Brazil (São Paulo and Rio Universities), China (Beijing and Shanghai Universities) and the United States (Georgia Tech in Atlanta).*

These partnerships constitute the "cornerstone" of strategic relations with worldwide renowned schools. The "Extended

University" concept is based on lasting relationships with schools and universities and the implementation of shared laboratories (the "StellLabs" programme, see 2.0.2.2), teaching or research chairs and academic partners.

#### FOR **more** INFORMATION

**The André Citroën Professorship of the École Polytechnique of Paris-Saclay University's website (mechanical and multi-physical modeling field) :** <https://portail.polytechnique.edu/chaire-psa/fr/formation/programme-de-formation-lie-la-chaire-andre-citroen>

**"PSA Group has signed a scientific partnership agreement with the Bourgogne-Franche-Comté region of France" press release of the 20/05/2016:** <http://media.groupe-psa.com/en/communiques-de-presse/groupe/psa-group-has-signed-scientific-partnership>

In France, this partnership with academia is formalised through a framework agreement with the Ministry of National Education, Higher Education and Research, which PSA Group renewed on 12 November 2015. Najat Vallaud-Belkacem, the French minister of National Education, Higher Education and Research, and Xavier Chéreau, Head of Human Resources at PSA, signed this agreement at the Jean-Pierre Timbaud vocational high school in Aubervilliers, France, demonstrating their desire to actively help promote vocational qualification in the automotive industry.

Launched 15 years ago, this partnership sets priority on young employment and workplace integration within PSA. With expert support from the French vocational educational system, the Group helps to pass on its professional know-how with 50 academic institutions in France. In 2016, 555 young people took part in this initiative to earn a vocational secondary school degree or Advanced Technician's Certificate (BTS) 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 the PSA Group network.



Strengthened by this experience, the Group has built relationships with the academic world far beyond France. Working with local educational partners and the French Ministry of National Education, Higher Education and Research, the Group creates training centres for the PEUGEOT and CITROËN brands in countries where it has

a strong presence. This particularly applies to China (with BVCES) and Brazil (with SENAI) to train teachers, trainers, employees and future Group employees, in the automotive industry professions and business.

### 3.3.3. Managing talent, the priority of the PSA Group human resources policy G4-LA10

With a direct impact on corporate strategy, PSA Group talent management aims to:

- diversify profiles and experiences, identify talent more extensively throughout the organisation, conduct inter-sectoral mobility;
- provide the required skills and protect knowledge and know-how;
- assign young talent to key positions and major projects;
- promote and develop local skills and globalise corporate functions;
- objectify performance and promote the new Group values.

#### 3.3.3.1. THE TALENT REVIEW

The Group performs the Talent Review process globally every year as a proactive exercise to individually manage careers and identify and develop talent in order to help advance the corporate strategy.

The Talent Reviews that are conducted annually in all Group entities offer an opportunity to take a look at 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.

In 2016, a pool of emerging talent made it possible to identify high-potentials at an early career stage. This action seeks to include employees at all levels, including the first levels of responsibility, in order to broaden the incubator of talent to develop.

Particular attention is given to local talent at all the sites where the PSA Group operates. In 2016, a 20% reduction in the number of expatriates opened more management positions to local talent.

For example, the Top 100 programme, which was set up in Latin America, strives to identify the 100 main local talents of the region, including emerging talent and experts. The stages of the Programme include an individual diagnostic of technical and behavioural skills and the design of a career path and personal development plan tailored to the professional goal. The entity's Executive Committee provides targeted, regular oversight in order to give the participants exposure and help them grow.

Talent management also requires getting to know this talent. In order to meet the needs of internal mobility, the human resources community works closely with managers and draws on the work done in the Talent Reviews. Comparing opinions on potential employees and the possible plans for employees' growth helps make this system robust. It provides an opportunity to introduce talent from outside their sector.

Talent Management also involves assessments and intensified individual and collective guidance in order to enhance talent.

#### 3.3.3.2. ENHANCE TALENT

The PSA Group uses targeted leadership development tools with its senior managers and executives, as well as promising talent, along with a set of mechanisms for identifying skills, providing hands-on experience and developing talent.

Assessment Centres are developed to:

- make reliable and objectify internal movement into strategic positions in the Company, particularly by supplying replacement plans (assessment centre);
- determine employees' strengths and areas to work on, use those to come up with a Personal Development Plan and target training needs accordingly (development centre).

The Assessment Centre works on evaluating behavioural and technical skills. It does this through assessment days planned by the business lines and the Human Resources Department and led internally by a network of 18 assessors. Activities centred on concrete situations, including group and individual role-plays, are designed to reveal the level of mastery of the skills and knowledge considered vital to succeed in a given job.

In 2016, more than 150 employees in 15 different countries participated in an assessment day or development centre day for positions such as Vehicle Project Director, Country Parts and Services Director, Logistics Production Coordinator, Head of Operational Marketing, Human Resources Business Partner and Learning and Development Business Partner.

Mentoring is a way to guide employees individually as they develop. Employees in all Group entities and regions can take advantage of this offering. The Group's talent can use a digital platform, which was introduced in 2016, to make contact with all the mentors who have registered in the system. The communities have coordinators to ensure equal access and give Group talent the opportunity to meet one another, share ideas, grow their network and contribute to openness and decompartmentalisation.

Another initiative was enacted in conjunction with the Group's network of women, Women Engaged for PSA (WEP), in order to cultivate and further showcase female talent. This mechanism has also been made accessible to local talent in China, Turkey, Spain, etc.

Skills development occurs through real-life situations, which allows employees to completely express their talent and unlock their energies. The new professional development appraisal that focuses on the employee's prospects and growth provides a forum dedicated to development during which manager and employee discuss the employee's career plans and create a personal development plan that will help the employee make the plans a reality. One of the ways to help employees grow within a job is to give them a cross-functional assignment that goes beyond their typical duties in order to expose them to new skill sets and enable them to generate new ideas.

The Group has mechanisms to support employees when they are working in different situations:

- to develop managers' leadership in direct or cross-functional management situations, the 360° Feedback system assesses behavioural skills related to management. In 2016, this system was incorporated into the local talent development programmes in several countries (China, Italy, Spain, etc.);

- to facilitate the acquisition of technical skills, a dedicated tool, GlobalHR Skills, shows on a graphic radar the gap between knowledge and the targets identified by the business line.

These systems help target the development actions that need to be included in the personal development plan.

Functional mobility is promoted at all levels in the Group to enhance employability and meet the Company's needs. The "Top Compétences" initiative provides individual guidance to employees who change jobs or professions as they build their skills.

### 3.3.4. PSA University to support Group transformation



Launched in 2010 to support employees as the Group's dynamic changes, PSA University is a powerful lever for performance and the development of human capital in the Group. The University's purpose is to relay a shared body of know-how and soft skills accessible to all men and women throughout the PSA Group worldwide. Skills are a performance lever and they are also a marker of adaptability in an environment subject to profound mutation, particularly those generated by the digital revolution. PSA University has thus become an essential vehicle for rolling out the values inseparable from the Company's strategy and corporate culture.



#### 2016 KEY FIGURES



More than 1.5 million hours of training were provided within the Group, face-to-face or e-learning within hybrids or tutorials. It represents an investment of over €74 million.

The average number of training hours per employee was 19.7 hours in 2016. The average annual cost of training per Group employee was €930.

60,380 employees benefited from at least one training course during the year. This represents a 76% access rate to training%.

**76%**

OF EMPLOYEES BENEFITED FROM AT LEAST ONE TRAINING COURSE DURING THE YEAR

#### NUMBER OF HOURS OF TRAINING BY REGION

(At 31 December, present employees\*)

	Total hours of training (in thousands of hours)		Average hours of training per employee	
	2015	2016	2015	2016
France	1,093	1,048	18.8	19.4
Rest of Europe	412	361	19.9	19.6
Rest of the world	88	160	11.3	22.1
<b>TOTAL</b>	<b>1,593</b>	<b>1,569</b>	<b>18.4</b>	<b>19.7</b>

\* Present employees (i.e. excluding relocation leaves and job retention leaves for senior employees).



## AVERAGE HOURS OF TRAINING PER EMPLOYEE BY SOCIO-PROFESSIONAL CATEGORY AND GENDER G.12

(At 31 December, present employees\*)

	<b>Women</b>	<b>Men</b>	<b>Total</b>
Operators and administrative employees	21.1	19.8	20.0
Technicians and supervisors	17.1	19.9	19.3
Managers	21.1	19.2	19.5
<b>AVERAGE</b>	<b>19.9</b>	<b>19.7</b>	<b>19.7</b>

\* Present employees (i.e. excluding relocation leaves and job retention leaves for senior employees).

## NUMBER OF EMPLOYEES HAVING COMPLETED CERTIFIED TRAINING

Health and safety certifications	3,548
Language certifications	2,626
Business line certifications	1,083

## BECOMING A “SELF-LEARNING” ORGANISATION: A TECHNOLOGICAL AND CULTURAL WAGER

To support change, PSA University needs to transform the Group into a “learning organisation” and give employees ownership of their own development. This need requires employees to maintain their knowledge and skills up to date; this can be done through digital learning.

As part of this digitalisation project, PSA University offers employees a wide variety of content that is available in a Learning Management System (LMS) known as “Learn'in”, an internal digital learning platform. E-learning modules, videos, podcasts and thematic files on targeted topics are posted online so that employees can access them anywhere, any time and on any device.

To promote digital culture within the Group, PSA University gives employees the opportunity to consolidate their knowledge by acquiring a “digital passport”. Through “Learn'in”, employees can access videos about topics that include connected life, the mobile Internet, cloud computing, the Internet of things, augmented reality and more. Employees are then prompted to take a knowledge assessment test to validate a “digital passport”.

In 2016, doubling the amount of digital learning was named a high-priority goal for the year, representing the first stage in making one-third of training digital in the medium term. In 2016, over 130,000 fully or partially remote training actions took place, due particularly to the “Digital Challenge” and on basic finance, business operations and management, awareness-raising programmes on intercultural exchange and training in office IT tools. There are now more than 500 “Business Line” e-learning references and more than 1,700 e-learning leadership, personal development and computing references in PSA University's training catalogue that can be accessed on demand. In 2016, more than 8,000 digital passports and more than 10,000 digital journeys were issued.

## A NEW MANAGEMENT CULTURE TO SUPPORT THE GROUP'S STRATEGIC ISSUES

The Leadership Academy, which is affiliated with PSA University, launched a programme that is specially designed for managers who have to relay and embody the Group's new culture to their colleagues. The “Leadership In Action” (LIA) 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.

## AN ORGANISATION STRENGTHENED BY FOUR ACADEMIES

Four Academies were created to steer the design, adaptation and updating of the learning offering under their supervision. These are the Research & Development Academy, Industrial Academy, Sales & Marketing Academy and Support Academy. These academies work in coordination with PSA University 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. The academies are sponsored by a member of the Executive Committee.

## A UNIVERSITY FOR RETAINING THE GROUP'S EMPLOYEES

Keeping employees in work is a major concern for the Group, reflected in specific training plans for each country and area that meets priority skill acquisition needs identified by the job families in accordance with their strategic vision and annual skill assessments. The skill acquisition process is backed by academies and operational trade schools. The “Top Compétences” programme set out in section 3.2.1 illustrates this commitment.

PSA University places a premium on creating internal training courses that lead to certification officially recognised by public authorities or by the market. As such, language training systematically culminates in the sitting of the Bright Test, and the Group encourages a large number of employees to enter qualifying trade programmes: Joint Qualification Certificates in Metallurgy (CQPM) (440 CQPM in 2015), Certificates of Aptitude in Safe Driving (CACES) (2,800 CACES in France in 2015 and receipt by the Group of the certificate to issue CACES internally), APICS certifications for the supply chain, PMI certifications for project management, various IT certifications (Microsoft, IBM, etc.).

Special attention is provided to employees really struggling with basic skills (arithmetic, reading, writing, etc.). In France, the knowledge and employment skills base was defined by decree in 2015 and PSA University informed staff that they had the option to use their personal training account to acquire these fundamental skills. PSA University is regularly communicating information on the topic.

## MEASURING SKILLS GAINS

The system for evaluating the investment in training is based on several complementary systems.

### 3.3.5. Digital transformation

Digital technology is at the core of the Group's transformation in its Push to Pass strategic plan. This transformation will be made possible thanks to talented teams with a mind-set focused on digital technology.

The Digital Employees project aims to lead the entire company into the digital transformation by offering ways to enhance digital knowledge and skills.

This project has four components:

- digital acculturation: in order to best incorporate the digital culture, it is crucial to support, guide and train employees by providing them with a shared base of knowledge on the uses, trends and terminologies of digital technology. This led to the introduction of the digital passport for all employees worldwide;

First of all, a system for validating training knowledge is combined with training actions, generally in the form of quizzes or tests, for example for language training. Second, an assessment system is applied and systematically used in the form of a questionnaire sent to the intern at the end of the training session. Finally, PSA University has a system to certify its trainings. The job families committees and the professions specialists together grant the certification based on a system of skill assessment within the profession.

PSA University's innovative initiatives were rewarded in 2016.

In April 2016, at the "U-Spring: Reimagining the Corporate University" event, which was sponsored by the French Ministry of Labour, Employment, Vocational Training and Social Dialogue, PSA University won a Gold Trophy for "Best Corporate University of a Large Company" and a Silver Trophy for "Best Educational Innovation".

These prizes pay homage to the university's modern vision of learning, a concept that shifts employees' relationship with training and therefore their employability by reconciling the breadth of the available technical and technological resources with the power of collaboration and knowledge sharing.

- digital Employee Journey: using digital technology to make employees' lives easier and help to align personal and business uses. A mobile application, "Live'in PSA!", which can be downloaded onto a personal or business smartphone, was introduced to give Group employees, temporary employees and service providers regularly updated, real-time news about PSA Group;
- development of collaborative tools for more cross-functionality in operating procedures;
- impact of digital technology on business line skills: implementation of development actions, training sessions by job family to support skills acquisition.

### 3.3.6. Managing performance and development

G.11

G4-LA11

The Annual Appraisal is a fundamental management strategy for assessing team performance and development. It is implemented on the basis of a single, structured system that is applied in all countries.

In 2016, the annual appraisal was altered so as to give a more global assessment of individual performance and to better take professional development into account. Each technician, supervisor and manager has two separate appraisals per year: one focuses on the performance at the beginning of the year while the other discusses professional development in the middle of the year. Individual performance considers the employee's work in the position, assessing the conclusions related to the assignment and the results of the annual targets.

In order to increase each individual's involvement in achieving his or her entity's target, Group targets are shared by employees on the same team. These targets are incorporated into the individual appraisal and accessible so that everybody can refer to them directly at any time.

In 2016, 81% of Group employees worldwide had an Annual Appraisal, and most of them updated their resume and technical skills, self-assessed on the basis of a catalogue of 330 technical skills.



## PERCENTAGE OF EMPLOYEES WHO HAVE HAD AN ANNUAL APPRAISAL

(For the year)

	Operators and administrative employees			Technicians and supervisors			Managers			Total (all categories combined)		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
France	65.5%	74.9%	73.4%	87.2%	88.3%	88.1%	95.6%	97.3%	96.9%	78%	82%	82%
Rest of Europe	79.9%	79.4%	79.5%	85.3%	82.4%	83.4%	96.2%	97.3%	97.1%	85%	84%	84%
Rest of the world	42.6%	35.3%	35.7%	87.7%	80.1%	82.2%	99.3%	99%	98.7%	84%	62%	65%
<b>TOTAL</b>	<b>66.9%</b>	<b>72.1%</b>	<b>71.3%</b>	<b>86.6%</b>	<b>86.2%</b>	<b>86.3%</b>	<b>96.1%</b>	<b>97.4%</b>	<b>97.1%</b>	<b>80%</b>	<b>81%</b>	<b>81%</b>

Concurrently with the new professional development appraisal, a measurement and assessment of contributed benefit was introduced in 2016.

For the first year of running this appraisal, a survey was conducted with managers. The survey addresses managers' satisfaction with using the tools given to them and the benefits for their managerial role. Of the managers surveyed, 92% reported that they felt the appraisal was productive.

This survey also addresses the benefits produced to develop skills and adaptation to the position's professional requirements. The survey showed that the professional development appraisals offered a chance to design development actions in the position in 80% of cases, training actions in 68% of cases and collaborative actions (mentoring, coaching, co-development, etc.) in 58% of cases.

### 3.3.7. A comprehensive compensation policy rewarding performance G.3

In all countries of operation, the Group compensation policy is in line with the different market practices. It also meets the Company's own objectives:

- help the Group's economic performance by aligning compensation, particularly fixed salaries, with the issue of controlling costs and personnel costs;
- base compensation policy on performance. The idea is to motivate employees with individual and group targets and so encourage them to share the results achieved;
- implement a balanced salary policy that shares the results of growth, rewards employee performance and keeps costs under control in order to ensure continued competitiveness.

#### 3.3.7.1. FAIR COMPENSATION BASED ON COMPETITIVENESS AND PERFORMANCE

G4-DMA G4.EC5 G4-LA13

Against a backdrop of low inflation in Europe and a shaky economic environment, the compensation policy established by PSA Group in 2016 addresses two major issues: rewarding individual and collective performance and controlling costs in order to ensure the Group's continued competitiveness. The principle is to tie employees more closely to the Company's performance.

As evidence of the strong commitment of the employee representatives to the Group's recovery, salary agreements were established in France on 18 March 2016 and in most of the countries where the Group operates.

The Group's determination to promote merit was expressed in 2016 through the expansion of the Bonus schemes. In 2016, the Group extended the variable compensation schemes to all executive

managers in France. This made it possible to motivate employees around individual and collective targets that contribute to the Company's performance. In 2016, the Group bonus scheme was expanded to include industrial site and R&D supervisors in France in order to reward and give better recognition to the complexity of this position.

In 2016, around 18,000 Group employees were eligible to receive bonuses. More than 90% of Group managers were eligible for bonuses.

In addition, employee profit-sharing was carried out on the average of group performance-based bonuses. In France, employee motivation and their connection to results are achieved via the Group profit-sharing system. Thanks to the "Back in the Race" recovery plan, the discretionary profit-sharing paid to employees in 2016 was the highest it had been in ten years. The PSA Group will change the discretionary profit-sharing for the 2017-2019 financial years in order to better involve employees in economic performance and take into account a growth by successive thresholds of the allowance awarded based on economic performance.

In 2016, an exceptional discretionary profit-sharing allowance was awarded in France and a bonus was paid in the other countries. This action demonstrated the Company's determination to reward employees for the strong 2015 performance and to reallocate the savings from the elimination of the supplementary pension plan to specific benefits for which the executive Directors and Executive Committee members were eligible. As a result, €34 million were distributed to the workforce as a whole.

A collective bonus system, the CLPI (collective local performance incentive), has been in place since 2016 in European Union countries other than France and in Switzerland, Algeria, Turkey and Japan. It aims to motivate Group employees around local performance, and for this it uses annual collective targets based on economic and sales performance. This mechanism allows more countries to share in Group performance.



## WAGE COSTS

(At 31 December)

(in millions of euros)	France	Rest of Europe	Rest of the world	Total
Automotive Division	3,284	1,041	317	4,642
Other Businesses	66	7	4	77
<b>TOTAL</b>	<b>3,350</b>	<b>1,048</b>	<b>321</b>	<b>4,719</b>

In 2016, total payroll costs for Group companies came to €3,601 million, while related payroll taxes amounted to €1,118 million.

The median annual wage in France was €35,517 in 2016.

## GROUP BONUS, DISCRETIONARY AND NON-DISCRETIONARY PROFIT-SHARING

	2014	2015	2016
Amount of group bonus (o/w discretionary profit-sharing and non-discretionary profit-sharing in France) (rounded to the nearest million euros)	23	81	177

## GROUP MINIMUM WAGE VERSUS LOCAL STATUTORY MINIMUM WAGE BY COUNTRY G.35

(For the year, base 100)

Country	Ratio	Local legal minimum wage
Germany	118	Local legal minimum wage
Argentina	164	Local legal minimum wage
Austria	100	Local legal minimum wage
Belgium	130	Guaranteed average minimum monthly income
Brazil	149	Local legal minimum wage
China	100	Local minimum wage (Shanghai)
Spain	129	Local legal minimum wage
France	122	Guaranteed local legal minimum wage
Italy	103	Local legal minimum wage
Portugal	102	Local legal minimum wage
United Kingdom	104	Local legal minimum wage > 21 years old
Russia	365	Local legal minimum wage
Slovakia	164	Local legal minimum wage
Switzerland	NA	No legal minimum wage; no industry agreements

NA: not applicable.

Information is reported for countries representative of the Group's structure, 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.



## COMPARISON OF AVERAGE WAGES FOR MEN AND WOMEN FOR OPERATORS AND TECHNICIANS AND SUPERVISORS IN FRANCE

(For the year, base 100)

### France (PCA)

The ratios of average salaries between men and women are presented based on the classification grid from the metalworking industry collective bargaining agreement.

Operators/administrative employees	Male/female wage ratio	Technicians and supervisors	Male/female wage ratio
170	99.96	255	104.92
175	99.73	270	102.01
180	99.76	285	102.55
185	99.47	305	100.86
190	100.84	320	99.96
195	101.15	335	98.84
200	100.75	365	100.18
215	99.84	395	97.01
225	101.98		
240	101.26		
255	102.93		
270	101.62		
285	NS		
305	NS		

NS: not significant.

Equal pay between men and women is ensured, as these ratios show once again: in 2016, the wage gap between men and women at the same level of responsibility was most often lower than 1%, and sometimes positive or negative. This is the result of a compensation policy ensuring that the proportion of wages allocated to women is always equal to or greater than the proportion for men through a series of indicators sending warnings to managers and supervised by the HR Department.

## COMPARISON OF AVERAGE WAGES OF MEN TO WOMEN AMONG MANAGERS IN FRANCE

(For the year, base 100)

### France (PCA)

Managers	Ratio of men/women
Executive managers	115.3
Senior managers	108.8
Senior management	105.4
Experienced managers	99.7
Junior managers	101.6

The persistent gap at the higher levels of responsibility is linked to the proportionally more recent promotions of women to these positions. On the other hand, the gap observed in the "junior manager" and "experienced manager" categories representing the majority of managers is much reduced.



## Argentina, Brazil, Spain, Portugal, Slovakia, Russia

Managers	Average male/female wage ratio					
	Argentina	Brazil	Spain	Portugal	Slovakia	Russia
	2016	2016	2016	2016	2016	2016
Executive managers	NS	NS	NS	NS	NS	NS
Senior managers	NS	NS	NS	NS	NS	NS
Senior management	109.6	106.9	105.1	NS	86.6	101.3
Experienced managers	116.8	107.4	104.6	122.1	97.11	98.3
Junior managers	102.1	107	106.4	108.1	108.3	97.4

NS: not significant (insufficient representative sample).

The ratios of average salaries between men and women in managerial positions concern the Group's representative manufacturing countries.

In France, the information is from the metalworking industry collective bargaining agreement, supplemented by company agreements. They are presented for other countries based on the Group's current manager classification.

### 3.3.7.2. SOCIAL BENEFITS: OVERALL COMPENSATION AND SOCIAL RESPONSIBILITY

**G4-EC3 G4-LA2**

Employee benefits in the various host countries supplement the Group's compensation policy in an "overall compensation" approach designed to meet the challenges of offering competitive and motivating compensation while controlling costs and meeting the Group's social responsibility commitments. As such, the Group is committed to insuring all its employees worldwide against major risks, offering life insurance in all countries where Group insurance can be set up.

#### Health and welfare insurance

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 optimise the cost/services ratio for the benefit of the Company and the employees who make partial contributions. In 2016, health and welfare insurance plans were set up in Morocco. In addition, several calls for tender were issued, namely, in Brazil, Algeria and China, in order to keep premium increases down and improve insurers' service quality.

#### Employee savings plans

Employee savings schemes allow employees from several countries to invest in Group shares or other diversified instruments (shares, bonds, monetary) with a varied yield/risk ratio depending on the instrument. A total of €7.87 million was invested in 2016.

#### Pensions

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 and the United Kingdom. In 2016, steps were taken to set up a pension plan in Turkey. Managed by local joint labour management committees, these schemes are designed to provide beneficiaries with additional retirement income on top of regulatory provisions. In addition, specific pension schemes exist in Brazil and Argentina alongside statutory requirements.


**SUPPLEMENTARY PENSION PLANS BY DIVISION**

		<b>Employer contributions from 01/01 to 31/12 (in thousands of euros)</b>	<b>Employee contributions from 01/01 to 31/12 (in thousands of euros)</b>	<b>Number of employees concerned</b>
<b>Automotive Division</b>	<b>2016</b>	<b>32,108</b>	<b>13,885</b>	<b>39,807</b>
	2015	35,989	14,765	41,538
	2014	43,063	17,220	49,006
<b>Other Businesses</b>	<b>2016</b>	<b>451</b>	<b>225</b>	<b>332</b>
	2015	2,521	610	911
	2014	4,209	1,392	2,424
<b>TOTAL</b>	<b>2016</b>	<b>32,559</b>	<b>14,110</b>	<b>40,139</b>
	2015	38,380	15,375	42,449
	2014	47,272	18,612	51,430

**SUPPLEMENTARY PENSION PLANS BY REGION**

	<b>Employer gross contributions from 01/01 to 31/12 (in thousands of euros)</b>			<b>Employee contributions from 01/01 to 31/12 (in thousands of euros)</b>			<b>Number of employees concerned</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
France	19,822	17,108	17,198	9,867	8,545	8,589	32,598	25,778	25,279
Rest of Europe	23,578	19,739	13,999	7,281	5,917	4,602	16,848	15,153	13,431
Rest of the world	3,871	1,533	1,362	1,465	914	918	1,984	1,518	1,429
<b>TOTAL</b>	<b>47,272</b>	<b>38,380</b>	<b>32,559</b>	<b>18,612</b>	<b>15,375</b>	<b>14,110</b>	<b>51,430</b>	<b>42,449</b>	<b>40,139</b>

At the end of 2016, the commitments recorded in the Group's accounts under defined-benefits pension schemes were €3.914 billion and were covered by outside funds of €3.777 billion.

These evaluations are conducted annually, in accordance with the IAS 19 standard, by an international actuary firm, based on theories audited by the Group's Statutory Auditors.

**Social services**

All Group companies and facilities contribute to social and cultural activities, as well as improving working conditions based on national and local opportunities. More than €125.5 million were paid by the Group (Automotive and Finance Divisions) in 2016 under social benefits. Representing 2.6% of the total payroll, this amount includes employee payments for lodging, transportation, meals, medical and social services, company concierge services, daycare centres, healthcare and personal protection insurance and subsidies paid to Works Councils for employee welfare programmes.

## 3.4. WELL-BEING, HEALTH AND SAFETY AT WORK

Thanks to a policy that puts health and safety first, PSA Group's health and safety results are at the top of the manufacturing sector.

The PSA Group is committed to taking all the necessary steps to guarantee the health and safety of everyone who is part of the Group's business, everywhere in the world. This commitment is manifested in a structured, guided approach designed to reduce risks and control safety in every workplace scenario. The Group is bolstering these actions in order to enhance all employees' health capital throughout their working lives and their well-being at work.

Upon the publication of the 2016 results, **Xavier Chéreau**, Head of Human Resources, said:

*Employees' workplace health and safety is PSA Group's top concern. The efforts we have implemented to become a leader in health and safety are paying off: in 2016 we achieved levels higher than ever before, propelling us to the levels of the benchmark companies in the automotive industry. In 2017, we plan to continue our actions to become a global leader in the automotive industry. There is no more worthy goal than securing the physical integrity of all our employees, and we aim for excellence in that area. ☺*

The PSA Group applies a systematic method: the Occupational Health and Safety Management System.

Three performance indicators drive these actions:

- the total lost-time incident frequency rate (shown for 1,000,000 hours worked on a global scope);
- the total occupational illness frequency rate (shown for 1,000,000 hours worked on a global scope);
- work-related stress frequency rate (PSM-25 methodology).

In term, PSA Group aims to be among the top three automotive industry companies worldwide on these benchmark indicators: safety, with a target lost-time incident frequency rate of 1 point; health, with a target occupational illness rate of 2 points; well-being, with a target work-related stress frequency rate of 7%.

### 3.4.1. Occupational health and safety G.8 G4-DMA

#### 3.4.1.1. OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The Group's health and safety policy is supported by the Workplace Health and Safety Management System (OSHMS). This is grounded in the principle that safety is thought of, planned for and implemented every day. Management at all levels of the Company works constantly to ensure compliance with the fundamental

notions and with the enactment of the principles stated in our Health and Safety policy, within a mind-set of continual improvement.

This management method is based on six guiding principles and 22 standards that define the areas to pay special attention to and to check: this is the health and safety reference guide that applies to all Group entities and subsidiaries, shown in a road map describing maturity stages.



## HUMAN RESOURCES: ENABLER OF PERFORMANCE

### 3.4. Well-being, health and safety at work

The Health and Safety Management System – 6 Principles and 22 standards	
6 principles	22 standards
1. Executive management involvement	1. Executive management involvement
2. Structured leadership	2. Safety communication 3. Health and Safety Committee
3. Clearly established and applied standards	14. Incorporation of safety and ergonomics into work standards 11. Protective equipment 15. Safety during the design and engineering of manufacturing facilities
4. Defined roles	12. Work authorisations and clearances 16. Contractors 17. Temporary work 18. Reception of visitors 19. Assessment of individual performance
5. Effective alert systems	21. Work-related alerts 22. Staff representative bodies
6. Effective monitoring and improvement resources	4. Field visit and examination 6. Survey and announcement after incidents or accidents 5. Health and safety scoreboard and reporting
+ Controlled risks	7. Risk assessment 13. Control of risk families, identification and management of high-priority risks 8. Preventing chemical risks 9. Preventing psychosocial risks 10. Preventing musculoskeletal disorders (MSD) 20. Road safety prevention, work-related travel risk prevention

With the Occupational Health and Safety Management System, the PSA Group 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 methodical application of the road map so that it could be adopted and mastered on a step-by-step basis.

The Workplace Health and Safety Management System is now operational at all Group facilities. It includes five essential steps leading to a mature process and lasting change: raise awareness, change mind-sets, change behaviours, change habits and corporate culture. For 2016, the target to bring 60% of sites worldwide to maturity level 4 or higher of the Occupational Health and Safety Management System was achieved.

The Health and Safety Management System includes ongoing progress mechanisms that help produce such strong results. An internal audit system has been implemented in order to ensure that the Occupational Health and Safety Management System is enforced and that improvement is constant. In the course of 2016, 12 “personal safety in the workplace” audits were conducted in various Group operations internationally (plants, dealerships and technical centres) on the enforcement of the Occupational Health and Safety Management System, supplementing the local checks on standards compliance in all facilities and subsidiaries.

Encompassing all the OHSAS 18001 areas, the Occupational Health and Safety Management System is a means to assess, monitor and manage risks systematically. The Occupational Health and Safety Management System 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 Health and Safety Management System also incorporates a description of personal protection equipment,

the modus operandi for handling external visitors and contractors, and specifies prevention on various risks (psychosocial risks, chemical risks, musculoskeletal disorders, commuting risks, etc.).

The management principles of this system are applied to the whole of the Group in Europe, Latin America and China. Its enforcement is one of the commitments of PSA Group's Global Framework Agreement on Social Responsibility. This management system is adapted to all Group activities and country-specific laws. It has been adopted as a model by CHANGAN PSA (CAPSA), and rolled out in Shenzhen.

Along with economic performance and quality level, compliance with safety objectives is one of the assessment criteria for variable compensation for executive managers in various Group positions and regions.

#### 3.4.1.2. PSA GROUP'S PERFORMANCE IN SAFETY AND WORKPLACE ACCIDENT PREVENTION

G.10 G4-LA6

As a result of the Group's Occupational Health and Safety Policy and its Workplace Health and Safety Management System (OSHMS), the significant progress made over several years held steady in 2016, with a lost-time incident frequency rate (including temporary employees) of 1.16, as compared to 1.18 in 2015 and 1.38 in 2014. PSA Group is up to the best performance in the manufacturing sector.

With emphasis on training from the first day on the job and with special attention paid to all categories of staff, the lost-time incident frequency rate for temporary workers is close to that for Group employees.



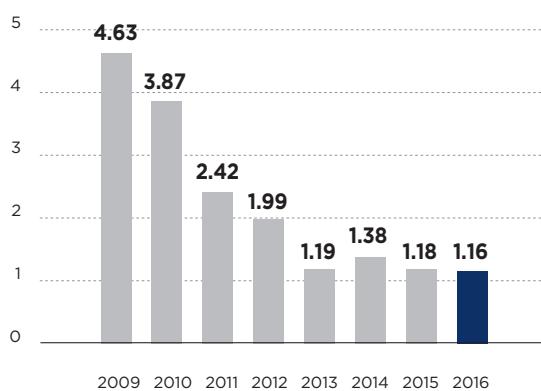
## ECONOMIC INSIGHT

The Group's outstanding performance in workplace safety results from every employee's operational involvement on a daily basis, grounded in a performance obligation: the Health and Safety Management System.

Human investment (ergonomists, OHS consultants, workplace medical services) and economic investment (personal protection equipment, capital expenditure excluding projects) devoted to safety add up to an annual budget of €33 million. This investment produces tangible results, with a workplace accident frequency rate 18 times lower than the average for France's metal industry.

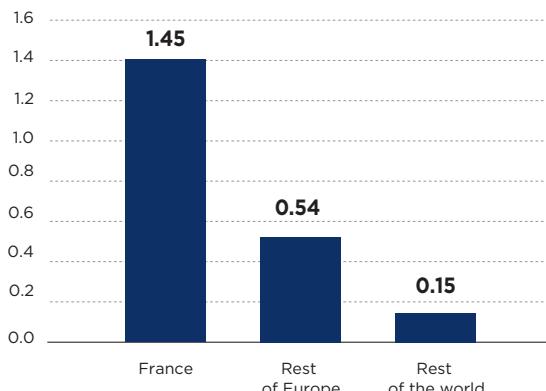
The lost-time incident frequency rate of 1 point over the whole year, set as a medium-term goal by the Group, has already been achieved in 26 facilities in Latin America, Spain, Portugal, Russia and Slovakia.

### Total lost-time occupational accident frequency rate\*



### Lost-time occupational accident frequency rate by region

(For the year)



\* Lost-time occupational accident frequency rate includes Group employees and temporary employees. It corresponds to the number of lost-time occupational accidents times one million divided by the number of hours worked.

The reported lost-time occupational accident frequency rate was 5.33 points in 2016, compared to 5.07 points in 2015, 4.92 in 2014 and 5.73 in 2013. The frequency rate for first aid is 16 in 2016, compared to 17 in 2015, 16 in 2014 and 21 in 2013.

## SEVERITY RATES BY REGION

(For the year)

	France	Rest of Europe	Rest of the world
Automotive Division	0.20	0.03	0.01
Other Businesses	0.03	0	0
<b>TOTAL</b>	<b>0.19</b>	<b>0.03</b>	<b>0</b>

The severity rate corresponds to the number of consecutive days lost to accidents multiplied by one thousand divided by the number of hours worked.

The severity rate is 0.13 in 2016, compared to 0.16 in 2015 and 0.15 in 2014.

## COMMUTING ACCIDENTS

(For the year)

	2015	2016
Frequency ratio	2.8	2.6

The lost-time occupational accident frequency rate (TFI) corresponds to the number of lost-time commuting accidents multiplied by one thousand divided by the number of employees.



#### NUMBER OF FATAL ACCIDENTS

(For the year)

	France	Rest of Europe	Rest of the world	Total
Automotive Division	3	0	0	3
Other Businesses	0	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>

There were three deaths in the workplace in 2016, all of which resulted from health-related incidents.

#### Health and safety for all

Safety concerns all persons who work on Group sites, including employees of service provider companies.

Without superseding their legal liability, the Group ensures that these companies respect the safety rules and asks them to apply the Occupational Health and Safety Management System requirements.

A monitoring and business support initiative has been set up with the temporary agencies. It emphasises the interactions between temporary agencies and the Group in the prevention and management of temporary employees' health and safety. Accordingly, representatives from temporary agencies visit Group

sites, participate in the safety training observation programme (STOP<sup>®</sup>) and in assessments of workplace accidents.

In 2016, the total lost-time incident frequency rate among temporary employees was 2.26 points, up from 1.54 points in 2015 and 1.62 points in 2014.

Special attention is provided to the safety management of contractors, in particular during projects or summer maintenance. When this work is being carried out, a special Group organisation is responsible for training each worker and conducting 7,000 health and safety audits.

#### OCCUPATIONAL ACCIDENTS CONCERNING EMPLOYEES OF OUTSIDE COMPANIES OR TEMPORARY EMPLOYMENT AGENCIES

(At 31 December)

	France		Rest of Europe		Rest of the world		Total	
	Outside service providers	Temporary employees						
<b>TOTAL</b>	<b>460</b>	<b>850</b>	<b>38</b>	<b>57</b>	<b>39</b>	<b>3</b>	<b>537</b>	<b>910</b>

#### 3.4.1.3. PSA GROUP'S PERFORMANCE IN HEALTH AND OCCUPATIONAL ILLNESSES G.10 G4-LA6 G4-LA7

PSA Group stands out in that it publicly posts its occupational illness indicators and reduction targets. Good health is essential to sustaining the performance of human resources and business operations. The Group views health as a state of physical, psychological and social well-being, and as a foundation of its performance.

Its policy aims to keep all employees healthy, by engaging in social dialogue and structured coordination of the 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;
- a continuous improvement approach for the health of PSA Group employees, a partner in the "Healthy Workplaces" European initiative.

The actions, developed for all Group employees, are based on internal and multidisciplinary skills and are adapted to the environment, the regulations and the regional health priorities of the different entities.

As one of the only private companies involved in the public initiative *Mois sans tabac* (Me without Tobacco/A Month without Tobacco), the PSA Group demonstrates that improving the individual's health has repercussions far beyond health in the workplace.

## OCCUPATIONAL ILLNESSES

In 2016, all the methodical, multi-disciplinary health actions that were implemented helped significantly lower the number of occupational illnesses. This 20% drop over a year results from the universal roll-out of this initiative. An ergonomic study of

all workstations near the threshold of the "heavy" rating was a key factor in achieving this result. Expanding the use of hearing protectors in all the manufacturing and after-sales sectors will help this progress continue.

(For the year – Number of reported illnesses)

	France	Rest of Europe	Rest of the world	Total
Musculoskeletal disorders of the upper limbs	220	45	-	265
Carrying heavy loads	7	-	-	7
Occupational illnesses after exposure to asbestos	24	-	-	24
Noise-related hearing loss	4	-	-	4
Other	21	17	0	38
<b>TOTAL</b>	<b>276</b>	<b>62</b>	<b>0</b>	<b>338</b>

In 2016, 338 occupational illnesses for the Group scope were reported. Of these reported occupational illnesses, 78% were musculoskeletal disorders (MSD) of the upper limbs, 2% were from carrying heavy loads, 7% were occupational illnesses due to exposure to asbestos, 1% from noise-related hearing loss and slightly more than 11% were due to other causes.

The Group has taken the initiative to monitor a frequency rate of occupational illnesses (FR = No. of recognised occupational illnesses divided by the number of hours worked multiplied by 1,000,000). In 2016, this rate was down slightly, to 2.79 from 3.46 in 2015 and 3.89 in 2014.

### 3.4.1.4. THE GROUP'S PRIORITY COMMITMENTS ON HEALTH AND SAFETY

In order to control the main risks to which employees are exposed, PSA Group is bolstering its overall approach through five high-priority commitments relating to the following risks:

- preventing musculoskeletal disorders (MSD);
- chemical risks;
- psychosocial risks;
- road risks;
- workstation safety: "STOP™" audits.

#### Preventing musculoskeletal disorders

Musculoskeletal disorders (MSDs) are a leading cause of work-related injuries. Therefore, preventing MSDs is a key occupational health and safety policy priority. In 1999, PSA Group started using sizing tools on workstations and designed improvement trajectories that have been in use since then. In order to address the complex

interplay of all the factors that can cause MSDs, the Group has developed a structured approach that analyses the process that causes MSDs and works to prevent MSDs by simultaneously monitoring physical factors (posture, exertion, angulation of the upper limbs) and non-physical factors (organisation of the activity in terms of duration and frequency of use; mental load, i.e., information processing, relationships with colleagues or superiors; perception of operators—recognition and motivation, for example).

The Group carried out a review of workstations that require repetitive movement at all manufacturing sites. Based on seven factors taken from the Ergonomics Management System (EMaS), this assessment identified the risk level for each profession and detected factors with the greatest risk of causing MSDs. Every year, action plans are set and implemented in all Group's facilities. The initiatives are conducted by multi-disciplinary teams made up of occupational physicians, safety engineers and technicians, ergonomists and managers.

To allow closer monitoring of how MSDs appear, the Group decided to monitor the exposure of operators to vibratory risk (local or full body), which is an aggravating factor for MSD risk, and posture stress to more closely monitor back stress and improve the "Work-Related Alerts" (ALT) process so that low warning signs for MSD can be better detected.

In tandem with this action, the Group continues to pay attention to workstations: at all the industrial sites, the priority is to reduce physical and posture load by decreasing the number of "heavy" workstations. This is taken into account from the design stage for products and processes and is based on a rigorous methodology for rating workstations. From 2005 to the end of 2016, the proportion of "heavy" workstations fell from 18% to 7%, while "light" workstations rose from 37% to 59%. It is the Group's ambition to make further progress in this area and reach a level of 60% "light" workstations in 2017.

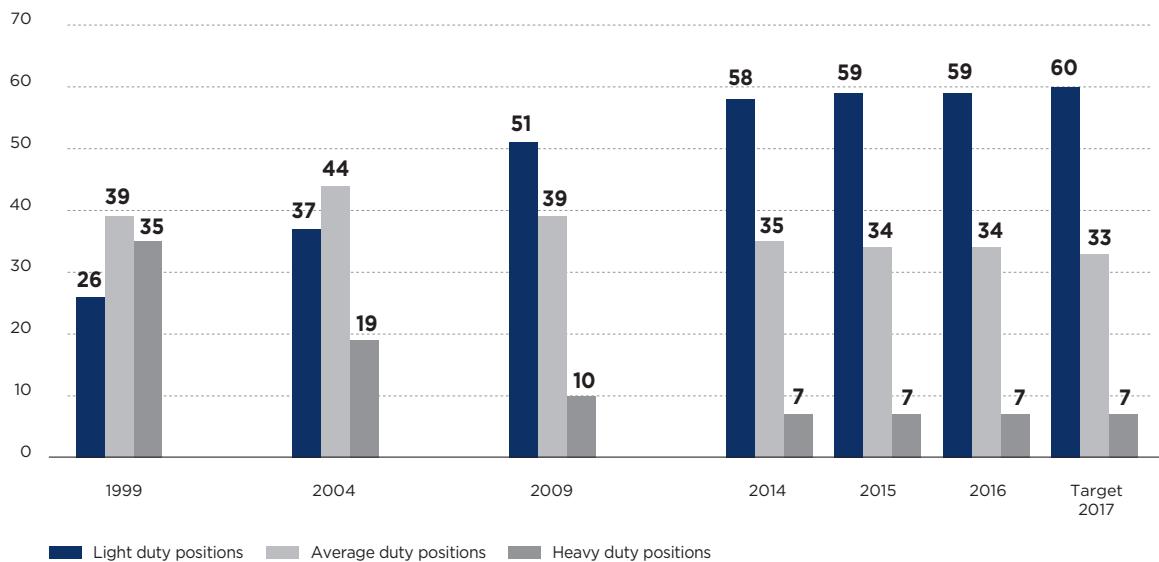


## HUMAN RESOURCES: ENABLER OF PERFORMANCE

### 3.4. Well-being, health and safety at work

#### CHANGES IN THE PROPORTION OF “LIGHT”, “MEDIUM” AND “HEAVY” WORKSTATIONS

(Manufacturing activity of the Automotive Division, in % based on the METEO\* rating)



\* Workplace and Organisational Evaluation Method

#### Chemical risks

Chemical risks are a major focus of the preventive measures the Group has taken to manage health and safety. They are not only risks related to the use of products and substances but also those related to the pollutants generated by certain processes.

The Group uses more than 8,000 chemical products and substances at its R&D and manufacturing sites and more than 1,500 in its sales activities. Instruction notices for all hazardous chemicals are posted at the relevant workstations. They are approved in accordance with the Group's protocol, whether for the manufacturing, research and development or dealerships. All the businesses have a surveillance plan for air quality in the manufacturing and R&D areas, as well as for sales activities.

#### Psychosocial risks

With support from the medical community, since 2007 the PSA Group has been developing expertise in detecting stress and motivation factors, in assessing and carrying out multi-disciplinary actions to prevent situations that can create psychosocial risks. These assessment tools have helped the Company to publicly report the work-related stress frequency rates that it measures and the improvement targets it adopts.

The survey conducted within the Group in 2016 revealed that 7.3% of employees are experiencing excess stress. It is a considerable performance challenge, above and beyond the health and safety considerations.

Starting in 2007, the Group decided to recognise psychosocial risks as job-related risks. As a result of several company agreements on this issue that have been signed since 2009, the Group implements a psychosocial risk prevention plan in all countries and all divisions.

A monitoring and leadership initiative as well as a network of correspondents, around 50 people, (site HR, occupational physicians, social workers, safety engineers) representing each site and division were implemented to support them in the prevention initiative.

A road map consists of 13 requirements distributed across four major topics covering all the Group scheme principles:

- the first topic addresses the implementation of a risk monitoring network, which includes watch units and monitoring by medical and social workers. These are in place and active, medical and social services play an important role every day, dealing with distress situations warnings as well as assisting persons who need help;
- employee representatives, members of the watch units and managers have received training. Employees receive training that pertains specifically to them. The goal of these training actions is to make individuals more attuned to one another. Since 2014, a new training session geared towards managers has been used. More than 3,000 managers have completed this module, which is organised internally;
- in order to make psychosocial risk prevention a reality, every individual must be aware of “social irritants” and know how to manage them. Stress levels and stress factors are evaluated in France through a Workplace Stress Measuring and Monitoring Programme. This initiative, managed by the occupational health services, makes it possible to detect potential individual problems but also to get a collective measurement of workplace stress (monthly, quarterly, annually). In 2016, 16,436 confidential surveys were filled out. This evaluation provides managers with collective analysis data to help design action plans (Annual Report). This expertise in assessment and monitoring of work-related stress also makes it possible to analyse motivation factors and to make motivation and well-being in the workplace levers of employee commitment and company performance;

- finally, the conduct of action plans is a major lever for identifying the right behaviours to adopt in order to avoid contributing to the development of risk factors. This is done in general within the management committees, Health and Safety Committees or occasionally during specific meetings with Human Resources teams and/or occupational physicians. This has enabled the establishment of task forces (employees, employee representatives, members of the Human Resources Department, etc.), not only at the management body level, but also at the sub-entity level (departments, supervisory units, etc.). Through this approach, stress frequency dropped in 2016 and the prevention of psychosocial risks improved.

## Preventing road risks

As a car manufacturers, the Group naturally puts a high priority on road safety. In collaboration with employee representatives, the Group renewed in 2010 a work-related road Risk Prevention Charter setting out the principles to be respected. The Charter, communicated to all employees, specifies the rules for using vehicles for professional purposes or when commuting to and from work.

In signing the call for companies' commitment to road safety on 11 October 2016, which was initiated by France's interior and labour ministries, PSA Group reaffirmed its long-standing commitment to road safety, which it demonstrates through its products, the best technological level worldwide and its constant concern for its employees' safety in their daily work. Awareness-raising initiatives, training and monitoring helped lower the number of road accidents resulting in days lost by 27.5% over two years.

## Workstation safety: "STOP™" audits

The safety at work by preventive observation (STOP™) programme has been in place at the Group's plants since 2009. The programme trains managers, giving them the ability to detect dangerous situations or behaviours.

During the programme, managers are made aware of how to speak to the employee to have a positive discussion about prevention. This programme aims at achieving progress for both the manager and the employee. Each month, working in pairs, managers carry out two rounds to manage the STOP® scheme and solve risky situations in workshops.

### 3.4.1.5. JOINT MANAGEMENT-WORKER HEALTH AND SAFETY AGREEMENTS AND COMMITTEES

**G.9 G4-LA5 G4-LA8**

In most host countries, joint management-worker organisations are in charge of monitoring the application of employee health and safety practices.

96% of Group employees are represented by Joint Management-Worker Health and Safety Committees.

## Joint Management-Worker Health and Safety Committees

The following table specifies the Health and Safety Committees comprising both Management and employee representatives in the main countries.

Country	Organisation	Membership
South Africa	Health and Safety Committee	Employee representatives, Employer representatives
Algeria	Hygiene and Safety Committee	Employer representatives, Employee representatives
Germany	Health and Safety Committee	Employer representatives, Employee representatives, Occupational physician, Safety manager, External consultant, Executive Committee
	Psychosocial Risk watchdog unit	Branch Director, Member of the Works Council, Health manager, Occupational physician
Argentina	Safety, Ergonomics and Fire Prevention Committee	Employee representatives, Employer representatives, Safety manager
Austria	Safety Committee	Site manager, Human Resources, Works Council, Occupational physician, Safety managers
	Occupational Safety Central Committee	Employee representatives, Employer representatives, Occupational physician, Safety manager, Managing Director
Belgium	Occupational Prevention and Protection Committee	Employer representative, Employee representatives, Prevention consultant
Brazil	Internal Accident Prevention Committee	Employee representatives, Employer representatives
Chile	Hygiene and Safety Committee	Employee representatives, Employer representatives
Spain	Health and Safety Committee	Employee representatives, Employer representatives, Prevention representatives
France	Industrial Hygiene, Safety and Working Conditions Committees	Employee representatives, Employer representatives, Occupational physicians, Safety manager
	Local integration group	Job allocation managers, Occupational physicians, Health and Safety Department, Career Counsellors, Employer representatives
	Plant Health and Safety Committee	Plant Management, Human Resources Management, Safety Engineer, Occupational Physician, Social Worker, OHS consultants
	Psychosocial Risk watchdog unit	Head of Human Resources, Occupational physician, Social Worker, and a Personnel Representative



Country	Organisation	Membership
Italy	Health and Safety Committee Annual Risk Plan Committee	Employee representatives, Medical Officer, Prevention and Protection Services manager
Japan	Health and Hygiene Committee	Employee representatives, Employer representatives, Occupational physician
The Netherlands	Health and Safety Committee	Employer representatives, Employee representatives, Emergency response team
Portugal	Health and Safety Committee	Employee representatives, Employer representatives, Health and Safety manager, Occupational physician
United Kingdom	Health and Safety Committee for Pinley House and Tile Hill	Executive managers, Head of Human Resources, Head of Health and Safety, Health & Safety Consultants, Head of the Technical Centre, Employee representatives
Russia	Health and Safety Committee	Employee representatives, Employer representatives, Health and Safety officer
Slovakia	Working Conditions Committee	Employee representatives, Employer representatives, Production centre Director
	Health and Safety Committee	Employee representatives, Employer representatives, Health and Safety officer, Head of the Production centre

## Health and safety agreements

PSA Group is committed to implementing the best occupational health and safety standards and practices and has made health and safety a top priority. This commitment is expressed in the occupational health and safety policy, as well as in several national company agreements.

Each year, health and safety agreements are signed in the countries where the Group operates. In 2016, 17 health and safety agreements were signed.

### 3.4.1.6. TRAINING AND PREVENTION PROGRAMMES

Under the health plan, prevention, assistance, treatment and training programmes are conducted within the Group. These programmes are based in particular on the risks existing within the entities. The training plan is the result of the risk assessment plan conducted at the design stage, as well as in series production and customer service.

In 2016, workplace health and safety prevention represented 170,000 hours of training, i.e. 11% of the training plan.

## An innovative training concept: the S-BOX

The S-Box or Safety Box was an initiative of the Vigo (Spain) site. Made up of six rooms, this 110 sq.m. training space is fully interactive. Using different media (notices, videos, soundtracks, games, quizzes, etc.), ten participants per session interact with the activities offered. This type of training boosts the comprehension of participants and improves their active engagement in terms of prevention.

The five main objectives are:

- make all Group employees aware of safety;
- interactively transfer the Group's instructions in this area;
- make employees aware of the importance of safety measures;
- show the Group's concern for the safety of its employees;
- ensure all employees commit to safety.

This concept was also developed for the work carried out by external companies. Started in 2012, the S-Box was rolled out in 2013 in all Group's manufacturing plants. Since 2014, a second version of the S-Box has been developed and rolled out around the Group's five health and safety commitments. A version dedicated to preventing psychosocial risks was launched in services and research and development.

**170,000 HOURS**  
OF TRAINING ON HEALTH PREVENTION  
AND WORKPLACE SAFETY

## 3.4.2. Well-being and quality of life at work G.8

When it comes to quality of life and well-being at work, the PSA Group is an expert in workstation ergonomics and the assessment of work-related stress. In 2016, the PSA Group 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.

This ambition can be seen in the focus on individual and group health that was initiated in 2016, as well as in the expansion of teleworking and the introduction of new flexible working options.

### 3.4.2.1. IMPROVING WORKING CONDITIONS

The Group strives to provide modern, digital, inviting workspaces. The installation of new workspaces in 2016 seeks to promote collaborative work, cross-disciplinarity and information sharing in the name of improved efficiency. This is also a way to enhance collaboration, streamline dialogue between teams and consequently reduce bureaucracy.

The PSA Group is gradually introducing these new arrangements at its office facilities and technological sites. The renovation has been completed at Vélizy and Poissy in France, as well in Brazil, the United Kingdom, Belgium, the Netherlands, etc.

This reconfiguration of the sites, which makes them more open, agile and collaborative, transforms working practices and the way employees collaborate, while strengthening teams. In a modern, energetic, inviting environment, multiple configurations of the workspaces promote informal, productive gathering and dialogue. Workspaces are being reconfigured at all levels of the Company. All managers, including Executive Committee members, will be benefiting from these open, flexible, collaborative spaces bringing them closer to their teams.

Production workstations are also being examined from the perspective of the human worker. A team of around 40 ergonomists, reporting to the Human Resources Department, is working on making sure that human considerations are properly factored into the Group's organisational and manufacturing choices. This is reflected in significant investment in the ergonomics of workstations. In addition to reducing the amount of human energy required to operate workstations is the need to address other types of strenuousness, such as biomechanical stress, physical factors in the appearance of musculoskeletal disorders (MSD) and mental, cognitive and psychological stress, which play a role in the risk of developing MSDs and in psychosocial risks.

### 3.4.2.2. ACHIEVING A HEALTHY WORK-LIFE BALANCE

Establishing a collaborative work method is incorporated into the "New Momentum for Growth" labour agreement, and applies to workspaces as well as the expansion of teleworking and the implementation of an annual account of 25 days of remote work, which allows employees to occasionally perform their jobs from home or another location.

Achieving a good work-life balance leads to performance and prevents work-related stress. Capitalising on that, the Group willingly offers employees part-time schedules or teleworking when the work organisation makes it possible.

To the extent possible, the Group approves employees' requests to work part-time. The Group looks for solutions that are right for each individual: part-time by the day or half day, part-time in hours, etc. Part-time hours are chosen and not imposed by the Group. In 2016, the Group had 8,753 part-time employees worldwide (1,251 half-time), distributed as follows: 35% women and 65% men.

## NUMBER OF PART-TIME EMPLOYEES ON PERMANENT OR FIXED-TERM CONTRACTS\*

(At 31 December)

		<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>2,038</b>	<b>6,788</b>	-	<b>8,826</b>
	2015	2,465	6,062	-	8,527
	2014	3,198	6,905	1	10,104
<b>Other Businesses</b>	<b>2016</b>	<b>14</b>	<b>13</b>	-	<b>27</b>
	2015	23	238	-	261
	2014	137	397	-	534
<b>TOTAL</b>	<b>2016</b>	<b>2,052</b>	<b>6,801</b>	-	<b>8,853</b>
	2015	2,488	6,300	-	8,788
	2014	3,335	7,302	1	10,638

\* Part-time employees are defined as employees who work fewer hours per week or fewer average hours over a period of up to one year than a comparable full-time employee.



## HUMAN RESOURCES: ENABLER OF PERFORMANCE

### 3.4. Well-being, health and safety at work

In order to promote a healthy work-life balance, the Group offers a number of services to employees: company concierge services, travel agencies, bus and shuttle lines, etc. In 2016, 100 childcare places were offered in France.

Communal activity is encouraged: there are more than 80 active athletic, cultural and charity organisations. PSA Challenges, multi-site sports meet-ups, involving different countries, have become events not to be missed. Works Councils receiving funding from the Company offer a wide range of social, sports and cultural activities.

### **3,147** TELEWORKERS IN THE GROUP

After a two-year experimental phase demonstrated the positive impact of teleworking on working conditions and quality of life, particularly by reducing commuting time, a labour agreement made teleworking one of the possible work arrangements in the PSA Group in 2014. French technicians, administrative employees and managers have the option of working from home once or twice per week.

At the close of 2016, 2,735 employees in France had opted for teleworking, i.e. almost 12% of the population eligible for this type of work.

An opinion survey distributed to teleworkers and their managers found that 100% of teleworkers and 97% of managers are satisfied and that 94% of managers would recommend to another manager to set up teleworking in his department. 90% of teleworkers experienced a positive impact on their efficiency and saw teleworking as a vote of confidence from their manager.

The Group makes a point of applying this best practice in other geographic areas where it operates. Teleworking is now in use in Spain (37 teleworkers) and in Belgium (8 teleworkers), and is in the test phase in Brazil (158), Argentina (119), Slovakia (32), Italy (46) and Turkey (12).

The "New Momentum for Growth" agreement proposes other new, innovative actions. As such, the Group is expanding the teleworking option: three days of teleworking per week as a test, half a day of

teleworking combined with half a day off for part-time employees, and teleworking from a location other than one's primary residence. The Group is also implementing an innovation in quality of life at work by creating an annual account of 25 days of remote working. 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.

### **Maternity, paternity and parental leaves** G4-LA3

The PSA Group takes parenthood into account as part of its respect for gender equality in the workplace. By supporting a work environment encouraging employees to return to work after maternity leave, PSA's policy helps parents-employees achieve a better work-life balance. It also ensures employees are informed on the various parental leave options, encouraging both mothers and fathers to take advantage of it.

In order to support working parents, a company agreement was signed in June 2014 in France with all the trade unions to institute an innovative social cohesion system based on the values of solidarity and mutual assistance. Under this agreement, employees can donate days off to parents with a sick child, anonymously and without receiving anything in return. The donated days are banked in a Solidarity Fund created for this purpose and managed by the workplace social services. This programme has received a strong response: after two years in place, there have been 458 employee donors, 910 days donated, 200 days contributed by the Company and 355 days granted to 20 employees to help them cope with a variety of situations of illness, disability or accident.

In addition, employees are provided with abundant information on existing rights: legal provisions, exceptional leave stipulated by company agreements and the action of the workplace social services.

In 2016, the management bodies and signatory unions agreed to changes to this agreement, broadening the eligibility for this Solidarity Fund to employees caring for a spouse or partner.

### **NUMBER OF EMPLOYEES ON MATERNITY, PATERNITY AND PARENTAL LEAVE BY SOCIO-PROFESSIONAL CATEGORY**

(At 31 December)

	Maternity leave			Paternity leave			Parental leave					
	Operators and admi- nistrative employees	Tech- nicians and super- visors	Manag- ers	Total	Operators and admi- nistrative employees	Tech- nicians and super- visors	Manag- ers	Total	Operators and admi- nistrative employees	Tech- nicians and super- visors	Manag- ers	Total
Automotive Division	435	257	238	930	1,119	305	337	1,761	169	115	54	338
Other Businesses	-	1	10	11	-	-	2	2	-	1	1	2
<b>TOTAL</b>	<b>435</b>	<b>258</b>	<b>248</b>	<b>941</b>	<b>1,119</b>	<b>305</b>	<b>339</b>	<b>1,763</b>	<b>169</b>	<b>116</b>	<b>55</b>	<b>340</b>

## SPECIFIC WORK SCHEDULES

(At 31 December)

	France			Rest of Europe			Rest of the world			Total			
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	
<b>Automotive Division</b>	Two-shifts <sup>(1)</sup>	22,309	22,812	17,839	7,654	6,516	5,401	14	102	157	29,977	29,430	23,397
	Three-shifts or night work <sup>(2)</sup>	6,096	6,795	6,347	3,033	2,970	3,178	94	30	18	9,223	9,795	9,543
	Weekends <sup>(3)</sup>	74	150	1,039	47	55	23	5	15	19	126	220	1,081
<b>Other Businesses</b>	Two-shifts	52	-	-	-	-	-	-	-	-	52	-	-
	Three-shifts or night work	-	-	-	-	-	-	-	-	-	-	-	-
	Weekends	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>TWO-SHIFTS</b>	<b>22,361</b>	<b>22,812</b>	<b>17,839</b>	<b>7,654</b>	<b>6,516</b>	<b>5,401</b>	<b>14</b>	<b>102</b>	<b>157</b>	<b>30,029</b>	<b>29,430</b>	<b>23,397</b>
	<b>Three-shifts or night work</b>	<b>6,096</b>	<b>6,795</b>	<b>6,347</b>	<b>3,033</b>	<b>2,970</b>	<b>3,178</b>	<b>94</b>	<b>30</b>	<b>18</b>	<b>9,223</b>	<b>9,795</b>	<b>9,543</b>
	<b>Weekends</b>	<b>74</b>	<b>150</b>	<b>1,039</b>	<b>47</b>	<b>55</b>	<b>23</b>	<b>5</b>	<b>15</b>	<b>19</b>	<b>126</b>	<b>220</b>	<b>1,081</b>

(1) Two-shifts: working in two teams.

(2) Three-shifts: working in three teams (with a team on duty during the night).

(3) Weekends: reduced weekend hours (e.g., Friday, Saturday and Sunday).

### 3.4.2.3. WORKPLACE SOCIAL SERVICES FOR EMPLOYEES

The main role of social workers is to facilitate job integration by assisting employees dealing with issues in their personal and/or professional life impacting their occupation. Social services are a place to express oneself and be listened to. They also provide specialist advice to managers, and help implement the corporate social policy.

Workplace social services are provided to all staff in France, through a network of 22 social workers employed at all office or manufacturing facilities. In 2013, the services were added to the company-owned dealership network all over France. Under the same scheme, social services have been set up in other countries like Brazil, which employs two social workers at its Porto Real plant and has set up the *Conte Comigo* programme offering free telephone assistance for employees from other sites.

## 3.5. EQUALITY AND DIVERSITY G.15 G.17

The PSA Group considers the diversity of its employees and cultures a source of added value and economic performance provided that equal opportunity is guaranteed. By encouraging equal opportunity and basing its practices on the objective criteria of skills and performance, PSA Group promotes employee commitment and motivation and develops a culture of performance and economic efficiency.

This societal issue concerns all the countries where the PSA Group operates. The PSA Group has involved all its stakeholders in this commitment by establishing the Global Framework Agreement on Corporate Social Responsibility, which outlines non-discrimination and equal opportunity rules. As such, all stakeholders are involved

in enacting inclusive management, considering skills in access to employment and professional development, recognising merit and preventing all forms of discrimination and intolerance of differences. This agreement states PSA Group's commitment to fighting racism, xenophobia, sexism and homophobia.

In 2016, the PSA Group acceded to the Women's Empowerment Principles, an initiative of the UN and UN Women. Through this step, the PSA Group is continuing its responsible approach on a global scale, adopting the best standards and promoting best practices to apply its policy of diversity and workplace equality between men and women.



### 3.5.1. Promoting diversity for social cohesion and performance

G4-DMA

G4-LA12

G4-HR3

The PSA Group 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 concluded in France on 8 September 2004 was renewed on 21 May 2015. It reaffirms PSA's intention to ensure equal treatment using objective criteria such as skills and performance, to combat prejudice and to prevent direct or indirect, conscious or unconscious discrimination, particularly in terms of the real or supposed origins of people. The agreement makes it possible to share the principles with employee representatives and to provide field teams with business support toward the commitments made.

The PSA Group diversifies its hiring channels, building partnerships with education systems and public employment services, developing online job offers and using social networks to reach a wider public. Furthermore, it works 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 supports public policies in favour of diversity. In 2009, the PSA Group was among the first French companies to be

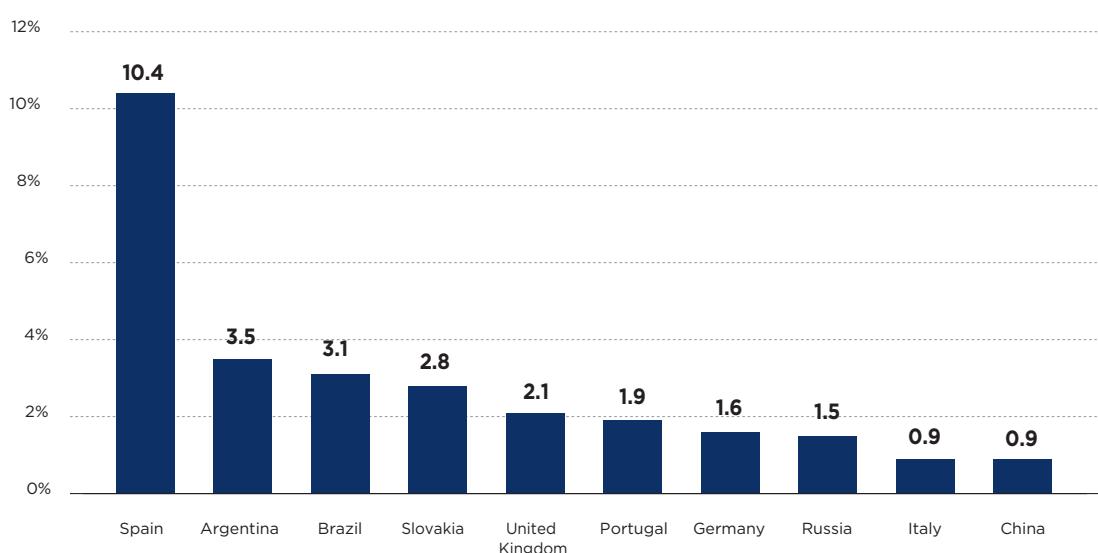
awarded the Diversity label in recognition of the Group's human resources policy and best practices in promoting diversity and equal opportunity and preventing discrimination. This label is awarded after a demanding certification process conducted by AFNOR Certification via an on-site audit. It was re-issued in 2012 and audited in 2014. In Spain, the Group was awarded the *Diversidad* label in 2009, which was renewed in 2012 and 2015.

In addition to PSA Group's Global Framework Agreement on Social Responsibility, the Group's Worldwide Diversity Commitment formalises its actions to promote diversity in a joint commitment that is applicable to all the countries where the Group operates. It is a reference guide comprising seven founding principles that provide an overall view of diversity and its challenges:

- formalise, implement and lead the Worldwide Diversity Commitment within the subsidiaries;
- inform employees;
- raise awareness and train Group employees in managing diversity;
- secure and objectify the human resource management process;
- encourage diversity, a source of synergy, social balance and business performance;
- monitor, assess and improve the implementation of the Worldwide Diversity Commitment;
- promote the Worldwide Diversity Commitment outside the Company.

#### Top ten nationalities – excluding French

(At 31 December – percentage of total workforce)



The Group's workforce represents 113 nationalities. The Group has over 30,383 non-French employees, i.e. 34% of employees. The top ten nationalities other than French represented in the workforce accounted for 29% of the Group total.

# 113

NATIONALITIES REPRESENTED IN THE GROUP

## PREVENTING WORKPLACE HARASSMENT, DISCRIMINATION AND VIOLENCE

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.

The Executive Committee and employee representatives are determined to raise employee awareness of the issue of moral harassment. An e-learning module is provided to Group employees. The module uses interactive role-playing exercises to help employees describe and identify psychological harassment, detect at-risk situations, and prevent and manage harassment situations. At the end of 2016, more than 6,000 people had taken this e-learning module.

Employees who are victims of or witnesses to workplace harassment, discrimination or violence are informed of existing reporting procedures. They may alert a manager who is appointed to be responsible for diversity and/or harassment issues. A centralised system that guarantees confidentiality and neutrality through the use of two e-mail addresses, [harclement@mpsa.com](mailto:harclement@mpsa.com) and [diverse@mpsa.com](mailto:diverse@mpsa.com), offers an additional way to report and address incidents of psychological harassment or discrimination.

A standard processing 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 2016, 71 cases of workplace harassment, discrimination or violence were processed.

## 3.5.2. Diversity and gender equality in the workplace

G.13

G4-LA12

G4-10

For more than ten years, PSA Group has taken a proactive approach to promoting diversity and gender equality in its workplace, making it a source of added value and economic performance.

In June 2016, the PSA Group signed up to the Women's Empowerment Principles, an initiative of the UN and UN Women which encourages companies to promote diversity and gender equality. This new commitment by the Group attests to the Group's drive to expand its policy of diversity and gender equality in the workplace globally.

Subscribing to the Women's Empowerment Principles offers an internationally recognised standard and applies to all the Group's companies in all countries. Achievement will be 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.

## A RECOGNISED COMMITMENT

PSA Group was the first company to receive "workplace equality" certification in France in 2005. The renewal of this label on 16 December 2014 marks the Group's long-term commitment and ongoing progress.

The signing, on 26 August 2014, with the unanimity of all six representative unions in France, of a new agreement on gender equality, the fourth generation of an initial agreement signed in November 2003, shows that social dialogue is still fruitful and that the Group remains committed to this issue.

In Spain, PSA Group 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.

*See also Section 3.3.7.1 on equal pay.*



## HUMAN RESOURCES: ENabler OF PERFORMANCE

### 3.5. Equality and diversity

#### NUMBER OF FEMALE EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY

(At 31 December)

	2015				2016			
	Operators and administrative employees	Technicians and supervisors	Managers	Total	Operators and administrative employees	Technicians and supervisors	Managers	Total
Automotive Division	8,177	5,687	3,715	17,579	8,113	5,013	3,492	16,618
Other Businesses	15	454	201	670	13	48	135	196
<b>TOTAL</b>	<b>8,192</b>	<b>6,141</b>	<b>3,916</b>	<b>18,249</b>	<b>8,126</b>	<b>5,061</b>	<b>3,627</b>	<b>16,814</b>

Women account for 20.1% of engineers and managers, 23.8% of technicians and supervisors and 15.9% of operators and administrative employees.

#### CHANGE IN THE PERCENTAGE OF WOMEN EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS

(At 31 December)

% women in the workforce	2014	2015	2016
<b>TOTAL</b>	<b>19.3%</b>	<b>18.8%</b>	<b>18.6%</b>

The lower total percentage of women stems from the disposal of BANQUE PSA FINANCE from the scope of consolidation. In the Automotive Division, the percentage of women in the workforce has been steady for three years, at 18.5%.

#### EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY GENDER AND REGION

G.1B

(At 31 December)

	France		Rest of Europe		Rest of the world		Total	
	Women	Men	Women	Men	Women	Men	Women	Men
Automotive Division	10,661	51,375	4,733	15,776	1,224	6,158	16,618	73,309
Other Businesses	142	156	52	50	2	9	196	215
<b>TOTAL</b>	<b>10,803</b>	<b>51,531</b>	<b>4,785</b>	<b>15,826</b>	<b>1,226</b>	<b>6,167</b>	<b>16,814</b>	<b>73,524</b>

#### EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY AGE GROUP AND GENDER

G.1b

G.1c

G.15

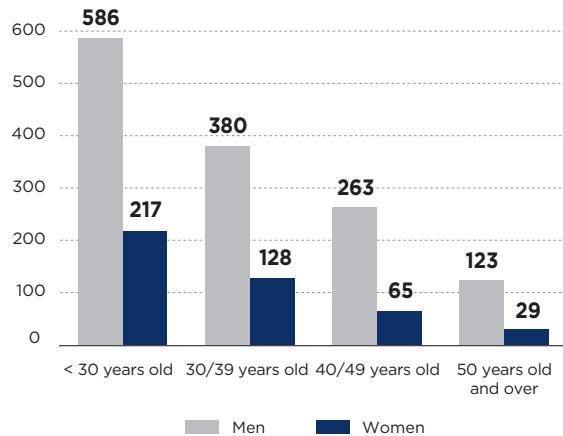
(At 31 December)

	< 30 years old		30-39 years old		40-49 years old		≥ 50 years old	
	Women	Men	Women	Men	Women	Men	Women	Men
Workforce	2,117	6,068	4,708	17,533	5,349	25,087	4,640	24,836
% of Women	26%		21%		18%		16%	



### Hirings under permanent contracts by age group and gender

(At 31 December)



Women represented 25% of permanent contract hirings in 2016.

### PERCENTAGE OF WOMEN MANAGERS UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP

(At 31 December)

	< 30 years old	30-39 years old	40-49 years old	≥ 50 years old	Total
Number of women managers	167	1,163	1,476	821	3,627
Total number of managers	467	4,299	7,403	5,893	18,062
% of women managers	35.8%	27.1%	19.9%	13.9%	20.1%

	2014	2015	2016
% of women in the managerial workforce	20.3%	20.2%	20.1%

**20,1%**

OF GROUP MANAGERS WERE WOMEN,  
I.E., A PERCENTAGE HIGHER THAN THE 18.6% TOTAL PERCENTAGE OF WOMEN IN THE COMPANY

### SENIOR MANAGERS AND EXECUTIVES

(At 31 December)

	30-39 years old		40-49 years old		≥ 50 years old		Women	Men
	Women	Men	Women	Men	Women	Men		
Automotive Division	4	8	39	185	27	320	70	513
Other Businesses	3	0	4	19	5	39	12	58
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>43</b>	<b>204</b>	<b>32</b>	<b>359</b>	<b>82</b>	<b>517</b>

The table includes "executive managers" in charge of designing and implementing Group strategy, policies and programmes, and "senior managers" in charge of rolling them out. It does not include members of the Executive Committee. In 2016, the proportion of female senior managers and executive managers was 12.6%. It increased by 0.8 point in one year.



### 3.5.3. Fostering integration into the labour market

#### EMPLOYING YOUNG PEOPLE G.15

In 2016, as part of its programme to bring young people into the workforce, the Group welcomed 3,028 work-study programme participants (skills-acquisition and apprenticeship contracts) and 2,795 interns.

The programme is designed to ensure the training of its youngest employees and the transfer of knowledge and expertise between generations.

#### INTERNSHIPS AND WORK-STUDY CONTRACTS BY GENDER

	Interns (cumulative total through 2016)		Work-study contracts (at 31 December)		o/w skill-acquisition contracts		o/w apprenticeship contracts	
	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women
Automotive Division	2,757	34%	3,002	28%	540	22%	2,462	30%
Other Businesses	38	61%	26	50%	-	-	26	50%
<b>TOTAL</b>	<b>2,795</b>	<b>35%</b>	<b>3,028</b>	<b>29%</b>	<b>540</b>	<b>29%</b>	<b>2,488</b>	<b>31%</b>

#### 3,000 YOUNG PEOPLE

TRAINED IN WORK-STUDY PROGRAMMES IN THE GROUP

#### EMPLOYING SENIORS G4-LA10 G4-LA12

Keeping older employees (32.6% of the Group's workforce over 50 years old) in work and motivated is one of the Company's Corporate Social Responsibility commitments. The aim is to ensure equal opportunity and fair treatment for all, including seniors. The measures included in the PSA intergenerational contract seek to consolidate the place of older employees in the Company, to better consider their experience as an advantage for the Group's success and to consider generations coexistence and knowledge transfer as an asset for social cohesion and business performance.

#### 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 signing the *Entreprises et Quartiers* Charter in France, the Group 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. 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.

### 3.5.4. Employing persons with disabilities G.14 G4-LA12

The Group has 5,375 disabled employees worldwide. The status of a disabled employee is framed by various local laws. 78% of disabled employees are operators and administrative employees, 15% are technicians and supervisors and 6% are managers.

**5 375**  
DISABLED EMPLOYEES IN THE GROUP

The Group is committed to hiring and retaining disabled employees. In the Group's Automotive Division in France, 7.46% of the workforce is classified as disabled, i.e. 6% above the national legislation. This is solely achieved by maintaining people with disabilities in work. In addition, there are 3% sheltered workers under contract which bring the overall rate of disabled employees to 10.46%, considerably higher than the minimum legal thresholds.

For 16 years, the Group has been developing an assertive policy to retain, recognise and integrate disabled people, particularly through the signing of a number of agreements and organising initiatives worldwide. In France, the Group signed the fifth agreement on social and professional integration of the disabled on 10 March 2014, confirming the willingness of PSA Group to step up its commitments in this area.

The 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;
- taking action to integrate and retain disabled employees and maintain them in their jobs 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.

In France, expenditure on integrating disabled staff was €2.5 million. Accessibility Diagnosis provide site inventories at all facilities and undertake priority investment actions.

“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 (e.g., instrument panels, interior trim, pedal assemblies, etc.) is a policy that PSA Group has implemented for over 20 years, and it has made PSA Group the number one purchaser from sheltered workshops in France, with 2016 revenue in added purchase value of €38 million (revenue minus price of components and parts). This represents 1,967 people employed, including 1,957 in the manufacturing industry (see section 2.3.1.2).

## DISABLED EMPLOYEES G.14

(At 31 December)

		<b>France</b>	<b>Rest of Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Automotive Division</b>	<b>2016</b>	<b>5,019</b>	<b>340</b>	<b>4</b>	<b>5,363</b>
	2015	5,123	394	7	5,524
	2014	5,722	427	25	6,239
<b>Other Businesses</b>	<b>2016</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>12</b>
	2015	12	17	-	29
	2014	61	30	-	91
<b>TOTAL</b>	<b>2016</b>	<b>5,031</b>	<b>340</b>	<b>4</b>	<b>5,375</b>
	2015	5,135	411	7	5,553
	2014	5,801	411	25	6,343

## 3.6. SCOPE AND METHODOLOGY OF REPORTING G4-20 G4-22 G4-23

### Methodology of reporting and definitions

Knowing the men and women who make up the Group's workforce is an essential prerequisite for choosing, implementing and sustainably improving the social policy for the 90,338 employees in the Automotive and Banking Divisions worldwide.

The Group consolidates and publishes indicators on its human resources management according to three guiding principles: to be transparent, thorough and to provide high-quality information. The social reporting process involves over 250 contributors from all subsidiaries in 23 countries, using interactive applications to compile data, and led by a dedicated corporate team.

The definitions of calculation rules or reference conventions used are international standards. A reference guide of technical data sheets specifying the definitions and calculation procedures is used by the reporting contributors to ensure the quality and consistency of the consolidated information.

The managers category includes engineers and managers with a job description similar to managers in France. TAM is the French acronym for technicians and supervisors.

The abbreviations CDI and CDD stand for, respectively “permanent employment contract” and “fixed-term employment contract”. The fixed-term contracts include apprenticeship contracts, skill-acquisition contracts and CIFRE PhDs students contracts.

The Group meets the legal reporting requirements (Articles L. 225-102-1 and R. 225-105 of the French Commercial Code - legislative framework of Grenelle 2), international reporting standard guidelines (Global Reporting Initiative) and the requests from stakeholders, particularly employee representatives and ESG rating agencies. It is committed to remaining a reference in the quality of its ESG reporting.

The Group engages in dialogue beyond its internal stakeholders by regularly meeting with unions at the international level. It also takes part in the work and discussions of various associations promoting responsible human resources practices, such as ORSE or C3D.



## Reporting scope

The employee-relations indicators published comply with Article R. 225-105-1 of the "Grenelle 2 Act" and Global Reporting Initiative recommendations. They were produced for the subsidiaries as defined by Article L. 233-1 of the French Commercial Code and the companies controlled within the meaning of Article L. 233-3 of the French Commercial Code, of the Group assessed on 31 December 2016 :

- the "Automotive Division" scope includes the Automotive Division. As of 1 January 2016, PCA France included the Douvrain (formerly Française de Mécanique) and Hordain (e.g., Sevelnord) facilities;
- the "Other Businesses" include the Peugeot S.A. holding company and BANQUE PSA FINANCE (BPF). The PSA Group consolidates the entities that are wholly held by BANQUE PSA FINANCE (BPF), solely for quantitative social data. The 2016 completion of the partnership between BANQUE PSA FINANCE and Santander Consumer Finance resulted in the creation of five new joint ventures in 2016: in Italy (January), the Netherlands (February), Germany, Austria (July) and Poland (October). In August 2016, the partnership between BANQUE PSA FINANCE and the Santander Group expanded to Brazil. These new joint ventures are no longer consolidated within the Group scope because the Group does not have exclusive control over them.

The scope of reporting does not include employees of joint ventures or joint operations with DONGFENG (DPCA), Changan (CAPSA), Toyota (TCPA), Fiat (Sevelsud) or Iran Khodro (IKAP), as the Group does not have exclusive control over these.

This chapter does not include FAURECIA, a listed company in which Peugeot S.A. holds a 46.36% interest and which has, taking into account its business activity, complete managerial autonomy.

Whenever the document refers to a policy, this applies to all Group companies. This applies in particular to the following topics: The employee relations policy including social dialogue organisation, measures taken towards gender equality and anti-discrimination, the workplace health and safety policy and the human resources development policy, including training. When there is additional information that might apply to only one company, this is specified. Where it is not, the information should be understood as applying to PEUGEOT CITROËN AUTOMOBILES FRANCE.



# 4 RESPONSIBLE SUPPLY CHAIN MANAGEMENT

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The Purchasing Department is responsible for drawing up and managing the purchasing policy for goods and services worldwide as part of PSA's Automotive Division. It is responsible for the interface between the Group and its suppliers, specifically for meeting all the legal and statutory requirements under its responsibility, as part of its duty of care towards suppliers.

A materiality analysis of the Purchasing Department's CSR priorities has highlighted the following two as being the most pertinent and substantial:

**■ Issue “Social and environmental standards for purchasing” – internal and external impacts**

Controlling the social, environmental and ethical impacts within the supply chain is a key issue for international corporations, particularly in emerging countries. Effectively, they must ensure that social and environmental standards defined by supranational bodies (International Labour Organization, United Nations Global Compact, ISO 14001, REACH, US regulations on conflict minerals, human rights, ethical principles, etc.) are known and complied with.

Failure to comply with social and environmental standards in the supply chain:

- could result in significant negative impacts on the environment (pollution of the air, water or soil, destruction of biodiversity, topographic risks, etc.), on employment (health and safety of employees, economic impact on host countries, etc.), on human rights (non-compliance with ILO rules, etc.) and on society in general (public health and safety, disruption to local residents, violation of the rights of indigenous peoples, failure to protect customers' personal data, non-payment of taxes, etc.);
- exposes the financial performance of car manufacturers and automotive equipment suppliers to three main risks:
- remediation costs,

- serious threats to their reputation with a potential adverse effect on revenue,
- costs of inadequate quality and possible supply interruptions (labour-management problems at suppliers, administrative closure of suppliers' production sites, etc.).

Consequently, car manufacturers must put in place all necessary preventive measures proportionate to the risks involved.

**■ Issue “Partnership in supplier relations” – internal and external impacts**

In the automotive industry, the supply of materials and components accounts for more than 75% of a vehicle's production cost. Any failure on the part of a supplier exposes car manufacturers to the major risk of a production shutdown. It is therefore essential for the financial performance of car manufacturers that they forge strong relationships with all actors in their supply chain. This supply chain is heterogeneous: it consists of international groups, tier-1 suppliers (whose economic importance is often greater than the car manufacturers') and SMEs, which are often tier-2 suppliers.

The challenge for car manufacturers is therefore to build partnerships with their tier-1 suppliers under conditions that are fair to both parties and on the basis of realistic volume forecasts, thus reducing mutual dependency risks while contributing to economic development in host countries and their local SMEs.

In addition, the automotive industry plays a primordial role in the economy (more than 18,000 companies, more than 2 million people employed and one-third of all manufacturing business in the EU-27). Moreover, as underscored in the European Commission Report "Responding to the crisis in the European automotive industry", due to worsening market conditions affected by the crisis that began in 2008, between 15% and 20% of jobs in the automotive industry are threatened in Europe.

Faced with these challenges, the PSA Group has set up the following systems.

## SCOREBOARD

 CSR ISSUES	 COMMITMENT	 AMBITION 2025	 TARGET 2016	 RESULT 2016	 TARGET 2017
<b>SOCIAL AND ENVIRONMENTAL STANDARDS FOR PURCHASING*</b>  Organiser: Head of Purchasing	<b>Strategic commitment 8:</b> Take CSR criteria into account when choosing suppliers.	Minimise CSR risks in the supply chain: ■ by selecting more than 90% of direct and spare parts suppliers scoring more than 50/100 in the third-party CSR assessment (except for new suppliers); ■ by providing training to 90% of these suppliers in CSR risks and the Group's requirements.	<ul style="list-style-type: none"> <li>■ Consideration given to an evaluation based on CSR criteria for 95% of vehicle parts suppliers selected at the end of 2016.</li> <li>■ Provision of e-learning modules for suppliers and definition of a tracking tool.</li> </ul>	<p>Target met:</p> <ul style="list-style-type: none"> <li>■ Consideration given to an evaluation based on CSR criteria for 95% of vehicle parts suppliers selected at the end of 2016.</li> <li>■ Provision of e-learning modules for suppliers and definition of a tracking tool in progress.</li> </ul>	<ul style="list-style-type: none"> <li>■ Improvement of the CSR performance of PSA Group suppliers assessed by a third party: increase the average score of the Group's listed suppliers from 47/100 in 2016 to 48/100 in 2017.</li> <li>■ Communication on human rights: <ul style="list-style-type: none"> <li>■ prepare an annual report on action taken against forced labour;</li> <li>■ publish the conflict minerals policy on the Group website.</li> </ul> </li> </ul>
<b>PARTNERSHIP IN SUPPLIER RELATIONS*</b>  Organiser: Head of Purchasing	<b>Strategic commitment 9:</b> Increase the local sourcing rate in Latin America and Russia.	Achieve a minimum local sourcing rate of 50% in Russia and 90% in Latin America.	By the end of 2016, achieve a minimum local sourcing rate of: ■ 50% in Russia; ■ 73% in Latin America.	<p>Target not met:</p> <p>Local sourcing rate of:</p> <ul style="list-style-type: none"> <li>■ 40.3% in Russia;</li> <li>■ 58.2% in Latin America.</li> </ul>	<p>Achieve a local sourcing rate of:</p> <ul style="list-style-type: none"> <li>■ 50% in Russia;</li> <li>■ 60.5% in Latin America.</li> </ul>

\* Strategic issue monitored by the Executive Committee and presented to the Supervisory Board.

## 4.1. SUPPLIERS: MAJOR LINKS IN THE VALUE CREATION CHAIN

Purchasing is central to the Group's international development and to its integration in the industrial ecosystems of the countries where it operates.

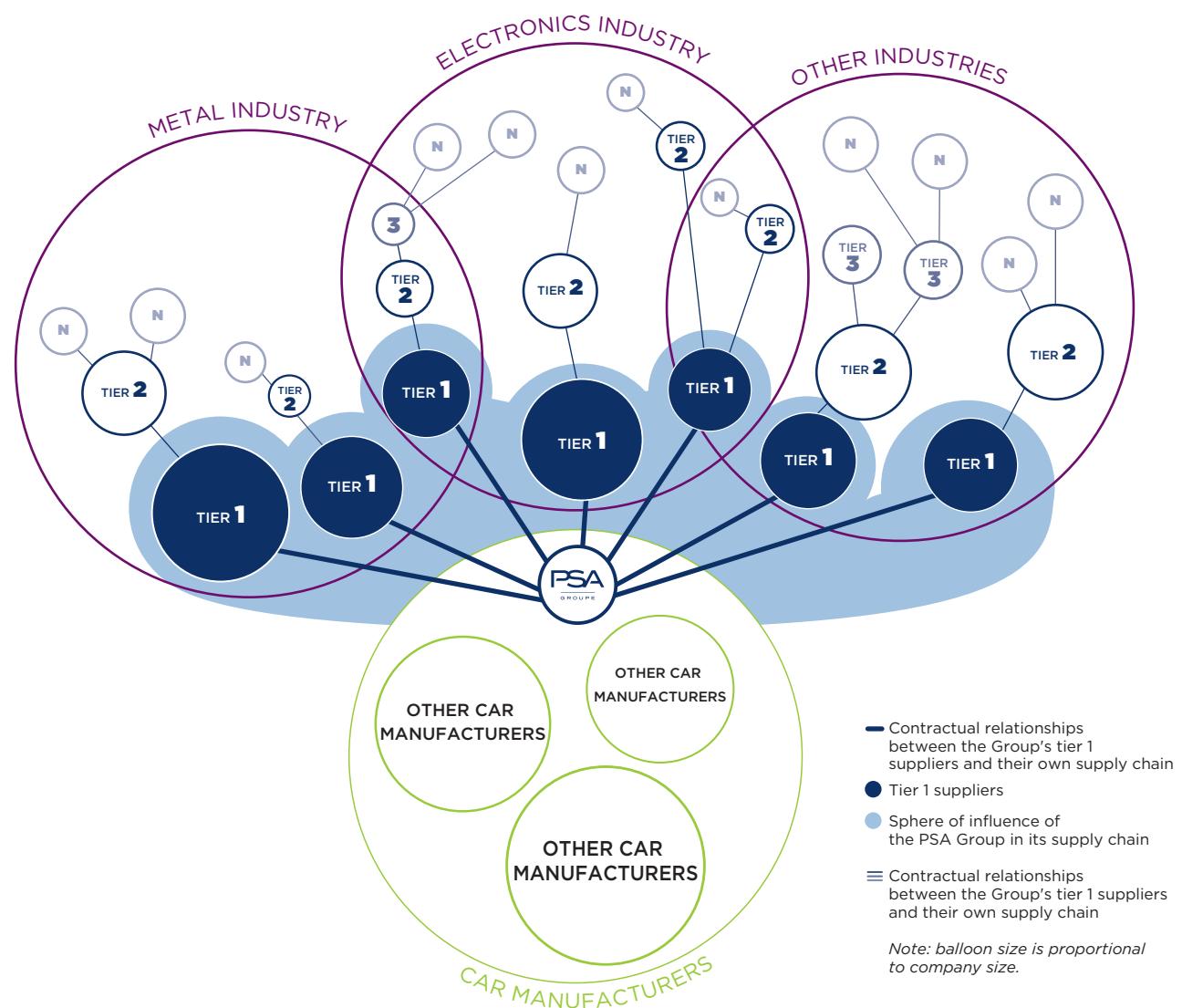
The PSA Group has a direct contractual relationship with more than 7,000 tier-1 suppliers. It requires all of them to meet the CSR commitments set out in its Sustainable Purchasing Charter (see section 4.2). By signing the Group's CSR Charter, tier-1 suppliers agree to choose their subcontractors (tier-2 suppliers for the Group) on the basis of the same CSR criteria. The CSR criteria must be replicated at each level of the subcontracting chain as part of the direct contractual relationship between the client and supplier.

Responsibility for managing the supply chain lies with each actor in the chain. However, given the emerging CSR issues (on the origin of raw materials, human rights, etc.), the PSA Group conducts

targeted audits where risks are identified. The Group is vigilant and implements tailored measures within its sphere of influence.

### SPHERE OF INFLUENCE OF THE PSA GROUP IN ITS SUPPLY CHAIN

The PSA Group was the world's 12<sup>th</sup> largest global car manufacturer in 2015 by revenue. It works both with major automotive suppliers and SMEs in areas as diverse as electronics, plastics and casting. The Group's sphere of influence is proportional to the revenue it represents for its suppliers, which often work both with other car manufacturers and other major economic actors in key sectors such as electronics, plastics and casting.

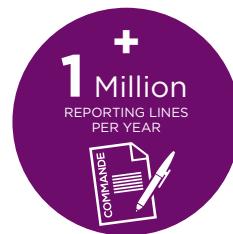


## 4.1.1. The Group's supply chain G.40 G4-12 G4-13

### CHARACTERISTICS OF THE PSA GROUP'S SUPPLY CHAIN

The supply chain is composed of all actors involved in the manufacturing and sale of the Group's products and services. It relies on the flow of goods and information, from the supplier to the end customer, with a view to delivering the right product (parts, vehicles or spare parts) to the right place at the right time, with the shared goal of improving inventory, cost and customer satisfaction in terms of delivery time and quality.

#### Key supply chain figure



### TYPE OF PURCHASES

The Group's purchases include:

- direct parts (76% of the total value of purchases), of which:
  - vehicle direct parts and subassemblies (of which 22% corresponds to materials included in the price of parts),
  - raw material purchases (13% of the total value of purchases);
- The direct parts purchased represent more than 75% of a vehicle's production cost;
- spare parts and accessories (7% of the total value of purchases);
- indirect Machinery & Equipment: overhead costs, services, commercial facilities, competition, IT and telecoms (17% of the total value of purchases).

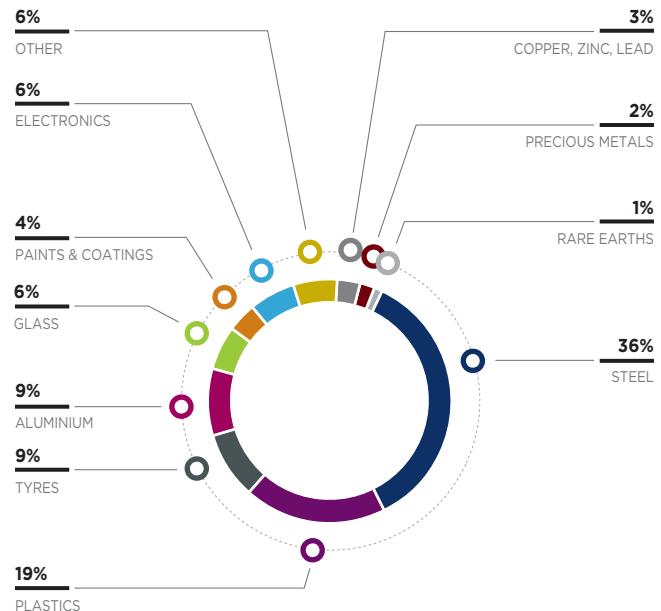
**OVER 75%**  
OF A VEHICLE'S PRODUCTION COST  
= VALUE OF DIRECT PARTS PURCHASED

The Group's supply chain has two distinguishing features:

- it is long and complex and involves a large number of different players, from receipt of the order to delivery of the vehicles, parts or services;
- it must respond to a wide diversity of possible combinations. It successfully handles millions of different component combinations every day whilst keeping costs under control.

The Group has chosen to sub-contract its transport to a supplier.

#### Distribution of the value of total purchases by material purchased



**FOR more INFORMATION**

**"Automobile materials strategie: issues and perspectives of new materials" Document:**

[http://www.sra.asso.fr/sites/default/files/PDF/1\\_PSA\\_0.pdf](http://www.sra.asso.fr/sites/default/files/PDF/1_PSA_0.pdf)

**"The increase of the electric market might create tensions on the rare earths market" Article:**

<http://www.cdfa.fr/Le-developpement-du-marche-de-l-163491>

**WORLDWIDE PURCHASES BY REGION IN 2016**

(in million euros)	Europe	Eurasia (including Russia)	Latin America	Total
Direct parts	15,751	32	911	16,694
Spare parts	1,593	0	29	1,622
Indirect Machinery & Equipment	3,792	13	193	3,999
<b>TOTAL</b>	<b>21,136</b>	<b>45</b>	<b>1,133</b>	<b>22,315</b>

Purchases by the Group's Automotive Divisions in 2016 totalled €22 billion, equivalent to 41% of the Group's revenue. As at 1 January 2017 purchases of automotive parts (direct and spare parts) worldwide came from 824 supplier groups and independent suppliers, i.e. 3,123 supplier production plants.

**PSA GROUP SUPPLIERS**

The Group places great importance on forging lasting long term relationships with its suppliers. The Purchasing Department relies on a "win-win" approach. The objective is to pool the know-how of each partner and establish a long-term relationship, thereby fostering ongoing development.

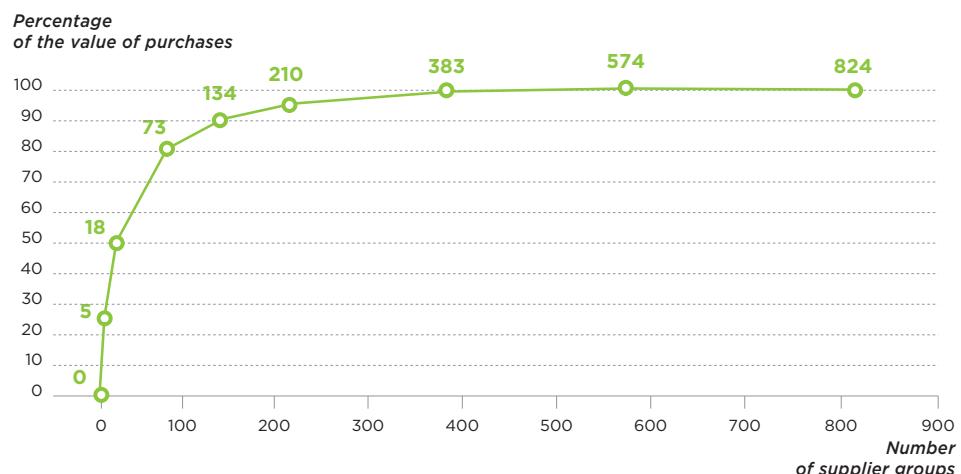
With this approach, the Group aims to surround itself with suppliers with a strong financial structure and capacity for innovation which can help further the Group's development, especially internationally.

The Group has a contractual relationship with more than 7,000 suppliers, helping to create value in 13 areas, including:

- innovation;
- optimisation of industrial capacity;
- optimisation of processes and development expenditure to avoid redundant R&D expenditure between the Group and its supplier;
- improving control of tier-2 suppliers to better take account of the supply risks inherent in the multi-layered subcontracting chain.

**Concentration of purchases among a small number of suppliers**

In value terms, purchases are concentrated among a small number of supplier groups. The following graph shows, for example, that 80% of purchases are made with only 73 supplier groups, out of the 824 listed for direct and spare parts.



**90%**

OF PURCHASES OF DIRECT AND SPARE PARTS CONCENTRATED AMONG 16% OF SUPPLIERS

In 2016, 20 supplier groups accounted for more than 52% of the Group's direct material purchases (Aisin Seiki Co. Ltd, Arcelor Mittal, Compagnie Générale des Établissements Michelin, CLN COILS Lamière Nastri Spa, Continental AG, Corporation Gestamp SL, DPH Holdings Corporation (Delphi), FAURECIA, JTEKT Corporation, Lear Corporation, Leoni AG, Magneti Marelli SpA, MGI Coutier, Plastic Omnium, Reydel, Robert Bosch GmbH, Total SA, Valeo, Mahle Stiftung GMBH, Grupo Antolin, Irausal, S.A.).

## SUPPLIER CLASSIFICATION

	<b>Strategic suppliers</b>	<b>Core suppliers</b>	<b>Other suppliers</b>
<b>Geographical location</b>	Supplier with global coverage able to work with the PSA Group anywhere in the world	Key supplier in one or more regions	NA
<b>Technical expertise</b>	Technical expertise in several product groups identified as strategic for the PSA Group	Supplier committed to the automotive industry for the long term (significant investment in resources and R&D) across its entire scope	NA
<b>Nature of the relationship between the Group and its suppliers:</b>	Critical relationship or interdependence on one or more groups of strategic components that the supplier develops and produces for the PSA Group	Close relationship with a group of components that the supplier develops and produces for the Group	NA
<b>Expertise or know-how</b>	World-class expertise or know-how with a disruptive innovation strategy shared with or developed in partnership with the PSA Group	Recognised technical expertise managed and developed by the PSA Group to meet expected the quality standards	NA
<b>CSR performance</b>	Set an example by obtaining a minimum overall score of 50/100 in the third-party CSR assessment, with a score of 50/100 for "subcontractor management"	To satisfy CSR requirements: Suppliers are asked to set an example by obtaining a minimum overall score of 45/100 in the third-party CSR assessment, with a score of 50/100 for "subcontractor management"	To satisfy CSR requirements: Suppliers are asked to obtain or commit to obtaining a minimum overall score of 45/100 in the third-party CSR assessment
<b>Handling subcontractors</b>	Commit to introducing active monitoring of their own supply chain from tier 1 down to tier N in four areas: environment, social, ethics and handling subcontractors		
<b>Reporting requirements</b>	Disclose the composition of parts covered by REACH legislation on chemicals. Identify and disclose the origin of the minerals used, particularly those from conflict zones (including tungsten, tantalum, tin and gold).		
<b>Governance of the supplier relationship</b>	Managed at the highest level of the Group and its suppliers as part of <i>Corporate Business Reviews</i> (CBRs)	Managed as part of <i>Executive Business Reviews</i> (EBRs)	Coordinated via Performance Reviews
<b>Number</b>	17	52	more than 7,000

The PSA Group relies on individual supplier relationships to improve performance. It has put in place a supplier classification which separates the strategic and core suppliers from the other suppliers for a given product group.

As part of the work carried out on the autonomous vehicle, the Group set up a chair in 2014 with two preferred partners, Valeo and Safran. The aim is to facilitate technology transfer from the military sector to the automotive industry, particularly for control strategies and GPS technology.

On 18 September 2015, at EDF's second R&D forum, the PSA Group signed an agreement with EDF covering the following three technical areas:

- innovative materials and nano-materials, including conductivity, vehicle weight reduction and coatings;

- energy transfer (V2X and Smart Grids, innovative charging solutions, etc.);

- electricity storage system and H2 mobility.

In 2016, strategic and core suppliers of direct parts together accounted for almost 56% of revenue. Corporate Business Reviews (CBRs) and Executive Business Reviews (EBRs) for key suppliers are aimed at sharing and aligning the strategies of the PSA Group and its key suppliers up to the highest level of the Company. They aim to identify value creation initiatives that are of mutual benefit.



## STAKEHOLDER RELATIONS

### ***Creation of a "Supplier Think Tank"***

*In 2016, the Group set up a "Supplier Think Tank" to involve suppliers in the improvement of its processes in all areas of the relationship (logistics, quality, competitiveness and innovation) based on best practices.*

*This decision was based on the results of the satisfaction survey conducted by the Group, as well as supplier perceptions shared during various governance reviews (Corporate Business Review and Executive Business Review). Seven suppliers have been selected to participate in these working groups for a period of three years, in accordance with compliance rules.*

*The Think Tank is presided over by a joint committee composed of members of the Group's senior management and its suppliers. Working groups led by the Group's experts consider the following topics, chosen jointly with suppliers:*

- How can suppliers be involved at an earlier stage of the project for our mutual benefit?
- How can we get more robust logistics forecasts?
- How can we spot quality issues earlier so that we can act sooner?
- How can we reduce the number and duration of immobilised vehicles so as to improve customer satisfaction?

### ***CSR within the French automotive industry***

*The PSA Group has signed the second joint CSR Charter for the automotive sector, via the French government's automotive industry platform (PFA) and the French car manufacturers' committee (CCFA). The Charter was renewed on 6 October 2016 and is based on six major aspects of CSR: human rights, labour rights, social responsibility, environment, ethical conduct and anti-corruption. The purpose of the Charter is to formally set out the industry's responsibilities and to foster a CSR approach throughout the supply chain so that it effectively boosts performance and competitiveness.*

<http://www.pfa-auto.fr/wp-content/uploads/2016/03/Charte-filiere-sur-la-RSE-signee-le-6-10-2016.pdf>

<http://www.pfa-auto.fr/filiere-automobile-et-mobilite/rse/>

*On 6 October 2016, during the Paris Motor Show, the automotive industry platform (PFA), the French car manufacturers' committee (CCFA), the federation of vehicle equipment industries and the automotive plastics group organised a conference on the "Deployment of CSR (Corporate Social Responsibility) in the automotive sector". The aim of the conference was to illustrate the advantages of a CSR strategy, explain what car manufacturers and tier-1 equipment suppliers expect from the supply chain, and define the CSR priorities for the automotive sector.*

<http://www.pfa-auto.fr/wp-content/uploads/2016/03/Charte-filiere-sur-la-RSE-signee-le-6-10-2016.pdf>

<http://www.pfa-auto.fr/filiere-automobile-et-mobilite/rse/>

## 4.1.2. Purchasing and Group strategy

### 4.1.2.1. CONTRIBUTION OF PURCHASES TO THE RESULTS OF THE BACK IN THE RACE STRATEGIC PLAN

As part of the “Back in the Race” initiative, specific action plans were put in place and suppliers were asked to assist with the Group’s recovery by supporting it in four important areas:

Back in the Race operational areas	Supplier actions	Results
Continuing brand differentiation and improving price positioning	Propose to the Group innovations tailored to the positioning of each brand in compliance with the quality requirements of each customer target	Implementation of workshops with some strategic suppliers to identify future products that would match the DNA of each individual brand (e.g. air bumps on the C4 Cactus and new C3)
Focus on a global core model strategy	Help the Group roll out its new model projects worldwide insuring the continuity of supply	Optimisation of the modular policy to promote the diversity of models, accelerate their launch and optimise capacity utilisation (e.g. the EMP2 modular platform, a major driver in terms of mass and consumption, quality and economic competitiveness)
Ensure profitable growth worldwide	Respond to the Group’s need to increase its local sourcing based on CSR requirements	Agreement for the creation of a new plant in Kenitra in Morocco (operational launch in 2019), with a local sourcing rate of 60% initially, eventually rising to 80%
Enhance core competitiveness	Modernise and adapt their manufacturing facilities to the highest international standards as regards cost, quality and time criteria	Involvement of suppliers in Monozukuri projects to help modernise production sites (e.g. changeover to mono flow at the Mulhouse and Poissy plants, in line with the Excellent Plant project)



#### ECONOMIC INSIGHT

The Group has borrowed from Monozukuri – a Japanese performance tool enabling global optimisation of the value chain – to set up projects first in France in 2013, then Latin America in 2014, followed by the Group’s JV partners in the Czech Republic (TPCA) and China (CAPSA) in 2015. This cross-cutting approach involves the active participation of employees and suppliers and aims to reduce waste throughout the entire value chain. By deploying 40 coordinators worldwide and with contributions from more than 100 suppliers, a gain of €5 million was achieved in 2014, €25 million in 2015 and €125 million in 2016.

**€125 MILLION**

IN GAINS IN 2016 BY REDUCING WASTE THROUGHOUT THE VALUE CHAIN



#### ECONOMIC INSIGHT

The Purchasing Department undertook a central initiative (ECO-PRF) with its strategic and core suppliers which allowed them to reduce the cost price of a vehicle. The deployment of this high-level initiative has increased the rate of achievement (in value terms) of economically important ideas of strategic suppliers, by 82% in 2015 and 79% in 2016.

Overall, the efforts made by the Group and its suppliers helped to reduce the average vehicle production cost by €256 in 2016.

### 4.1.2.2. THE NEW PUSH TO PASS STRATEGIC PLAN: PURCHASING LEVERS

Summary of Push to pass principles	Supplier actions
To be a leading car manufacturer: in terms of quality: among the top three in 2018; a sustained product strategy: 121 launches by 2021 across the Group's six regions; a rich and focused technology strategy (modular design).	<ul style="list-style-type: none"> <li>➢ Support the Group's product launches worldwide by being based in supplier clusters (e.g. Kenitra).</li> <li>➢ Support the Group in each of its six regions by campaigning for human rights among local suppliers.</li> <li>➢ Offer disruptive technology allowing the Group to fulfil its ambitions: environmental performance, quality, connectivity, reduced vehicle weight, etc.</li> <li>➢ Develop plug-in hybrid and electric vehicles with low CO<sub>2</sub> emissions.</li> </ul>
Be a recognised mobility provider: multi-brand after-sales service provider; connected and mobility services	<ul style="list-style-type: none"> <li>➢ Help build a network of multi-brand spare parts to cover 95% of the end customer's needs.</li> <li>➢ Offer the Group on-board systems that tie in with its roadmap for the autonomous vehicle.</li> </ul>

### 4.1.2.3. LOCAL SOURCING: A KEY ELEMENT OF THE PSA GROUP PROCUREMENT POLICY

(G.35) (G.39) (G4-EC9) (G4-13)

Given the economic challenges of being present in different host countries, the Group is committed to making supplier relationship management part of its core strategy. For the Group, having a

sustainable purchasing strategy means that sourcing must take place as near to production sites as possible. This helps to:

- reduce the Group's carbon footprint through the environmental optimisation of upstream logistics;
- involve suppliers in ongoing improvements to technological, logistical and CSR aspects;
- give the Group greater oversight due to operational proximity with its partners.



#### ECONOMIC INSIGHT

The Group is focusing on growth in Latin America and Russia with a target of 90% local sourcing in Latin America and 50% in Russia.

Local sourcing gets round the core risk of currency fluctuation which impacts on the manufacturing cost price, margins and sales volumes.

Local sourcing also helps the Group achieve its objective of reducing the manufacturing cost price, particularly in logistics (€100 for Russia and €49 for Latin America), limiting customs duties and taxes (for example, in Brazil and Argentina, customs duties on each imported vehicle are 35% of the production cost), and gaining better control of lead times, all of which are key success factors on both these markets.

Local sourcing is also backed by the type of raw material resources available on the local market and the technologies used locally which are often more in line with client expectations and better suited to local conditions (climate, condition of the road infrastructure).

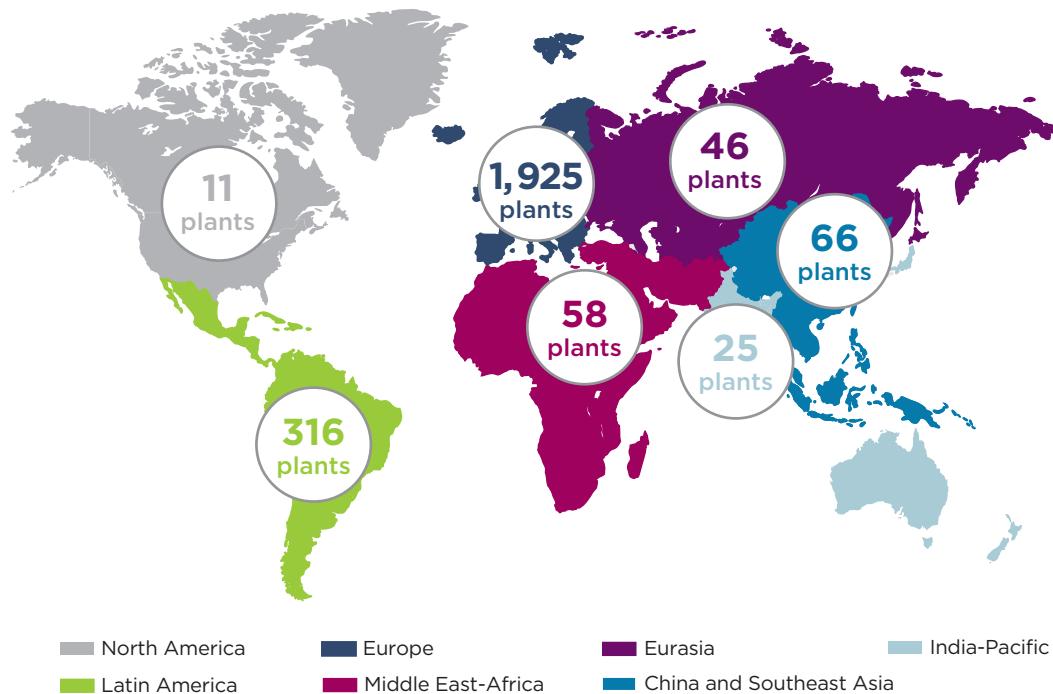
Local sourcing of purchases in Russia has had to be increased following significant fluctuations in the RUB/EUR exchange rate due to the instability of the ruble.

Local purchases boost the region's operating results by limiting the exchange-rate effect on imports, as well as saving on logistics costs, customs duties, etc. They also allow the Group to establish a Russian industrial tool, which can be used for future projects in the Eurasian region.

The Group is working on the local sourcing of subcomponents and materials. A memorandum of understanding on strategic cooperation was signed with a supplier of a plastic raw material in Kaluga (Russia) in January 2017. In addition, the enlargement of the panel to include suppliers from other areas contributes to the wider application of the standard ISO TS 16949.

Important work is also being done to facilitate the installation of new suppliers at the PSA Group production site in Palomar, Argentina.

Map of production sites of tier-1 direct parts suppliers



### ORIGIN OF PARTS (DIRECT AND SPARE PARTS) PURCHASED FROM TIER-1 SUPPLIERS BY PSA GROUP PRODUCTION SITE (AS A PERCENTAGE OF THE VALUE OF PURCHASES)

2016

Origin of the parts (tier 1 suppliers)	PSA Group plants				
	France	Rest of Europe	Russia	Latin America	
Europe	90.91%	92.44%	47.40%	36.14%	
Of which France	<b>50.47%</b>	20.84%			
Of which outside France	40.44%	<b>71.60%</b>			
Russia	0%	0.01%	<b>40.30%</b>	0.06%	
Latin America	0.08%	0.10%	0.50%	<b>58.20%</b>	
Rest of the world	8.86%	7.45%	11.80%	5.60%	

The local sourcing rate corresponds to the value of a region's purchases from production sites of tier-1 suppliers in that region, divided by the total value of purchases for that region. These rates are in bold in the table above.

The PSA Group is a full-fledged partner to its host countries. Thus, the Group commits to continue to increase its purchases in the area around its production sites, a policy which also helps sustain local subcontractor activity.

By 2021, the Group aims to exceed a local sourcing rate of 85% in each region.

#### In Europe

- 91% of the direct parts used in the Group's plants in France are sourced in Europe;
- by way of a comparison, locally-sourced parts (Central and Eastern Europe) for the Trnava plant in Slovakia grew from 5% in 2005 to 58% at the end of 2016.

Thanks to its deep manufacturing roots in France, the Group has once again made a positive contribution to France's balance of trade, with an import/export surplus of 328,000 vehicles and a trade surplus of €4.816 billion in 2016. With more than 1,008,000 vehicles produced in France in 2016, the Group is on course to meet its commitment under the "New Social Contract" to produce one million vehicles in France in 2016.

To maintain a strong industrial base in France, the Group has embarked on an ambitious plan to modernise its plants – with optimal logistics, more compact shop floors, simplified workflows, etc. – to improve the performance of its manufacturing assets.

In July 2016, when five trade unions signed the "New Momentum for Growth" performance agreement, the Group announced an annual production target of one million vehicles on average over the next three years in France (subject to market conditions and regulatory requirements).

In 2016, four new PSA Group vehicles were officially certified as made in France (*Origine France Garantie*) by the association Pro France: the new PEUGEOT Expert and Traveller and the CITROËN Jumpy and SpaceTourer.

The label is a guarantee for consumers that the product they are buying is French-made. It is awarded to products whose final assembly is done in France and over 50% of whose value is also produced in France, following certification by Bureau Veritas.

In total, 16 Group vehicles are currently certified:

- the PEUGEOT 508 and CITROËN C5, made in Rennes (35);
- the PEUGEOT 208 GTI, CITROËN C3 and DS 3, made in Poissy (78);
- the PEUGEOT 2008, CITROËN C4 and DS 4, made in Mulhouse (68);
- the PEUGEOT 308, PEUGEOT 3008, PEUGEOT 5008 and DS 5, made in Sochaux (25);
- the PEUGEOT Expert and Traveller and the CITROËN Jumpy and SpaceTourer, made in Sevelnord (59).

## 92.44%

**OF THE DIRECT PARTS USED IN THE GROUP'S EUROPEAN PLANTS IS SOURCED IN EUROPE**

### In Russia

Given the economic environment, launches have been delayed. However, commitments that have already been approved will converge towards a local sourcing rate of 50% in 2017 (at constant currency) for vehicles in production in Kaluga.

### In Latin America

- in Porto Real (Brazil), 69% of parts are purchased in Latin America;
- in Buenos Aires (Argentina) this local sourcing rate (i.e. materials sourced in Latin America) is around 48%.

The Group's development plan sets targets for the expansion of local sourcing beyond tier 1 suppliers.

### In Morocco

The PSA Group plans to build an engine and vehicle assembly plant at Kenitra (near Rabat) in Morocco. The production facility will cover a total area of 100 hectares, with 60 hectares for the PSA Group and around 40 hectares for suppliers. The plant will be operational in early 2019. It will initially produce 90,000 vehicles a year, eventually increasing to 200,000 vehicles. The PSA Group has already hired 1,500 employees, while around 20 new supplier facilities are expected to be built. The local sourcing rate is initially estimated at 60%, but will eventually rise to 80%. One of the major challenges concerns tiers 2 and 3, which are not yet widely established in Morocco.

## TWO EXAMPLES OF A STRONG COMMITMENT: THE FRENCH AUTOMOTIVE INDUSTRY AND SUPPLIER CLUSTERS

### The French automotive industry

The PSA Group has steadily stepped up its commitment to the French automotive industry since it took part in the *États Généraux de l'Automobile* symposium in early 2009:

- the Group abides by the Code of Performance and Good Practice of 9 February 2009 governing the client-supplier relationship in the automotive industry. This Code sets out a number of operational rules, specifically in the areas of intellectual property and terms of payment;
- the Group actively contributes to the work of the *Plateforme de la Filière Automobile* (automotive industry platform, PFA) whose mission is to revitalise the French car industry. Ten or so of the Group's managers have been seconded to, or are heavily involved, in the PFA's work and governance, regional industry associations (ARIAS) or competitiveness clusters. In 2015, the Purchasing Department completed this framework by appointing manufacturing division purchasing representatives at each industrial site in Europe: Iberian peninsula (Vigo, Madrid and Mangualde), Paris region (Poissy and Saint-Ouen), Central and Eastern Europe (Trnava), Western France (Rennes and Caen), Eastern France production plants (Tremery and Borny), Eastern France assembly plants (Sochaux and Mulhouse) and Northern France (Sevelnord, Française de Mécanique and Valenciennes).

The role of industrial purchasing representatives is to report back on the risks and opportunities of their site. One of their goals is to achieve the PSA Group's plant excellence criteria, one aspect of which is basing some suppliers within its plants.

Stamping is one such area: a detailed report was compiled on local actors and capacity requirements for the next few years, enabling customised consolidation proposals to be drawn up. These are currently under consideration:

- the PSA Group supports the PFA's work on the quality of the customer-supplier relationship in the French car industry. The Group has responded to the national survey of car manufacturers, equipment manufacturers and auto industry stakeholders and will take part in working groups with the aim of improving practices within the automotive sector;
- the Group also plays a role in the *Fonds de Modernisation des Équipements Automobiles* (FMEA), renamed *Fonds Avenir Automobile* (FAA), which was set up in 2009 to accompany and support the projects of equipment manufacturers and thereby help finance the recovery of the industry;
- in mid-2012, a working group on CSR was created in the French automotive industry (*Comité des Constructeurs Français d'Automobiles* - CCFA). This working group aims to identify the CSR best practices at each member company and standardise them across working group members, so that they can be more easily implemented across the industry. One of the working group's key focus areas is responsible purchasing policies, including approaches and methods for supporting the supply chain – to establish standardised practices and develop industry-wide guidelines. In addition, the Group supports small- and medium-sized businesses in the French automotive sector with the implementation of CSR through the work of the Regional Automotive Industry Association (ARIA).

## Supplier Clusters



### STAKEHOLDER RELATIONS

*Building on its success in creating an automotive industry cluster in Galicia, Spain (the CEAGA), the Group – in association with other car manufacturers and core parts suppliers – initiated a project in 2012 to create another such cluster around its production plant in Porto Real, Brazil.*

*The project, aimed at promoting local development and competitiveness through public-private partnerships (local authorities, universities, equipment manufacturers, etc.) led to the creation of the “Sul-Fluminense automotive cluster”. This cluster in the southern region of the State of Rio de Janeiro where the Group’s plant is located was publicly made official in April 2013. It presently consists of 18 companies, the car manufacturers and their equipment suppliers in the region. The principal members are the PSA Group, Michelin, MAN Trucks and Nissan. The cluster’s priorities for action are the improvement of road and logistical infrastructures, electric power, the telecommunications network and training. In this context to date, regular contacts with governmental agencies (municipalities of the region and the State of Rio de Janeiro) have become frequent, moving progress towards the region’s sustainable development and competitiveness.*

*The Group is working towards attracting new suppliers to the Sul-Fluminense cluster. It organised a conference, attended by the Rio de Janeiro State Secretary for Development, for around 60 suppliers in March 2014. The aim of this meeting was to:*

- further the development of the automotive industry in the Sul-Fluminense region;
- share common development interests for the Porto Real region;
- identify potential new suppliers.

*For the Kenitra industrial site in Morocco, which will be operational by 2019, the Group has set itself the target of 60% local sourcing (vehicle and engine components) from the launch of the first vehicle, eventually increasing this to 80%. To achieve this goal, the Group will rely on existing Moroccan suppliers and is actively developing the local industry to secure additional suppliers (tier 1 as well as tiers 2 and 3).*

#### 4.1.2.4. PARTNERSHIP WITH THE GROUP’S SUPPLIERS

To enable us to roll out and promote responsible purchasing policies throughout the supply chain, it is vital we support our suppliers and communicate regularly with them.

#### A partnership based on clear, formalised principles

Relations with our suppliers are based on simple, very precise rules:

- compliance of all goods delivered to the Group by the supplier;
- clearly identified PSA Group/supplier responsibilities;
- transparency and a duty of notification;
- provision for achievement of contractual obligations;
- sustainable development objectives are applied.

The Purchasing Department defines its strategy on the basis of manufacturing and purchasing policies which involve different areas of the Group (purchasing, engineering, quality, supply chain, etc.).

Thanks to the business models in place, these permit a segmentation of the supplier base and the adoption of a targeted management approach guided by efficiency and value creation criteria such as:

- brand differentiation through innovation;
- improved competitiveness through optimisation of the supplier performance programme (Monozukuri projects, environmental performance initiative with suppliers, reduction of R&D costs, etc.) by engaging the supplier’s technical expertise;
- international growth (China, Latin America, Russia and growth markets) through the introduction of international consultation and an increase in local purchases;

- global implementation of a targeted strategy to rationalise the number of platforms;
- improving control of tier-2 purchases to better take account of the supply risks inherent in the multi-layered subcontracting chain.

#### A partnership founded on a reciprocal exchange of information

##### ■ Supplier information meetings

A supplier information meeting (SIM) is a monthly meeting open to all direct parts suppliers, to keep suppliers up to date on the Group and its purchases, vehicle and subassembly budgets, discontinued products, cycle highlights, future production volumes, scheduled production stoppages, feedback from supplier satisfaction surveys, innovations and CSR news both in terms of current and forthcoming regulatory developments and best practice. This provides suppliers with all the information they need to adapt/optimise their production. Video conference attendance is available for anyone who cannot physically attend the meetings and the material presented is uploaded to the B2B portal.

##### ■ Supplier innovation days

These are occasions for suppliers to present their new products and know-how to the buyers, engineers, stylists, etc. Some ten SIDs are held each year with equipment manufacturers of all sizes. Between 200 and 250 Group employees attend each of these days, with an extremely high supplier satisfaction rate (80% or even 90%).

After each SID, a portfolio of the innovations which best fit the Group’s strategy is shared with the Group’s technical teams and the supplier, thereby improving future collaboration between the Group and its suppliers.

## A partnership that promotes sustainable performance: supplier awards

Each year, the Purchasing Department rewards its best suppliers in different categories:

- value creation: this category rewards suppliers for their ability to propose disruptive technical solutions, new value-added services, and innovations that meet customers' expectations;
- programme management: this category rewards suppliers for their performance in terms of quality, punctuality, cost control, project management, launch success and technical expertise and organisation, particularly to reduce lead times;
- after-sales performance: this category rewards suppliers for quality of service, measured by the quantities of spare parts delivered to the dealership network and their ability to deliver on time, directly linked to customer loyalty;
- technical savings: this category rewards suppliers for their ability to offer solutions that reduce the cost of direct parts, by leveraging logistics, marketing and purchasing to improve the Group's competitiveness/longevity;
- performance of industrial equipment: this category rewards suppliers for their service performance and quality in terms of service provision and industrial equipment, helping to meet environmental commitments;
- CSR: introduced for the first time in 2016, this category rewards suppliers with outstanding CSR performance across all production and industrialisation sites. The criteria are assessed by the PSA Group's chosen service provider, EcoVadis, on the basis of a questionnaire covering the international requirements for sustainable development.

The list of award-winning suppliers is validated by the Purchasing Department Committee to ensure that the suppliers present no difficulties with regard to the assessment criteria in other categories. For example, a supplier cannot be rewarded in the "value creation" category unless it has reached the required CSR level.

In 2016, 15 suppliers were rewarded for their commitment and the quality of their response to the Group's expectations. The "Supplier Awards" are an opportunity to reaffirm the strategic importance of the supplier relationship as a fundamental lever in implementing targeted production programmes and developing differentiating technological innovations in response to the challenges of global competitiveness. The ceremony was also an opportunity to present the "Best Supplier Plant" award, in recognition of the performance of 79 industrial sites (around 5% of the Group's supplier base) for their industrial excellence and fulfilment of the Group's quality standards, from vehicle production to delivery of the keys to the end customer.

### FOR more INFORMATION

**Press release of the 25/05/2016 "PSA Group holds 12th annual Best Supplier Awards :** <http://media.groupe-psa.com/en/press-releases/group/psa-group-holds-12th-annual-best-supplier-awards>

## A partnership measured by an annual survey

Every two years, the Purchasing Department conducts a survey among a representative sample of its strategic, core and other key suppliers to measure the quality of their relationship. The suppliers questioned account for 78% of total turnover. The survey involves a questionnaire on seven topics: management of the supplier relationship, project management, quality, innovation, competitiveness, logistics and spare parts. Analysis of the suppliers' responses highlights areas for improvement. The Group can then introduce the relevant action plans and revise its practices. (see section on supplier think tanks).

In 2015, in the "Opinion Way" Report published following the survey on the evaluation of large companies by their suppliers, the Group scored above average for supplier relationship and payment terms.



## STAKEHOLDER RELATIONS

### Commitment to the European automotive industry

To foster ongoing improvement and ensure better deployment of its sustainable procurement policies throughout the supply chain, the Group is working with 11 other European car manufacturers in the European Automotive Working Group on Supply Chain Sustainability coordinated by CSR Europe. (<http://www.csreurope.org/search/site/automotive>).

This work allowed the PSA Group to benefit from:

- a joint approach developed with members of the Group (including the dissemination of CSR guidelines with members of AIAG, the Automotive Industry Action Group);
- joint CSR training sessions for suppliers. 200 logistics providers (Sustainable Supply Chain Logistics Forum), 100 Chinese suppliers (Automotive Supply Chain Forum in Shanghai) and 100 Czech suppliers were also made aware of human rights, environmental, ethical and supply chain issues. During these events, local CSR experts and automotive associations hosted the events or workshops in each country. As a result, the expertise of the local supplier base is uniformly increased, while the best practices introduced comply with local regulatory requirements and the general standards for car manufacturers.

This teamwork strengthens the CSR policy of each car manufacturer and improves management of the subcontracting chain. In all, 400 suppliers have received training.

**Supplier mediation**

Under the aegis of the CCFA and PFA, in October 2014 the Group supported the creation and implementation of the Centre for Mediation of the Automotive Industry, an independent entity that assists auto industry stakeholders with alternative dispute resolution (industrial relations between customers and suppliers). The main complaints relate to payment terms or dependence between companies.

The Group was not called upon in this regard in 2016.

## 4.2. SUPPLIERS: LINCHPINS OF THE SUSTAINABILITY CHAIN

The PSA Group believes that there cannot be performance without responsibility: the PSA Group, a member of Global Compact has therefore established its procurement policy in accordance with the rules laid down by the International Labour Organization (ILO) (human rights against child labour and forced labour), health and safety regulations, environmental practice standards (ISO 14001) and the strictest rules governing the use and disposal of chemicals (the REACH regulations, for example). Special care is paid to the sourcing of specific materials such as conflict minerals. This policy is publicly available on the Group's website.

**FOR more INFORMATION**

**"PSA Group requirements on social and environmental responsibility with respect to its suppliers" charter (available on PSA Group's website):** <https://www.groupe-psa.com/en/automotive-group/responsibility/societal-commitment#responsiblepurchasingpolicy>

Conscious of the limits of its sphere of influence, the Group encourages its suppliers to be vigilant for CSR risks within the supply chain.

The PSA Group follows the due diligence approach advocated by the OECD.

### 4.2.1. The PSA Group procurement policy: performance and responsibility

In line with the missions and objectives of the PSA Group, the Purchasing Department defines and manages the procurement policy for goods and services worldwide as part of the PSA Group's Automotive Division. It acts as the interface between the PSA Group and its suppliers.

As such, in conjunction with the other departments concerned, the Purchasing Department is responsible for:

- involving suppliers in the design of products and manufacturing facilities;
- ordering and delivering automotive parts, equipment and services that meet the Group's requirements in terms of social and environmental responsibility, quality, price and time.

To fulfil its role, the Purchasing Department organises its work around the following priorities:

- ensure the competitiveness and responsible procurement of products, equipment and services purchased for the manufacture of Group vehicles and subassemblies by selecting, under the best conditions, world-class responsible suppliers able to meet the Group's requirements;
- ensure successful collaboration between the Group and its suppliers for the design, development and manufacture of PEUGEOT, CITROËN and DS AUTOMOBILES products and services by forming dynamic, competitive partnerships with them and its partner departments;

- ensure that suppliers provide the Group with innovative, sustainable solutions that can give it a competitive edge, by liaising closely with the Automotive Research and Advanced Engineering Department;
- ensure that the PSA Group benefits from the expertise of its suppliers on the best economic terms by continually recommending improvements to quality and costs and seeing that they feed into all phases of the product life cycle;
- ensure the quality and security of supplies by verifying that suppliers intrinsically meet the standards required by the Group in terms of social and environmental responsibility, quality and logistics;
- ensure that a panel of responsible, viable and world-class suppliers is established by taking all the necessary actions to support and secure the automotive industry in the best interests of the PSA Group;
- ensure the buy-in and effective engagement of all of its staff in achieving the Group's objectives by organising and overseeing the work of its employees with a view to building exemplary partnerships with staff from other Group departments, as well as with suppliers, through upholding the principles of ethical and professional conduct. As such, it ensures the continuous improvement and application of its employees' professional skills.

In a bid to optimise its procurement policy, the Purchasing Department coordinates its actions at different levels, in its international sites and within its various local offices.

### 4.2.1.1. SOCIAL, ETHICAL AND ENVIRONMENTAL STANDARDS OF THE PROCUREMENT POLICY



CSR is a global initiative. To ensure progress made in this area is sustainable and can be extended throughout the supply chain, all stakeholders must be involved. When it joined the Global Compact on 9 April 2013, the Group promised to adhere to and promote to its suppliers the ten principles based on the Universal Human Rights Declaration, the 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: focus on human rights

The PSA Group policy on human rights is based on the recommendations of the OECD.

**1. A public commitment to human rights:** each year, the PSA Group renews its commitment to the Global Compact. It has just signed its Global Framework Agreement with its stakeholders and asks its suppliers to endorse this commitment through its Sustainable Suppliers Charter. This commitment is integrated operationally in the purchasing process: Human rights are fundamental to the new supplier selection process and retention of existing suppliers.

**2. Mapping the risks of human rights infringements:** The Group has introduced an analysis approach by country (countries that have not signed international conventions, countries with questionable governance, etc.), by process (use of hazardous materials or low-skilled labour) and by product (use of materials such as conflict minerals). This map allows purchasing teams to remain extra vigilant for parts or product groups identified as being at risk.

**3. Preventive actions for identified risks:** inclusion in the supplier base is automatically subject to compliance with: environmental principles, labour and human rights practices (non-discrimination, freedom of association and the right to collective bargaining, abolition of child labour, abolition of forced or compulsory labour, security and anti-corruption practices). 100% of new suppliers are assessed by a third party before they are admitted to the panel. The PSA Group also requires its existing suppliers to be reassessed each year by the same third party. This ensures that the most recent CSR performance is taken into account when selecting suppliers during calls for tender. The deployment of the PSA Group's CSR principles seeks to bring about progress and provide guidance for suppliers. The Group reserves the right to conduct or commission audits of its suppliers at any time, to check that their practices comply with Group requirements as set out in the Responsible Suppliers Charter.

**4. Corrective action must be taken for suppliers potentially or actually involved in a human rights infringement.** If the supplier

fails to comply with any of the listed criteria, corrective action plans are put in place and a sanction may be imposed. In the worst case scenario, the supplier may be removed from the base. In 2016, for example, following reports from stakeholders, the PSA Group asked all suppliers involved in sourcing mica or cobalt to assure the Group that human rights were being respected in their own supply chain.

**5. Action plan monitoring:** any supplier actually or potentially guilty of human rights breaches must prove that the corrective measures agreed with the PSA Group have been implemented, according to a timetable drawn up in view of the severity of the breach. The Group routinely expedites assessments or audits to establish whether the supplier should remain on the panel. Corrective action plans may apply to the supplier's supply chain.

**6. Communication on the actions implemented:** an annual report is presented to employee and labour union representatives in line with commitments under the Global Framework Agreement. The results are also published in the annual CSR Report.

Example: the Group's policy on **conflict minerals**.

A specific clause has been inserted in the general terms and conditions of purchase (clause 14), stating that the supplier must disclose the detailed composition of the materials used to manufacture the parts supplied, as well as any changes in that composition. The supplier must also provide the written information necessary to comply with the legislation in force, particularly on consumer protection and conflict minerals. With help from the R&D Department, in charge of the management of sensitive products, the Purchasing Department has begun systematically interrogating the entire supplier base to identify the suppliers concerned, ask them to complete the EICC-GeSI form and, in the event that they source materials illegally, to set up alternative procurement channels. The Group thus seeks to exercise its duty of care and foster sustainable procurement.

#### FOR more INFORMATION

**PSA Group's policy on conflict minerals can be found on the Group's website:** <https://www.groupe-psa.com/en/automotive-group/responsibility/societal-commitment/>

#### CONFLICT MINERALS: EVALUATION OF THE SUPPLIER BASE AT THE END OF 2016

Number of supplier groups unaware of whether they use these minerals	33
Number of supplier groups declaring that they use these minerals	147
<i>Of which: number of supplier groups having a policy for these minerals</i>	54
<i>Of which: number of supplier groups having taken corrective measures to manage risks on these minerals</i>	88
<i>Of which: number of supplier groups having disclosed the results of their policy for these minerals</i>	49

## Suppliers make a significant contribution to the Group's environmental targets

Most of the Group's suppliers are in industries facing the same environmental challenges as the Group: reducing their carbon footprint and water consumption, managing their industrial waste, recycling more and protecting biodiversity. The PSA Group involves them in its efforts to monitor its environmental roadmap.

The Group's environmental objectives for its products are translated into contractual commitments via specifications and purchasing policies according to two different criteria: the type of materials used and the CO<sub>2</sub> emissions generated:

- ambitious targets have been set on the percentage of "green/recyclable materials". These objectives are also a key focus of the innovation policy that is part of the Group's supplier certification criteria (see section 4.2.1). Suppliers are also involved in the Group's commitment to reduce hazardous substances in materials in two ways: elimination of the four heavy metals: lead, mercury, cadmium and hexavalent chromium; compliance with the REACH regulations on the basis of the recommendations of the ACEA, of which the Group is a member (see Chapter 2);
- regarding CO<sub>2</sub> emissions linked to the Group's purchases (scope 3) from its suppliers. The Group asks its suppliers to assist it in its various host countries in order to develop the local economy, build environmentally safe plants and reduce CO<sub>2</sub> emissions from logistics. For the overall carbon footprint (scopes 1, 2 and 3), see section 2.1.

## CO<sub>2</sub> EMISSIONS LINKED TO PURCHASES OF MATERIALS AND COMPONENTS (SCOPE 3)

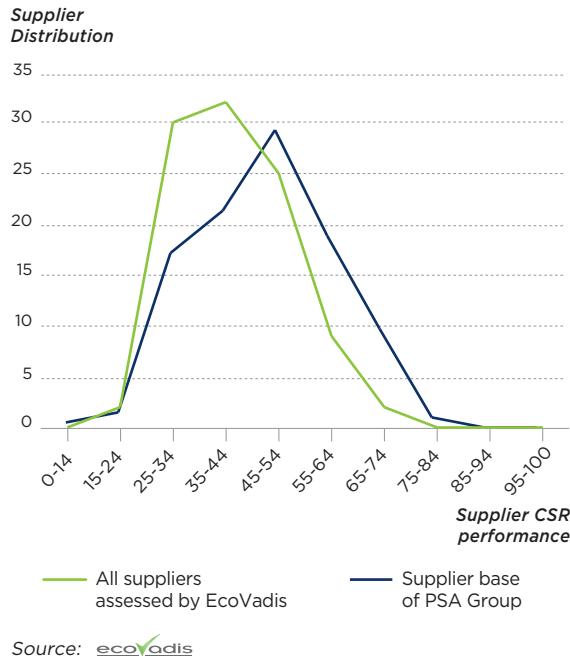
CO <sub>2</sub> emissions (thousand tonnes of CO <sub>2</sub> )	2015
Production of parts	5,664

These CO<sub>2</sub> emissions correspond to 41.49% of the purchases made in 2015.

## A supplier selection method designed to improve CSR performance

The Group's suppliers outperformed other suppliers assessed by EcoVadis, with average scores of 47 and 41 respectively.

## Distribution of CSR assessments of PSA Group suppliers versus EcoVadis in 2016



Source:

The Group's supplier base evaluated by EcoVadis was found to have a more advanced CSR maturity than other suppliers assessed by EcoVadis.

## 4.2.1.2. THE GROUP'S STRONG COMMITMENT TO THE ADAPTED SECTOR G.38

For over 20 years, the Group has been sourcing direct parts from the adapted and sheltered sector (such as beams, headliners, crank gears, etc.). Subcontracting to this sector is one aspect of the Group's agreement for the social and occupational inclusion of people with disabilities. The 5<sup>th</sup> agreement since 2000 has been signed.

Suppliers in the adapted and sheltered sector are now expected to meet the same standards as the Group's other suppliers, based on criteria such as quality, responsiveness and financial performance. The Purchasing Department, supported by all other PSA Group Departments, has helped them implement the changes necessary to reach this performance level. Since developing this expertise, some sheltered workshops have marketed their know-how to other customers and business sectors (rail, aeronautical, etc.).

The Monozukuri initiatives that have been launched with some sheltered workshops have made it possible to strengthen our partnership, particularly through the inclusion of an Adapei du Doubs team at the PSA Sochaux plant.

Key figures:

- services purchased from the adapted and protected sector represent €38 million in value added;
- 2,500 industrial products;
- the Group works with:
  - 6 key associations: 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,
  - 1,967 beneficiaries (full-time equivalent disabled workers from the sheltered or adapted sectors), of whom 1,957 beneficiaries are in manufacturing, corresponding to an employment rate of people with disabilities of 3 percentage points at PCA (PEUGEOT CITROËN AUTOMOBILES S.A.) in France;
- 100% of the cars built in Europe by the Group have at least one part manufactured by the adapted and sheltered sector.

The Group remained France's number one buyer from the adapted sector (firms specialising in hiring people with disabilities) and sheltered sector, (organisations helping people with disabilities

into work) in 2016. This has been accomplished as a result of the strategy adopted by the Group, which decided over ten years ago to give responsibility to a member of staff within the Purchasing Department for purchases of industrial parts from the adapted and sheltered sector. This organisation is one of a kind and is frequently cited as an example of best practice by other manufacturers.

## Number one

BUYER FROM THE ADAPTED SECTOR IN FRANCE

### FOR more INFORMATION

**AMIPI Foundation's website:** <http://www.fondation-amipi-bernard-vendre.org/communiques-de-presse/>

**GESAT network's website:** <http://www.reseau-gesat.com/>

### 4.2.2. Exercising due diligence

#### 4.2.2.1. IDENTIFICATION OF CSR RISKS IN THE SUPPLY CHAIN

G.35 G4-HR11 G4-LA15 G4-EN33 G4-SO10

The PSA Group follows the OECD Due Diligence Guidance for its supply chain.

It uses risk analysis (mapping) to identify actual or potential adverse impacts of suppliers' operations. (section 4.2.2.1).

Where a risk is identified, the PSA Group has a prevention system which involves implementing and monitoring specific action plans with the suppliers concerned to prevent or mitigate any impact.

Where there is an actual impact, the PSA Group takes steps to help resolve it.

The Group is transparent about the measures taken and the results obtained, which it publishes in its annual CSR Report.

#### The risk detection process and impact analysis

As a result of the many crises the automotive industry has endured in recent years, the Group has upgraded its risk analysis procedure to ensure it offers more robust risk prevention and responds better to any risks which do arise.

In line with the Group's risk policy (see Chapter 1), purchases can be broken down into 625 different commodities to which the Purchasing Department applies a multi-criteria risk analysis (quality, logistics, financial, CSR, etc.) to define a "Technology and Manufacturing Procurement Policy" for each commodity. The policy is drawn up by buyers jointly with experts from other Group divisions: financial analysts, logistics experts, quality experts, engineers, etc.

#### Critical suppliers

A critical supplier is a supplier whose default could lead to production stoppages at the plants or delay the sales launch of

new vehicles. Four categories of critical suppliers can be identified:

- suppliers who partner the Group in innovation projects;
- suppliers who are the only source of a product or component;
- suppliers for whom Group purchases represent over 30% of their annual revenue;
- suppliers whose failure to adhere to a CSR policy could damage the Group's reputation were they to have a substantial negative impact on the environment, employment, human rights or society (particularly through unethical conduct).

Critical suppliers account for 50% of the Group's total suppliers.

#### The different types of impact of supply chain failures

The PSA Group has identified four types of potential negative impacts that could occur:

- **environmental damage:** this is damage caused to water, air and soil either as a result of natural disasters or industrial accidents, or due to overexploitation of natural resources.
- **Focus on supplier industrial risk:** Since 2012, the PSA Group has had a specific policy for the prevention of industrial risks by learning lessons from past events (e.g. tsunami in Japan, etc.). This policy allows the buyer to quickly identify the Group's exposure to the risks associated with each supplier production site using a matrix that takes into account criteria such as: geographical location (risk of natural disaster), the Group's share of the production site's output, the specificity of the technology used by the supplier, the number of Group vehicles concerned by production at the site, etc. This evaluation is routinely carried out for each call for tender and the result is taken into account when selecting the supplier.

■ **Focus on material risks:** A material risk mapping has been developed to establish a list of "strategic" materials in terms of their criticality (materials with specific characteristics, important for competitiveness, and with little or no current alternative), potential scarcity (limited global production or fragile supply chains), and questionable CSR conditions (e.g. conflict minerals, mica, cobalt). This mapping is designed to enable the Group to manage and secure its supply over the long term and focus its R&D work on replacement materials. This policy to seek out new, innovative materials combines with the Group's quest to increase the proportion of renewable and environment-neutral materials in its vehicles (see section 2.4.1.4);

■ **Violations of employment rights,** which may take the form of forced labour (which may also be linked to illegal activities such as conflict minerals), child labour, failure to respect the freedom of association, discrimination, or failure to comply with international standards on workplace health and safety.

■ **Focus on human rights in the supply chain:** in line with its longstanding commitment to the Global Compact, and building on its Global Framework Agreement which extends to suppliers and partners, the Group identifies the regions and areas that are most likely to present risks of human rights violations, and in particular recourse to modern slavery. The regions and areas at risk are identified on the basis of two criteria: the country (countries that have not signed up to global agreements, countries ill-equipped to enforce international laws) and the manufacturing process (whether it requires a significant amount of low-skilled labour). To that end, the Group applies a graduated reasonable efforts approach, even going as far as removing a supplier if it should emerge that it was directly or indirectly involved in this type of practice. It is Group policy to assist suppliers so that they can improve. However, if they are clearly unwilling to make changes, the Group reserves the right to cease all contact and to remove them from its supplier database.

### FOR **more** INFORMATION

**PSA Group's policy on forced or compulsory labour practices and modern slavery can be found on the Group's website :** <https://www.groupe-psa.com/en/automotive-group/responsibility/societal-commitment/>

■ **Focus on conflict minerals:** proceeds from the extraction of gold, tin, tantalum and tungsten are used to finance armed conflict in the Republic of the Congo and in neighbouring countries. In accordance with the Dodd-Frank Act of 2010, the Group's policy requires the utmost transparency from its suppliers about the origin of the minerals they use;

■ **Ethical breaches** in the form of corruption, conflicts of interest, deliberate non-compliance with specifications (quality risk), or threats to a balanced business relationship (financial or technological dependencies)

■ **Focus on supplier quality risk:** The handling of supplier quality risk is entrusted to dedicated teams and is formally documented in the SQM (Supplier Quality Manual). Within the Supplier Development (SD) Department is a dedicated team of quality/lean manufacturing experts responsible for monitoring suppliers' production sites. Each supplier production site has a single point of contact within the Group: this personal approach allows the Group to pick up on "signs of weakness" (early stages of a quality or logistics problem) to prevent supply disruptions which are a huge waste of resources.

This organisation is deployed throughout all regions where the Group has a presence, allowing them to be as close as possible to the supplier pools. The results in terms of quality for suppliers currently in development and during the lifetime of the part are consolidated on a worldwide basis. These are used to guide the supplier relationship at the corporate level are put into the supplier application package.

■ SQM is based on compliance with the following fundamental principles: customer satisfaction and safety; planning goal achievement; compliance of all goods delivered; transparency, duty of notification and responsiveness.

■ SQM covers the entire life cycle of supplies (from the choice of supplier to the last spare part delivered). Quality risk is one of the selection criteria for suppliers. It is taken into account from the development phase of new supplies and determines the outcome of product/process accreditation. During the production phase, supplier quality performance is monitored through the "Scoring Bidlist", which assigns penalty points to supplier plants. Each failing is penalised according to a predefined scale, starting from a total of 100 points. Suppliers below 80 points are "red suppliers" and are banned from being awarded new contracts. A corrective action plan is put in place to control quality risk for the customer. "Red suppliers" represent 4% of the PSA Group's global supplier base.

■ **Focus on an emerging risk linked to the automotive industry: changes in the relationship between international car manufacturers and equipment manufacturers.** Equipment manufacturers are called upon to support the global development of car manufacturers. They have become major economic actors whose responsibility weighs heavily on the subcontracting chain, in terms of technologies (investments in R&D and training), production capacities (meet the needs of several competing car manufacturers), confidentiality, societal issues (acceptable for countries in which the Group operates and CSR impacts), etc. Mindful of this risk, the Group has introduced operating procedures with these global players to guarantee the long-term quality of the relationship (see section 4.2.2.2.1). It also enlists their support in protecting the subcontracting chain from all risks, including CSR risks (see section 4.2.2.2.2). Worldwide, 18 supplier groups represent 51% of the value of PSA Group purchases (excluding joint ventures).

■ **Focus on the risk of financial sustainability of suppliers.** Since the economic and financial crisis of 2008, which heavily impacted suppliers, the Group has tracked suppliers even more closely. The financial results of all suppliers are analysed, which prevents new contracts from being awarded to suppliers in difficulty and identifies all suppliers at significant risk of default (financial health, shareholder morality, etc.). A status report on suppliers with a significant default risk is presented each month to the Purchasing Department Committee. This authorises action plans and may recommend either cash flow support (one-time reduction in payment terms) or back-up measures (duplicating production, search for successors or investors, advance inventory, etc.). The Group has put in place an adaptive organisation and processes to ensure that it meets the contractual payment deadlines agreed with its suppliers. An action plan is in place to tackle late payments made to suppliers. This will identify any reasons for recurring delays and provide the necessary structural solutions. In 2016, the curative or preventive monitoring of suppliers with a high risk of failure based on financial criteria covered 67 companies representing approximately 8.6% of the purchasing costs. Based on this strategy, the Group did not have to halt production in 2016 following supplier failures;

■ **social damage in areas where suppliers have production sites**, which can manifest as the destruction of local jobs, threats to indigenous or displaced peoples, or even political or economic conflicts that jeopardise the local economy (country risk).

■ **Focus on country risk.** As a result of the geopolitical crises in some North African and Middle Eastern countries in 2011 and 2012, the Group decided to step up its risk prevention. It has created an intelligence network comprising representatives from quality, sales, strategic and core suppliers and online networks. The aim of the network is to identify countries with a potential risk and offer a joint vision on the political, economic and social risks in these countries. Monthly monitoring is carried out for countries identified as being at critical risk, i.e. Argentina, Israel, South Africa, Tunisia, Morocco, Turkey, Iran, Russia, China, Ukraine and Brazil. For Russia, the Group decided to maintain its presence there, despite a critical economic and political situation, and to encourage its suppliers to remain there also. At-risk countries are confirmed by the Purchasing Department Committee based on the Group's exposure, whether in terms of revenue or local operations, and its ability to source alternatives.

To carry on its business and manage the risks identified above, the Group has an organisation that governs the relationship with its suppliers. Details of this can be found in section 4.2.2.2.1. The measures taken to control CSR risks are described in section 4.2.2.2.2.

## 4.2.2. STEPS TAKEN TO PREVENT RISKS: GOVERNANCE OF THE SUPPLIER RELATIONSHIP AND ROUTINE EVALUATION OF THEIR CSR PERFORMANCE G4-DMA

### 4.2.2.2.1. Segmentation of the supplier base: better governance at the right level

Risk prevention takes place in the day-to-day relationship between buyers and suppliers. The Group pays particular attention to their training and provides them with tools enabling them to rapidly identify risk situations.

#### Training for buyers

For new buyers, the PSA Group's purchasing business school organises annual training sessions in Europe and Latin America. The course includes a specific CSR module which is updated each year. Since 2008, 478 people have been trained in Europe and 124 in Latin America.

In addition, each operational buyer receives ongoing training on changes in regulatory requirements, best practices, tools, etc. in relation to responsible procurement (including ethics, human rights, environment, etc.).

Special training has been arranged for buyers in order to roll out the new contracts that the Group has signed with its suppliers. This contract was submitted to the French Department of Competition, Consumption and Fraud Prevention (DGCCRF), which concluded that it was fair. The training focuses on negotiating in good faith with suppliers. It includes a module explaining how buyers should behave when negotiating contracts. (180 buyers have been trained this year, or 64% of direct and spare parts buyers).

Following the Group's decision to have its entire supplier base evaluated by an outside service provider, EcoVadis, all buyers have been trained on changes in the CSR regulatory environment and the Group's expectations.

#### Supplier training

The Group's ambition is to have trained 90% of these suppliers in CSR risks and the Group's requirements by 2025. To achieve this goal, it helps its suppliers by providing them with various learning, training and development tools.

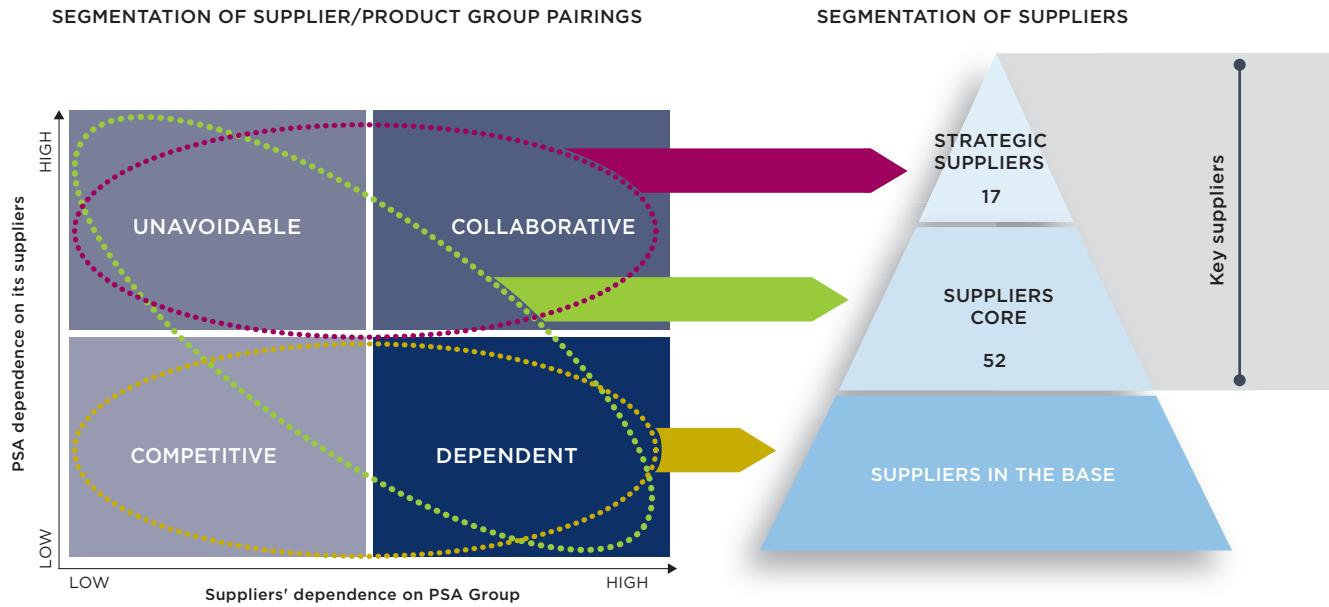
- Supplier briefings are held each month to provide suppliers with CSR updates, communicate the Group's CSR expectations, and inform them of legal and regulatory developments in CSR matters.
- They are offered e-learning on CSR principles to evaluate their CSR performance via the dedicated platform.
- Events and workshops are organised in countries at risk to raise awareness locally among suppliers' production site managers. In 2016, 300 suppliers took part in training organised by the Group in China and the Czech Republic.

#### Segmentation of the supplier panel

In order to define an appropriate procurement policy, the nature of the Group's relationship with its suppliers is analysed.

The supplier/product group pairings are split into four categories according to the level of interdependence with the Group:

- category A: unavoidable supplier: the Group is highly dependent on the supplier for this product group;
- category B: collaborative relationship: the PSA Group and its supplier rely strongly on each other for this product group;
- category C: dependent relationship: the supplier relies strongly on the Group for this product group;
- category D: competitive relationship: the Group does not rely on the supplier (there are many other suppliers for the purchase group in question) and the supplier does not depend on the Group for this product group.



### Furthering the supplier relationship



The aim of the SRM ("Supplier Relationship Management") initiative is:

- to work closer with some of our suppliers, specifically through a stronger, better-targeted governance, to create value for both parties over a broad spectrum (strategic vision, innovation, R&D processes, globalisation, simplification of the quality processes, optimisation of logistics performance, etc.);
- reduce the number of the Group's dependent suppliers (supplier dependent relationship rate of over 30%).

Based on its supplier panel segmentation, which separates strategic and core suppliers from all other suppliers, the Group furthers the relationship by means of:

- Corporate Business Reviews (CBR) for strategic suppliers;
- Executive Business Reviews (EBR) for core suppliers;
- Performance Reviews for the other suppliers.

The CBRs and EBRs for key suppliers are aimed at sharing and aligning the strategies of the PSA Group and its key suppliers right to the upper echelons of the Company. They aim to identify value creation initiatives that are of mutual benefit.

#### 4.2.2.2. Formal commitment of suppliers and evaluation of their CSR performance



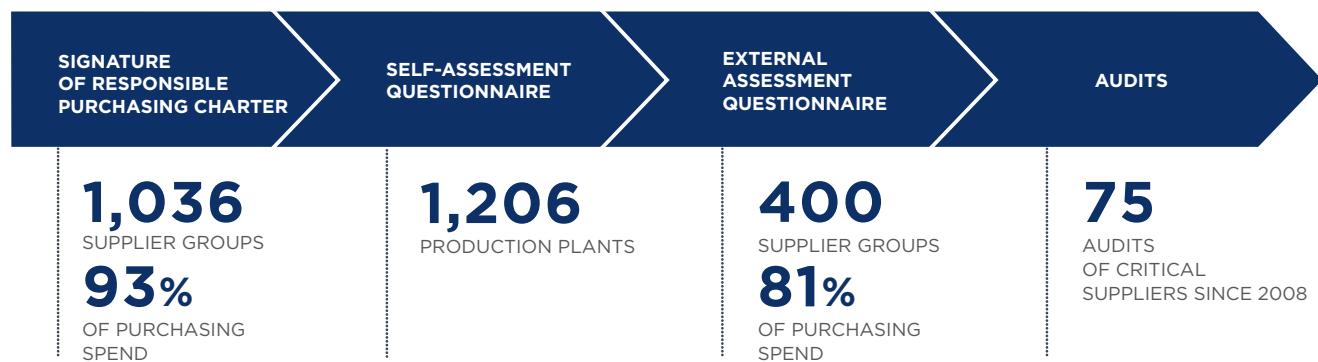
For the PSA Group, assessing the CSR performance of suppliers is a key factor in the supplier selection process. For example, 95% of suppliers were selected in 2016 on the basis of their CSR rating.

**95%**

OF PARTS SUPPLIERS **SELECTED ON THE BASIS OF CSR CRITERIA IN 2016**

This rating consists of the following elements:

##### Supplier evaluation process



##### **Signing the Charter: “PSA Group Requirements regarding social and environmental responsibility with respect to its suppliers”**

In 2006, the Group outlined the principles of its CSR policy in a reference guide, “PSA Group Requirements regarding social and environmental responsibility with respect to its suppliers”.

The Purchasing Department has responsibility for this document which requires:

- compliance with the law;
- promotion of and compliance with internationally-accepted human rights;
- freedom of association and the effective recognition of the right to collective bargaining;
- elimination of any forms of forced or compulsory labour;
- effective abolition of child labour;
- elimination of discrimination in terms of hiring and occupation;
- anti-corruption measures and the prevention of conflicts of interest;
- compliance with the legal minimum wage;
- working hours not exceeding those set out in national legislation or collective agreements;

- compliance with health and safety at work;
- implementation of a Quality Management System (ISO 9001 or ISO TS certification or equivalent standards) and Environmental Management System (ISO 14001 certification);
- implementation of an environmental policy for research;
- discontinued use of prohibited substances and materials;
- suppliers to obtain CSR commitment from their own suppliers.

All suppliers in the supplier panel are asked to mark their commitment to these principles by signing the document, or furnish evidence that they themselves have an equivalent reference guide, and also undertake to promote these principles to their own suppliers and subcontractors.

At the end of 2016, 1,036 suppliers had committed, equating to 93% of purchases.

75% of the revenue generated by Mister Auto (equivalent to 0.38% of the annual value of PSA Group purchases) consists of parts purchased from major equipment manufacturers who have signed the “Social and Environmental Guidelines for PSA Group Suppliers” as tier 1 suppliers.

This reference guide is included in the purchase contract and the Group's purchasing processes and is also available on its B2B portal.

## Self-assessment questionnaire

Since mid-2013, all suppliers wishing to take part in a tender process for automotive parts must complete a self-assessment questionnaire for each production site. The questionnaire covers three areas:

- compliance with social criteria: promotion and respect of human rights, freedom of association and the effective recognition of the right to collective bargaining, abolition of any forms of forced or compulsory labour, effective abolition of child labour, anti-corruption and the prevention of conflicts of interest, remuneration, working hours, compliance with workplace health and safety;
- compliance with environmental criteria: the existence of a company/Group environmental policy, organisation to ensure implementation of the environmental policy, environment at the industrial plant, management of the water cycle, management of air discharges, soil conservation, waste management;
- management of the supplier relationship: the supplier's relationship with its own subcontractors, inclusion of CSR criteria in the specifications, rules of application for supplier assessment.

The objective of this evaluation is threefold:

- to allow the supplier to see where it sits in terms of Group expectations;
- to provide appropriate support for each supplier. A supplier production plant with a red rating cannot be selected for the tender unless a corrective action plan is put in place. Production plants with an orange rating will be investigated further on certain key points;
- to act as an initial risk prevention filter.

## Assessment by an external company

To supplement the supplier assessment process and make it more strengthening, the Group has embarked on an assessment of its entire supplier base using criteria relating to the environment, workforce, ethics and subcontracting chain. It has outsourced this assessment to an external company, EcoVadis. The first step was to identify supplier risks more clearly.

The Group informed its suppliers that this evaluation was a prerequisite for remaining in the panel and that a corrective action plan would automatically be required for providers that were not up to the necessary standard.

In 2016, 400 supplier groups were assessed or 81% of the value of purchases.

## Audits of suppliers at risk

For suppliers identified as at risk according to the CSR criteria relating to countries (non-signatory country or country with questionable governance), products (inherently risky, such as promotional items) or processes (manufacturing processes involving hazardous substances), the social and environmental audits are managed by an external service provider (see section 4.2.2.1). Based on the Group's values, an audit table has been put together and covers the following topics: CSR policy, human rights, working conditions, workplace health and safety, environment and the management

system. These audits provide a snapshot of how the supplier is performing in terms of the Group's reference guide and the local statutes and regulations. The specifications stipulate that the audit must be carried out by local auditors who speak the language of the audited site and are fully au fait with the laws, regulations and practices applicable to the site.

The external auditor draws up an audit report on each occasion. The report describes any non-compliances encountered and grades them according to four classifications (critical, core, minor and observations only), each requiring corrective action plans.

If no satisfactory solution can be found to a critical or core non-compliance, a disengagement plan may be put in place, after consultation with the Group's internal players affected by the decision.

If necessary, an audit may be carried out to check the action plan has been implemented.

Since 2008, 75 social and environmental audits have been performed at tier 1, 2 or 3 suppliers.

### 4.2.2.2.3. Monitoring signs of weakness to eliminate the causes of risk

Several tools are in place to identify a potential risk:

- discovery report: this is an internal tool used by the PSA Group and available to anyone visiting a supplier production site (buyer, quality auditor, driver, analyst, etc.). It can be used to report any observed or suspected shortcomings during a visit to a supplier's production site. The questionnaire is sent to the CSR coordinator who decides what action should be taken (e.g. on-site audit);
- an early warning system based on a specific internal procedure has been put in place. This is accompanied by partial and local whistleblowing (see section 6.1.2.1);
- stakeholder feedback:
  - NGOs regularly publish reports on a particular topic, such as child labour in India's mica mines. The PSA Group looks out for these reports and decides whether to take action against its suppliers. For example, all paint suppliers were asked to confirm that the mica used in the Group's products was not extracted under the conditions described in the report,
  - journalists are also a valuable source: through their investigations they alert us to potential issues, such as The Guardian with its story on the cobalt used in batteries. The Purchasing Department decides whether to take targeted action against the suppliers potentially involved,
  - under the Group's Global Framework Agreement on Corporate Social Responsibility, it works closely with trade unions which send regular reports of potential violations by suppliers. These reports lead to action being taken against suppliers by the Purchasing Department, which requests an explanation or performs an audit to resolve the issues flagged (see section 3.1.1).

All reports are reviewed and action is taken against the suppliers concerned (e.g. letter from the Head of Purchasing, on-site audit, etc.).

### 4.2.2.3. REMEDIAL ACTION TO ADDRESS SHORTCOMINGS

#### Measures taken if suppliers are found to be non-compliant with CSR requirements

The Group has introduced a comprehensive toolkit to measure the social and environmental performance of its suppliers and identify any shortcomings or risks. The suppliers questioned or audited systematically receive an analysis of their performance. For suppliers who are not up to the required level, a corrective action plan is put in place.

The buyer and CSR coordinator arrange meetings to help suppliers implement action plans. Suppliers also have access to an e-learning tool, which gives them a better understanding of the Group's expectations in terms of CSR.

Several types of non-compliance may be identified (see section 4.2.2.4).

A few examples of actions taken by suppliers following CSR audits carried out by the Group in 2016:

- hiring discrimination: women were given a pregnancy test during their pre-employment medical examination. This is a violation of International Labour Organization Convention 111. It is now

stipulated in the agreement with the medical services department that no pregnancy test may be requested or performed;

- PSA Group's requirements to have a qualified first-aid worker at the production site: lack of a qualified first-aid worker at the plant. The supplier filed a request with the local Red Cross to organise a training for its employees;
- PSA Group's requirements that its suppliers obtain from their own suppliers the commitment to abide by the same social and environmental standards. Amendment of supplier's purchasing agreement to insert a clause on CSR requirements.

#### Complaints made against the Group for CSR infringements and measures taken

- Environmental impact: no complaints were filed against the Group through official channels in the reporting period.
- Impact on employment: a dedicated team works alongside suppliers to develop alternative solutions to minimise impacts (see section 4.1.2.3 on the French automotive industry).
- Human rights impact: no complaints were filed against the Group through official channels in the reporting period.
- Social impact: no complaints were filed against the Group through official channels in the reporting period.

### 4.2.2.4. TRANSPARENT COMMUNICATION ON THE RESULTS OF DUE DILIGENCE

#### RESULTS OF THE 2016 SELF-ASSESSMENT OF SUPPLIER PRODUCTION SITES

Self-assessment of 1,206 supplier production sites	Compliant	Minor non-compliances	Core non-compliances
Global rating	91%	9%	0%
Social factors	95%	5%	0%
Environmental factors	97%	3%	0%
Handling subcontractors	77%	18%	5%

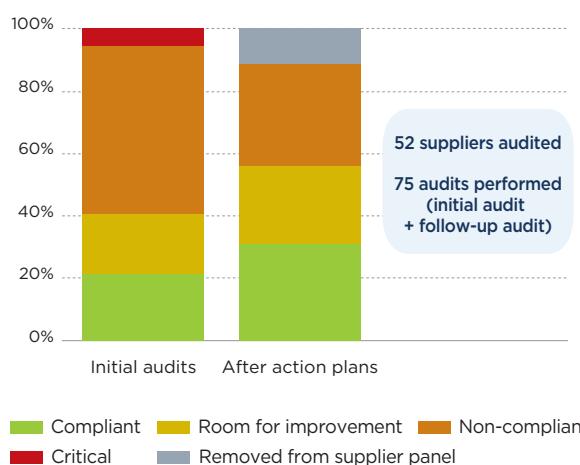
#### CSR PERFORMANCE OF GROUP SUPPLIERS ASSESSED BY AN EXTERNAL COMPANY (ECOVADIS)

	Compliant	Minor non-compliances	Core non-compliances
Overall performance	60%	38%	2%
Environmental performance	67%	30%	3%
Social performance	68%	40%	2%
Ethical performance	38%	56%	6%
Subcontracting chain management	37%	57%	6%

## SUMMARY OF 2016 AUDITS OF CRITICAL SUPPLIERS

General organisation	Sub-topics	Observations	Minor non-compliances	Core non-compliances	Critical non-compliances	Total
<b>CSR policy</b>	CSR policy	2	5	0	0	7
	Uphold freedom of association and the effective recognition of the right to collective bargaining	2	0	0	0	
	Elimination of any forms of forced or compulsory labour	0	0	0	0	
	Abolition of child labour	0	1	0	0	
<b>Human rights</b>	Elimination of discrimination in terms of employment and occupation	0	2	0	0	
	Anti-corruption measures and the prevention of conflicts of interests	1	2	1	0	
	Labour organisation and disciplinary practice	0	0	3	0	13
<b>Working conditions</b>	Remuneration	0	1	4	0	
	Working hours	0	0	16	0	84
<b>Workplace health and safety</b>	Organisation	2	7	2	0	
	Buildings	0	2	5	1	
	Fire Prevention	6	7	18	2	
	Machines/electrics	0	7	1	0	
	Hazardous substances	2	5	7	0	
	Canteen	3	3	1	0	
	Dormitories	0	1	1	0	83
<b>Environment</b>	General organisation	0	0	3	0	
	Waste	1	1	0	0	
	Waste water	0	0	0	0	
	Air emissions	0	0	1	0	
	Soil	0	0	0	0	
	Water and energy consumption	1	1	0	0	8
<b>Management system</b>	Supply chain	2	7	4	0	13
	<b>TOTAL</b>	<b>22</b>	<b>52</b>	<b>67</b>	<b>4</b>	

### Change in CSR performance of suppliers assessed between 2008 and 2016



## 4.3. REPORTING SCOPE AND METHODOLOGY

G4-20

G4-22

G4-23

The Purchasing Department buys for both PEUGEOT CITROËN AUTOMOBILES, an umbrella group for all the Group's manufacturing (including Société Française de Mécanique and Sevel Nord) and

support activities, and for the brands' central divisions, PEUGEOT Automobiles and CITROËN Automobiles. It is also responsible for the core purchases made by BANQUE PSA FINANCE (BPF).

### Reporting methodology

The purchasing indicators below correspond to the application of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code and the recommendations of the Global Reporting Initiative (GRI). A cross-reference ratio with GRI G4 indicators and a cross-reference ratio pursuant to the requirements of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code (Grenelle 2) are included at the end of this report.

The reported data are for purchases by the manufacturing plants, the R&D sites, the main office facilities, the commercial sites of the PEUGEOT CITROËN and DS AUTOMOBILES proprietary brand networks and the activities of BANQUE PSA FINANCE (BPF).

### Scope of consolidation and coverage rates

For joint ventures: the scope of reporting does not include subsidiaries jointly owned with other car manufacturers or joint ventures accounted for by the equity method, due to the lack of exclusive control.

In these joint ventures, the Group exercises its role as shareholder and industrial partner with a view to long-term development.

The Group owns a stake in these joint ventures or joint operations:

- TPCA, located in Kolin (Czech Republic), a joint operation with Toyota;
- DPCA, located in Hubei Province (Wuhan and Xiangyang, China), in joint venture with DONGFENG MOTOR CORP.;
- CAPSA, located in Shenzhen (China), in joint venture with China Changan Automobiles;
- Sevel Sud, located in Val Di Sangro (Italy), a joint operation with Fiat;

- PCMA Automotiv RUS, located in Kaluga (Russia), a joint operation with Mitsubishi Motors Corp;
- IKAP (Iran Khodro Automobiles Peugeot), in Tehran in Iran, in joint-venture with Iran Khodro.

However, PCMA Automotiv RUS, located in Kaluga, Russia, a joint operation with Mitsubishi Motors Corp., is included in the reporting scope for purchasing because the Group holds 70% of the shares.

In 2015 the Group acquired Mister Auto, an online spare parts retailer. The purchasing processes and policies described in this chapter apply to Mister Auto.

The coverage rate of the data in this chapter is 95%.

The data presented in this chapter have been audited by an independent body, the firm Grant Thornton, using the methods set out in Chapter 8.6.



# 5

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

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The PSA Group has identified six material environmental issues concerning its manufacturing operations:

■ **Issue “Energy/industrial carbon footprint” – internal and external impacts**

Greenhouse gas (GHG) emissions are the main cause of climate change and are governed by the United Nations Framework Convention on Climate Change and the Kyoto Protocol. It is for this reason that, at the national and international levels, various regulations and incentive mechanisms (such as negotiable emission rights) aim to control the volume of these emissions and reward reductions. The challenge for industry is twofold: to reduce energy consumption by changing processes and using low-GHG-emitting energy sources while protecting or improving financial performance;

■ **Issue “Environmental optimisation of transport and logistics” – internal and external impacts**

The environmental impact of transport is far-reaching, from localised pollution (sound, air pollution, etc.) to global warming. For some organisations, environmental impacts relating to logistics can constitute a core portion of their ecological footprint. The evaluation of impacts tied to the transport of products, goods and materials as well as those related to travel by personnel is part of the overall approach to strategy planning for environmental management.

The challenge for car manufacturers is to optimise logistics systems as well as the loads and volumes transported so as to reduce not only their cost and their environmental impact, but also upstream and downstream delivery times, a key factor in customer satisfaction;

■ **Issue “Industrial waste and pollution” – internal and external impacts**

Manufacturing operations discharge pollutants with adverse effects on air quality, natural habitats and quality of life for local residents. In particular, sulphur oxides ( $\text{SO}_x$ ) and nitrogen oxides ( $\text{NO}_x$ ), as well as volatile organic compounds (VOCs), are known to cause acidification (formation of acid rain), eutrophication (disruption in ecological balance due to an excess of nitrogen) and photochemical smog (formation of oxidising agents, such as ozone). In addition, production activities can result in soil pollution,

chemical risks or industrial accidents, which means that adequate control measures must be in place. Furthermore, manufacturers are expected to pursue initiatives to reduce disturbances for local communities such as noise pollution.

As local and international regulations are phased in, manufacturers must adapt to new standards, which means investing in production plant;

■ **Issue “Material cycles and waste management” – internal and external impacts**

Material purchases account for a significant portion of a vehicle's production cost. In addition, regulations relating to waste management are becoming more stringent in many countries where the Group has operations. The rationalisation of materials consumption, the decrease in the volume of waste per vehicle and the optimal recycling of this waste guarantee economic efficiency and ecological performance in line with the principles of the circular economy;

■ **Issue “Water” – internal and external impacts**

In water-stressed regions, uncontrolled water consumption may have significant repercussions: an adverse environmental impact due to reducing the volume of available water, altering the natural functioning of ecosystems, and affecting relationships with stakeholders (in particular economic and social impacts).

Furthermore, the quantity and quality of water discharged by the organisation directly influences its ecological impact (effluent discharge containing a significant chemical load) and its immediate operating costs;

■ **Issue “Biodiversity” – internal and external impacts**

The erosion of biodiversity at a rate of 100 to 1,000 times higher than the natural rate is a major social concern. Although not all companies – particularly in the automotive sector – are dependent on biodiversity for their operating activities or responsible for the worst impacts, they must work towards preserving the balance of ecosystems. This translates as the need to be especially vigilant on sites situated within protected areas or at other biodiversity-rich locations. It could even mean taking proactive measures, as the Group does with its carbon sink in the Amazon.

Faced with these issues, the PSA Group has set up the following systems.

## SCOREBOARD

 CSR ISSUES	 COMMITMENT	 AMBITION 2025	 TARGET 2016	 RESULTS 2016	 TARGET 2017
<b>ENERGY/INDUSTRIAL CARBON FOOTPRINT</b> <b>Organiser: Industrial Director</b>	Reducing the Group's CO <sub>2</sub> emissions from manufacturing to contribute to the European Union's commitment to the Paris Agreement.	<ul style="list-style-type: none"> <li>■ Reducing CO<sub>2</sub> emissions to 250 kg per vehicle produced (reduction strategy approved by the SBTI, in accordance with the Paris Agreement targets);</li> <li>■ Increasing the share of renewable energies in electricity consumption to 24%.</li> </ul>	Energy consumption of 2.08 MWh, i.e. 310 kg CO <sub>2</sub> eq. per vehicle produced. Progress maintained despite the consolidation of Française de Mécanique.	<u>Target met:</u> Energy consumption of 2.06 MWh, i.e. 276 kg CO <sub>2</sub> eq. per vehicle produced. CO <sub>2</sub> roadmap of the Group's manufacturing operations approved by the Science Based Target Initiative.	<ul style="list-style-type: none"> <li>■ Energy consumption of 2.04 MWh, i.e. 270 kg CO<sub>2</sub> eq. per vehicle produced, in line with the 2025 roadmap.</li> <li>■ Increasing the share of renewable energies in electricity consumption to 19%.</li> </ul>
<b>ENVIRONMENTAL OPTIMISATION OF LOGISTICS</b> <b>Organiser: Industrial Director</b>	Reducing the CO <sub>2</sub> emissions of the supply chain.	Transport-related CO <sub>2</sub> emissions per vehicle and per km reduced by 2.1% per year until 2025 compared with 2016 (the benchmark year).	Reduce the Group's CO <sub>2</sub> emissions on the upstream and downstream supply chain worldwide, per vehicle and per km (Veh x km) by 2.1% compared with 2015.	<u>Change in calculation method:</u> The Group's CO <sub>2</sub> emissions on the upstream and downstream supply chain worldwide, per vehicle and per km (Veh x km): 55 t CO <sub>2</sub> eq. (represents the benchmark year)	Reducing the Group's CO <sub>2</sub> emissions on the upstream and downstream supply chain worldwide, per vehicle and per km (Veh x km) by 2.1% compared with 2016.
<b>INDUSTRIAL WASTE AND POLLUTANTS</b> <b>Organiser: Industrial Director</b>	Managing the impacts on the environment and local residents.	Applying the best available technologies to all manufacturing plants.	VOC emissions of 2.75 kg per vehicle produced. (PCA worldwide scope).	<u>Target met:</u> VOC emissions of 2.7 kg per vehicle produced. (PCA worldwide scope).	Stabilising VOC emissions at 2.75 kg per vehicle produced (taking into account changes in the two-tone product offer) (PCA worldwide scope).
<b>WASTE AND MATERIALS CYCLES</b> <b>Organiser: Industrial Director</b>	Reducing waste production and optimising recycling.	Zero landfill for assembly plants in Europe. Each industrial site has established regional circular economy systems.	Controlling hazardous waste treatment by systematically using specialised treatment facilities.	<u>Target met:</u> <ul style="list-style-type: none"> <li>■ four assembly plants have zero landfills;</li> <li>■ hazardous waste has decreased by 9.8% compared with 2015;</li> <li>■ 96.4% of waste is recovered (versus 96.2% in 2015).</li> </ul>	Reviewing assembly plants disposing of waste in landfills and conducting technical and economic analyses of alternative solutions.
<b>WATER</b> <b>Organiser: Industrial Director</b>	Reducing water consumption by the Group's manufacturing plants.	Water consumption of 3.3 m <sup>3</sup> , or 3.05 m <sup>3</sup> excluding casting processes, per vehicle produced in 2018, and of 2.4 m <sup>3</sup> , or 2.2 m <sup>3</sup> excluding casting processes, per vehicle produced in 2022. <i>The 2025 goal will be defined in 2017</i>	Water consumption stable at 3.6 m <sup>3</sup> per vehicle produced.	<u>Target not met:</u> Water consumption at 3.81 m <sup>3</sup> per vehicle produced. Incidents in Mulhouse (compensation for the failure of cooling facilities - water then discharged into the network, so limited abstraction) and in Poissy (where a major pipeline burst). These incidents have been dealt with.	Water consumption stable at 3.6 m <sup>3</sup> per vehicle produced.
<b>BIODIVERSITY</b>	Preserving biodiversity at our sites.	2016 results: Continued efforts to foster biodiversity as part of the carbon sink project. Plantation of more than 50 local tree species, discovery of new animal species, including an Amazonian fish and a beetle species. Expected for 2017: the production sites are undertaking or pursuing initiatives to foster biodiversity; the Group is continuing its "Carbon Sink" initiative and will report the results achieved.			

# 5.1. THE GROUP'S ENVIRONMENTAL PROTECTION POLICY AT MANUFACTURING LEVEL: ORGANISATION AND STRATEGY

The environmental policy of the Group's Industrial Department applies to all regional division entities. It aims to reach optimum operational efficiency by 2025, ranking it among the very best. This vision requires all Group plants to embrace the "Excellent Plant" concept, on a par with the world's leading manufacturers, by pooling the know-how of the various industrial business lines, including environmental activities.

The targets in response to the main challenges have been set up to 2025 and beyond, with intermediate targets set for 2018 and 2022.

Having defined the path, the attainment of intermediary targets is based on four fundamentals, which are already well-anchored:

- involvement of all staff;
- roll-out of an Environmental Management System at all manufacturing sites in line with ISO 14001;
- production methods which incorporate the best technology available from the design stage onwards at an economically feasible cost;
- employing shared best practices in these production methods to optimise consumption and emissions.

## 5.1.1. A solid, proven organisation G.20

For many years, the Group has been engaged in proactive environmental stewardship at its production, research and development sites and each secondary site, with a commitment to ensuring that their operations comply with local regulations, fully safeguarding the surrounding environment and the quality of life of host communities, while demanding continuous improvement.

The Group's industrial strategy integrates environmental protection with a commitment to continued improvement based on rigorous organisation, a methodology structured around the Environmental Management System (ISO 14001 standard), and the allocation of significant financial resources. Environmental data are reported using data from 2015 with a new tool that supplements and harmonises the applications used by the Group in this area. The history acquired since 1989 is retained, allowing the Group to prioritise and work effectively on the most important environmental challenges relating to its operations.

Within the Automotive Division, to ensure that the targets are met, the Group has identified an Environment role within the business channels developed to cover all of its core operations. It is certified by PSA University and allows the training path for every major

environmental contributor to be defined, thus contributing to the full completion of his or her activity. These training courses include face-to-face sessions, enabling the sharing of experience, together with e-learning courses and the monitoring of learning to ensure knowledge is maintained at an optimum level.

The Industrial Environment Department leads and coordinates the whole environmental approach for the manufacturing plants. This department manages the annual investment plan. In addition, it supports these structures through continuous monitoring (regulations and best practices), underpinned by external assistance to identify the applicable laws and requirements. At each site, an Environmental manager is responsible for ensuring the proper implementation of the industrial environmental policy. The manager relies on representatives appointed in each workshop.

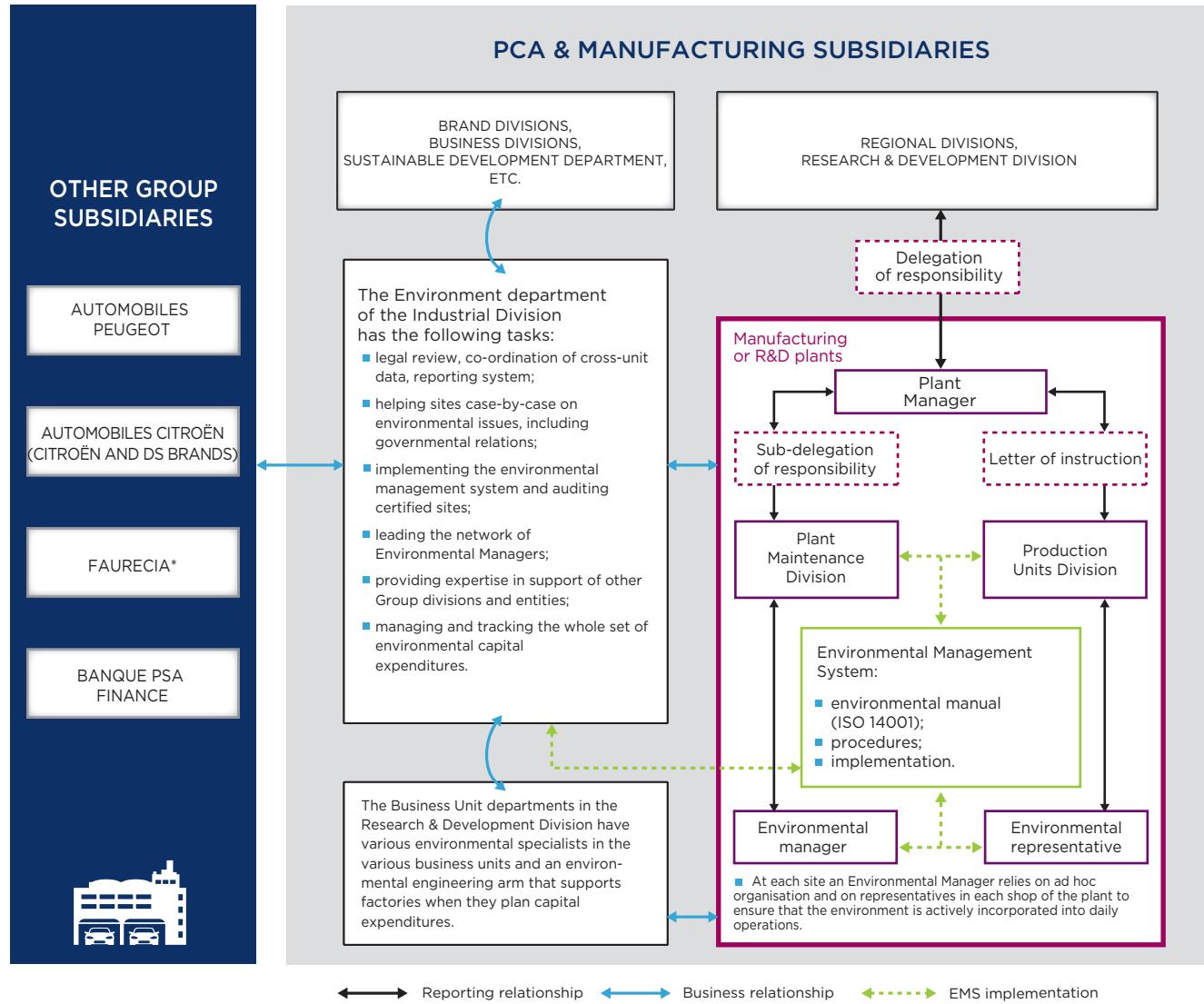
Finally, the Research and Development Department also has environmental specialists who provide technical support to the plants, particularly during capital projects.

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

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

5.1. The Group's environmental protection policy at manufacturing level: organisation and strategy

### Organisation and coordination of the environmental approach



\*FAURECIA is not included in the CSR Report as it has its own environmental policy.

### 5.1.2. Environmental issues at the heart of the industrial strategy

#### 5.1.2.1. THE ROADMAP: "EXCELLENT PLANT"

The Group's "Excellent Plant" industrial strategy aims to position each production plant among the best global automotive sites across all areas of industrial performance. In addition to production and quality performance, the Excellent Plant strategy aims to control and reduce the environmental impacts of the Group's operations. Given the number and size of its operating sites, and the scope of its operations, which range from sourcing supplies for production

(casting, components, sub-assemblies, finished vehicles) to the delivery of vehicles for sale, the Group is aware of its responsibility to conserve the ecosystems in which it operates. To this end, the Industrial Department is developing an environmental approach based on the ISO 14001 standard and supported by the certification of all its manufacturing plants. This environmental policy fosters the development of better energy consumption practices in the production sites and helps reduce environmental impacts.



### STAKEHOLDER RELATIONS

*In accordance with the commitments made under its Global Framework Agreement, the Group presents a review of its application of said agreement with respect to the PSA Group's social responsibility every year at the plenary meeting of the European Group Works Council (expanded to include the Global Council with Argentina, Brazil and Russia). In particular, it discusses the initiatives undertaken under commitment No. 15 of the agreement, namely environmental protection.*

*Accordingly, every year, the results of the manufacturing environment (water and energy use, greenhouse gas emissions, volatile organic compound emissions, waste production and recovery rates) worldwide are presented to the employee representatives and compared with the Group's commitments in the area.*

### The ambition is to set an example everywhere: the example of Shenzhen, the Excellent Plant in China

As its environmental responsibility policy is applied in all the regions in which it operates, the Group places great importance on setting an example in the operation of all its plants in Europe and all over the world. Thus, the new plants, including those set up under joint ventures, also benefit from the Group's best know-how.

An example of this commitment is the CAPSA plant in Shenzhen, which was opened jointly with the Chinese car manufacturer Changan to produce vehicles from the DS line for the Chinese market. Its 350,000 unit production capacity over a total surface area of 200,000 sq.m. makes it one of the most compact plants in the world.

Its energy efficiency is an example of how the Industrial Department's vision for the environment is being implemented, a vision that aims to reduce the carbon footprint of the Group's manufacturing plants.

The plant has also been fitted with LED and solar lighting, saving almost 50% in lighting energy.

The air conditioning systems use innovative procedures that enable iced water to be produced and stored overnight, when electricity is cheaper.

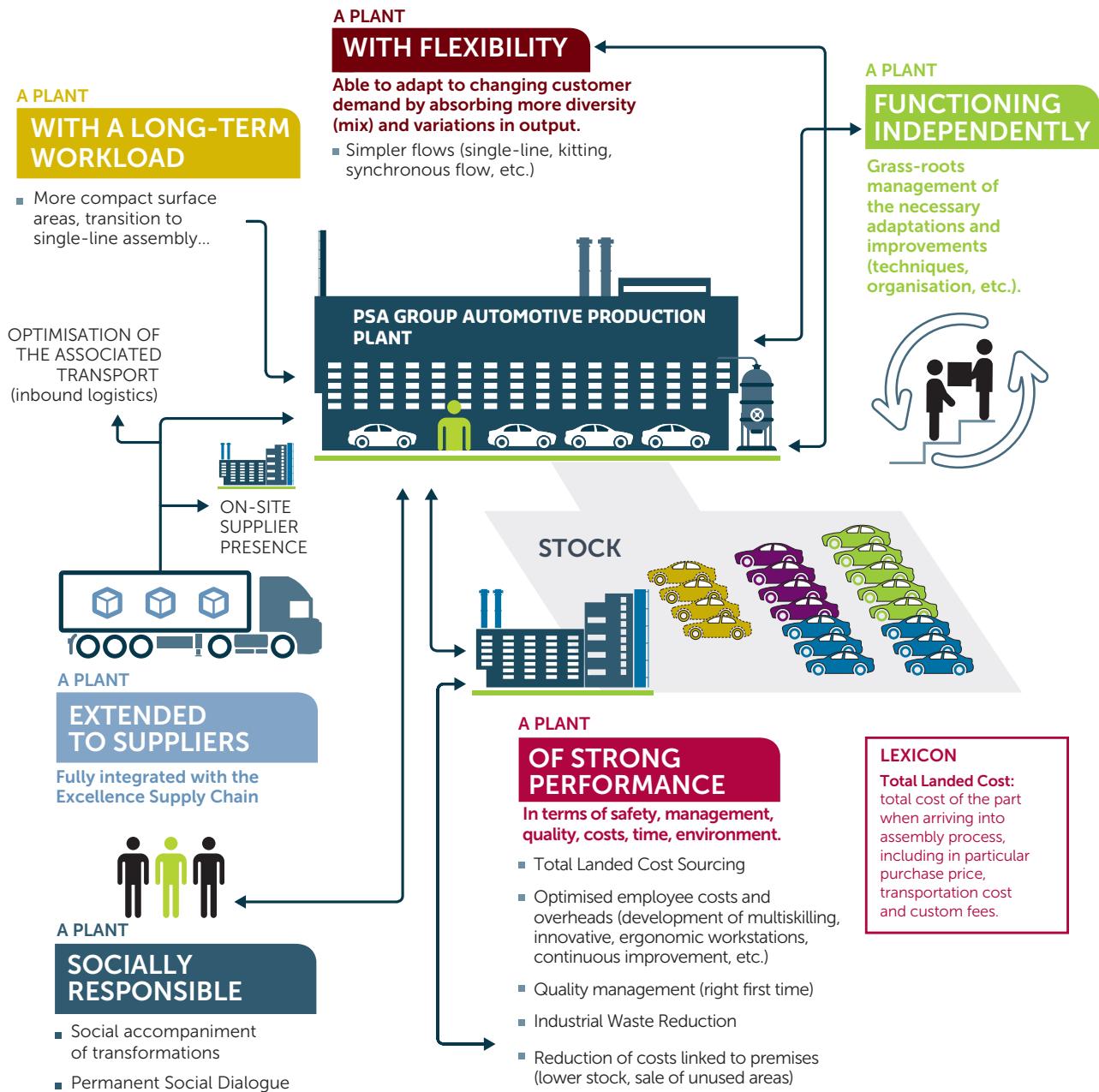
Finally, the plant has the best available technology in its various workshops with, for example, water-based paints which only emit around one kilogramme of volatile organic compounds per painted vehicle.

The Shenzhen plant is an example of the Group's commitment to using the best environmental practices in all its plants.

### FOR more INFORMATION

**Video "The future's plant by PSA Group":** <https://www.youtube.com/watch?v=AuMPwbFVIfU>

## The Group's industrial strategy: the Excellent Plant



## 5.1.3. Resources implemented

### 5.1.3.1. THE ENVIRONMENTAL RISK ANALYSIS

**G.20 G4-DMA**

Conducted in accordance with ISO 14001, it means that the significant environmental aspects linked to the sites' operations can be identified for each site, and integrated in its environment. The analysis, which is regularly updated, serves to identify the core environmental challenges at each plant and to prepare action plans to address these challenges, which are approved and monitored by management. Regular audits by the Internal Auditors and accredited testing laboratories, such as UTAC and Bureau Veritas, provide assurance that the Environmental Management System is properly applied.

### 5.1.3.2. AN ACTIVE CERTIFICATION POLICY

**G.20 G.21**

Within PCA, an Environmental Management System is in place at all Group production sites. It is based on the international standard ISO 14001, which is an acknowledged standard for management and organisation. This approach has made it possible to formalise an environmental policy, to identify the material environmental aspects of each site and to reduce their impact accordingly, to draft procedures and standards for the policy's successful implementation and functioning, to guarantee regulatory compliance, and to strive for continuous improvement - the Foundation of environmental protection.

#### The Environmental Management System

A new version of ISO 14001 was published in September 2015. It introduced major changes to the Environmental Management System. The key changes relate to:

- greater focus on leadership and the involvement of senior management;
- considering the plant's context to strengthen the correlation between strategy and environmental approach;
- -process-based management;
- considering life cycle issues, risks and opportunities, and strengthening the dialogue with the most relevant stakeholders.

The Group took these changes into consideration before the new standard was published. The Environmental Management System is fully in line with the PSA Excellence System (PES) and the operational processes have incorporated environmental considerations. In the course of rolling out and appropriating these production processes, each manager knows and controls his entity's contribution to the plant's environmental progress. The stakeholders' requirements for each process are identified, and the managers will take into consideration those considered as relevant - in addition to the related risks and opportunities. Lastly, the life cycle approach, implemented for the automotive product, is currently available for the activities and services that the plants are able to control or influence. This new approach makes it possible to ensure much greater involvement of all Group employees in controlling environmental impacts, and to deal with any discrepancies closer to the source.

The major changes generated by this new standard are coordinated by the Environment business line which, in collaboration with plant

specialists, develops this new Environmental Management System and ensures its cross-site consistency.

The first results were recorded in 2016, with a successful audit at the Sept-Fons site based on the new system. This first audit approved the components of the new Environmental Management System, while also defining areas of improvement that would help to enhance and strengthen the new system. The other plants will gradually apply this new standard over the next few months, and all plants will have rolled out the new system by mid-2018.

The implementation of a structured and audited approach surrounding the ISO 14001 standard helps to strengthen the system for preventing environmental impacts, incidents and damage, and to effectively manage natural resource use and waste production. Moreover, certification guarantees the Group's environmental commitment to local authorities and the stakeholders.

#### The involvement and skills of all

**G.21**

The key elements in successfully controlling the environmental impact at the sites are the competency and involvement of the individuals in the environmental sector.

Under ISO 14001, each employee, whether they are on permanent or fixed-term contracts, temporary or work experience contracts, receives environmental training appropriate to their position and function. This initiative also applies to external service providers working at the plants when the prevention plan is being established. These various environmental training programmes represented 4,897 hours in 2016. This hourly volume does not include the environmental safety courses offered directly by the unit managers to their workstation employees as part of the management control component of the PSA Excellence System rolled out at all plants. These highly operational training sessions concern the control of environmental impacts related to each workstation.

**4,897**  
HOURS DEDICATED TO ENVIRONMENTAL TRAINING IN 2016

The sharing of experience is also a way of accelerating environmental progress. Since 2015, an environment business club regularly brings together all environmental managers, either by audio-conference or face-to-face at a manufacturing plant. This club fosters fruitful discussions between Environmental managers to exchange environmental best practices and incorporate them into the shared Environmental Management System. This joint work is encouraged by annual award ceremonies recognising the plants with the best performance in terms of controlling their environmental impacts (waste production and water use). Three establishments were recognised in this way: an assembly plant (Madrid in 2016 for its results in 2015), a component factory (Trémery) and office and research facilities (Bessoncourt, IT centre).

#### ISO 14001 certification schedule for the manufacturing plants

Launched more than 15 years ago, the certification process is now fully implemented in the production plants, which are all ISO 14001 certified. Today, the process is being deployed in R&D and spare parts facilities. ISO 14001 certification is part of the standards with which each new production site must comply.

## SCHEDULE OF THE FIRST ISO 14001 CERTIFICATIONS OF MANUFACTURING PLANTS

1999	2000	2001	2002	2003	2004	2007	2010	2012	2014
Mulhouse	Poissy	Aulnay <sup>(1)</sup>	Caen	Metz	Saint-Ouen	Trnava	Belchamp	Jeppener	Kaluga
Sochaux	Vigo	Rennes	Charleville	Mangualde		Vesoul			
	Trémery	Porto Real	Sept-Fons						
	Madrid	Hérimoncourt <sup>(2)</sup>	Valenciennes						
	Buenos Aires								
	Sevel Nord <sup>(3)</sup>								
	Française de Mécanique <sup>(4)</sup>								

(1) Site shut down at end-2013.

(2) Plant included in PCA data as of 2005.

(3) Plant included in PCA data as of 2012.

(4) Plant included in PCA data as of 2014.

100%

OF PLANTS WITH ISO 14001 CERTIFICATION

Outside of this scope, the automotive industry joint ventures are certified: TPCA with Toyota, located in Kolin in the Czech Republic, DPCA with DONGFENG MOTOR CORP., located in the Hubei Province (Wuhan and Xiangfan) in China, Kaluga with Mitsubishi, located in Russia, and Sevelsud with Fiat, located in Val Di Sangro in Italy.

### 5.1.3.3. USING THE BEST AVAILABLE TECHNIQUES AT AN ACCEPTABLE ECONOMIC COST

G.20 G.22

The Industrial Department's environmental policy is developed starting with the design of new production methods, so that environmental impacts can be taken into account. The Industrial Environment Department ensures regulatory monitoring to identify future structural regulatory change and shares this data with the production resources design departments to best anticipate future regulatory constraints to which production facilities will be subject. This fully reflects the Group's commitment to setting an example in all territories in which it operates, via the Excellent Plant concept, which aims to mobilise all Group plants around attaining the best global level, including in terms of environmental impacts.

### 5.1.3.4. ENVIRONMENTAL EXPENDITURE RELATED TO MANUFACTURING

G4-DMA G4-EN31

Environmental expenditure is broken down into three components:

- the consideration of environmental incidents related to the future operation of new manufacturing methods as part of overall industrial capital expenditure: in 2016, we can estimate that 1.3% of the amount of industrial capital expenditure corresponds to this consideration;
- a specific annual capital expenditure plan, managed by the Industrial Environment Department, used to fund plant compliance measures relating to regulatory changes and the reduction of pollution and environmental risks. This annual capital expenditure plan was €1.3 million in Europe in 2016;
- a specific training plan that guarantees the implementation and development of employees' environmental skills (see section 5.1.3.2.).

### FOCUS: the Carry Over, or how to give a second life to industrial assets as part of a circular economy approach

The Carry Over, which refers to the reuse of industrial assets – including large assets – has become one of the strategic areas of the Group's Industrial Department over recent years. As part of the "Excellent Plant" programme, each plant has its own performance target to achieve by 2019: instead of receiving a specified budget to reach their target, the plants are challenged to reuse existing materials.

Based on the circular economy principle, the approach consists in recycling and adapting machines rather than purchasing new equipment. The aim is to give a second life to industrial assets that the sites are no longer able to use, for several reasons reduced volumes in certain markets, or the compaction or optimisation of production (in one year, 300,000 sq.m. was vacated in the Group's plants). Machines and tools that are no longer used can be reused within the same plant, in other Group plants, or even sold to other car manufacturers.

In practical terms, these unused assets are registered on a digital platform: 2,200 pieces of equipment are currently listed (including several dozen stamping dies, 500 robots, 200 machine tools, etc.), which represent capital of several hundreds of millions of euros. The platform also allows sellers and purchasers to contact each other directly. Once the equipment has been transferred, it is usually adapted on-site thanks to the ingenuity of the plant employees and R&D Department.

The advantages of Carry Over practices are numerous:

- plants enjoy a reduced environmental footprint: by fostering the reuse of existing equipment rather than purchasing new equipment, this solution enables the Group to reduce its pressure on natural resources;
- economic gains: in Mulhouse for example, Carry Over practices helped to save 20% on investment costs to launch a new platform in 2016.

The Company's management (up to the highest level) is currently committed to encouraging this economical approach.

-20%

ON CAPITAL EXPENDITURE FOR A NEW PLATFORM IN MULHOUSE THANKS TO THE REUSE OF INDUSTRIAL EQUIPMENT



## ECONOMIC INSIGHT

Over the next few years, productivity gains will lead to a substantial decrease in manufacturing costs via the combined effect of two levers: (i) the widespread use of shared modular platforms for most vehicles produced by 2020, and (ii) the reuse of under-used material and equipment in a number of plants. This effort of recovery (Carry Over) concerns paint-shop facilities, conveyor units, robots, etc., and has reduced by 20% the capital expenditure to launch a new platform: by optimising capital expenditure, depreciation expenses are reduced substantially, which helps to reduce the overall vehicle manufacturing cost. In three years, from 2012 to 2014, PSA Group reduced the unit cost of manufacturing each of its cars by approximately €700. The target is to renew this €700 cutback between 2015 and 2018. The accumulated cost reduction multiplied by volume will enable the Group to recover some financial leeway.

### 5.1.3.5. THE ENVIRONMENTAL APPROACH IN THE BRAND DEALERSHIP NETWORKS

The environmental policy of the PCA sites is also rolled out in the brand dealership networks. The Group encourages its points of sale to manage their environmental indicators (water, energy and waste) in order to boost their performance.

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

The after-sales managers of PSA Retail France points of sale are encouraged to develop their environmental skills as part of the programmes rolled out by the brands: Osmose for CITROËN and Odas for PEUGEOT (see sections 5.3.2.2. and 5.4.2.).

The Group also involves its independent dealership networks in its sustainable development approach, under the leadership of a network of correspondents appointed in each brand subsidiary. Their task is to relay and deploy the environmental strategies defined by the brands and follow the specific regulatory developments in each country.

Since 2008, the Group has been using an information system enabling the collection, monitoring and consolidation of environmental data from its whole proprietary network. A database of the PSA Retail sites has been available since 2012 to assess the types of infrastructure of the points of sale and their condition.

## 5.2. ENERGY AND CARBON FOOTPRINT OF MANUFACTURING AND LOGISTICS OPERATIONS G.33 G4-DMA

Following the example of product strategy, which focuses on developing low-carbon vehicles, the Industrial Department's environmental policy is committed to supporting the Group's efforts to reduce its carbon footprint. In particular, this involves the implementation of the energy management approach to map the energy performance of all manufacturing plants to identify the areas in need of attention to fully overhaul their energy patterns, and the associated short-term capital expenditure to reduce energy consumption.

Another lever for reducing the carbon footprint is to take action to reduce the CO<sub>2</sub> emissions related to logistics (see section 5.2.5.1).

Finally, the third lever identified is to increase the share of renewable energies used in the Group's industrial processes to further reduce its carbon footprint. Accordingly, the analysis of the market and of green energy offers enabled the Trnava (Slovakia) plant to sign

a contract for the supply of renewable electricity to cover all of its requirements as of 2016. In Brazil, the Porto Real plant is also powered by 100% renewable electricity. These initiatives form part of the approach introduced in 2012 with the installation of a wood furnace in Vesoul to replace the former heavy fuel heating methods, and with the installation of photovoltaic panels in Sochaux with the support of the Group's partners.

### Greenhouse gas emissions assessments G.32

Pursuant to Article L. 75 of the French Environmental Code, which resulted from the Grenelle environment laws, PCA and about ten of its subsidiaries (companies employing more than 500 people) performed a greenhouse gas emissions (GHG) assessment for their operations in France (six greenhouse gases of the Kyoto protocol), based on the year 2014.

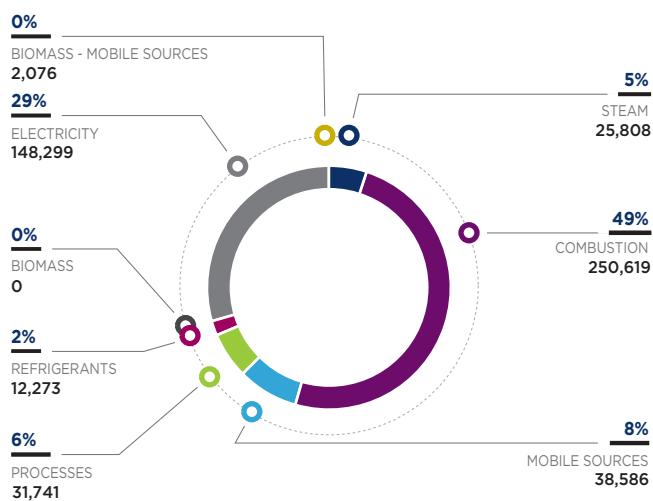
These checks have taken into account the following sources, under operational control of the respective companies:

Emissions category	No.	Emission items	Example of sources of emission
Direct GHG emissions	1	Direct emissions from fixed sources of combustion	Combustion of energy from fixed sources
	2	Direct emissions from mobile sources with heat engine	Combustion of fuel from mobile sources
	3	Direct emissions from processes excluding energy	Non-combustion related industrial processes, which could result from decarbonation, chemical reactions, etc.
	4	Direct fugitive emissions	Leakage of refrigerants, livestock, nitrogen fertilisation, treatment of organic waste, etc.
Indirect emissions related to energy	5	Biomass emissions (land and forests)	Biomass from land activities, humid areas or the exploitation of forests
	6	Indirect emissions related to electricity consumption	Production, transport and distribution of electricity
	7	Indirect emissions related to the consumption of steam, heat or cold	Production, transport and distribution of steam, heat and cold

Every company in question has established its check by applying the methodology established at the Group level, and passed it on to the competent regional Prefect in December 2015.

A short summary result of the assessments of PCA and its French subsidiaries is given below:

*In tonnes CO<sub>2</sub> equivalent*



This analysis of the direct and indirect CO<sub>2</sub> emissions of manufacturing operations is the second iteration, on a similar scope and based on an identical methodology. This enables representative comparisons. On the other hand, the GHG emissions of French sites represent two-thirds of PCA's industrial emissions. As such, the findings of this comparative study can also be extrapolated to all the Group's plants.

The main conclusions are as follows:

- the target of cutting 60,000 tonnes of CO<sub>2</sub> over the 2012-2014 period was met, since the comparison shows a reduction of 80,000 tonnes. This confirms that the action plan was successful;
- more than 80% of GHG emissions are due to gas, electricity and steam consumption (items 1, 6 and 7 of the GHG assessment). Accordingly, the main lever in reducing the greenhouse gas emissions of manufacturing plants is to control energy consumption.

These observations are listed in the action plans included in each GHG assessment, which cover the 2015-2017 period and for

which the total expected gain is estimated at more than 40,000 tonnes of CO<sub>2</sub> equivalent. They involve primarily the ongoing implementation of the energy control plan (e.g. reduced electricity or gas consumption), specific GHG emission reduction initiatives (e.g. use of refrigerants with a lower global warming potential), and compaction processes within plants.

### A roadmap for industrial CO<sub>2</sub> emissions, approved by the Science Based Target Initiative.

Based on these results, the Group continued to analyse the CO<sub>2</sub> emissions of its manufacturing operations in 2016, and established a new forecast for 2025.

This detailed energy consumption study has enabled an assessment of the contributing factors, namely:

- the impact of indirect emissions generated by electricity production based on the geographic location of the sites, and that of renewable energies in local production. Accordingly, major discrepancies were observed between France – with its low-carbon electricity – and Argentina, which relies heavily on electricity generated from fossil fuels;
- the impact of weather conditions, increasing or reducing gas consumption to heat the workshops. This study demonstrated that the difference between a mild and severe winter could cause a 15% fluctuation in industrial CO<sub>2</sub> emissions.

Nevertheless, the progress plans implemented in the plants encourage actions to reduce the main sources of energy consumption. Site compaction, which aims to vacate certain buildings completely, helps to reduce plant sensitivity to weather conditions. The optimisation of production lines helps to control electricity and gas consumption. The inclusion of this information has made it possible to develop a CO<sub>2</sub> roadmap for manufacturing operations that complies with European Union commitments, namely a 60% reduction in CO<sub>2</sub> emissions over the 2010-2050 period. On a straight-line basis, this effort represents an annual decline of 2.1% as of 2010. This study also confirmed the geographical areas in which the development of low-carbon power supply solutions are given priority, thereby encouraging discussions on possible scenarios (purchasing low-carbon electricity, local production, etc.).

These efforts and this new roadmap were presented at the Science Based Target Initiative, which approved this approach.

**60 % REDUCTION**  
IN INDUSTRIAL CO<sub>2</sub> EMISSIONS  
BETWEEN 2010 AND 2050

## 5.2.1. Managing energy use in manufacturing activities G.30

### 5.2.1.1. BREAKDOWN OF ENERGY CONSUMPTION G4-EN3

Energy audits covering 65% of the energy expenditure were conducted at the European sites in compliance with the criteria set forth in regulations. The findings confirm the information reported in the GHG assessments and the analysis conducted as part of developing the Group's strategy regarding CO<sub>2</sub> emissions from manufacturing operations.

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 order of

31 October 2012 as part of the application of European regulation No. 601/2012 on the monitoring and declaration of greenhouse gas emissions under Directive 2003/87/EC of the European Parliament and 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 GJ simply by applying a multiplying factor of 3.6 (1 Wh = 3.6 kJ).

### ENERGY CONSUMPTION

Year	Combustible energy					Non-combustible energy			Total energy consumption	
	Non-renewable				Renewable	Electricity	Of which renewable electricity	Steam		
	Heavy fuels	HHO	NG + LPG	Coke	Biomass (wood)					
<b>Automotive Division</b>	<b>2016</b>	<b>2,587</b>	<b>1,758,271</b>	<b>80,430</b>	<b>16,881</b>	<b>2,175,096</b>	<b>397,825</b>	<b>154,815</b>	<b>4,188,082</b>	
	2015	0	1,383	1,673,163	75,848	15,893	2,209,836	343,323	132,146	
	2014	-	3,818	1,540,952	76,713	14,376	2,218,139	nd	143,707	
<b>o/w PCA France</b>	<b>2016</b>	<b>1,045</b>	<b>1,191,827</b>	<b>80,430</b>	<b>16,881</b>	<b>1,591,835</b>	<b>181,520</b>	<b>154,815</b>	<b>3,036,833</b>	
	2015	0	1,019	1,126,917	75,848	15,893	1,623,546	238,033	132,146	
	2014	-	3,606	994,651	76,713	14,376	1,615,187	nd	142,530	
<b>Automotive trade</b>	<b>2016</b>	<b>432</b>	<b>7,290</b>	<b>103,540</b>		<b>100,090</b>	<b>27,768</b>	<b>2,542</b>	<b>213,893</b>	
	2015	436	8,886	111,783	0	0	115,095	16,741	3,954	
	2014	565	12,128	120,576	-	-	123,274	nd	3,751	
<b>TOTAL</b>	<b>2016</b>	<b>432</b>	<b>9,877</b>	<b>1,861,811</b>	<b>80,430</b>	<b>16,881</b>	<b>2,275,186</b>	<b>425,593</b>	<b>157,357</b>	
	2015	436	10,269	1,784,946	75,848	15,893	2,324,931	360,064	136,100	
	2014	565	15,946	1,675,106	76,713	14,376	2,348,691	nd	147,458	

Heavy fuel oil = HSFO + LSFO + VLSFO.

HSFO = High-sulphur fuel oil.

LSFO = Low-sulphur fuel oil.

VLSFO = Very low-sulphur fuel oil.

HHO = Home heating oil.

NG = Natural Gas.

LPG = Liquefied Petroleum Gas.

Energy indicators are expressed in the same unit of measurement (MWh ncv) by applying officially recognised conversion coefficients.

In 2016, total energy consumption increased at a slower pace than production, improving the ratio per vehicle produced slightly to 2.06 MWh. This trend confirms the effectiveness of the energy management system implemented in all the plants.

A detailed analysis of energy consumption in the manufacturing plants reveals the following:

- the consumption of heating fuels, such as wood and gas, increased by 5% at PCA France and overall. This was due to a long and cool spring season that required the use of heating for an extended period;

- coke consumption also increased by 6%, but this fuel is used exclusively by the Sept-Fons casting facility to produce cast-iron variants. As such, the consumption reflects the casting activity;
- electricity consumption decreased by 1.5%, and even by 1.9% for PCA France, which reflects the effective application of energy-saving practices recommended by the Group's energy management system;
- steam consumption and the share of renewable energies increased substantially. Three plants are currently powered by co-generation units (Rennes, Mulhouse and Sochaux), which supply some of the heat required for the painting process. In 2016, the entire increase measured was concentrated in Sochaux, with a facility that functioned properly and helped reduce the site's gas consumption;

- for the share of renewable energies, progress has been made at foreign sites only, notably with Trnava and Porto Real, which are fully powered by renewable electricity. The share of renewable electricity has improved in all countries, except in France, which already uses low-carbon electricity.

Data from the PEUGEOT and CITROËN brands relate on average to 98% of plants in 2016 (97% in 2015, 88% in 2014) for direct energy consumption and 98% of plants in 2016 (94% in 2015, 93% in 2014) for indirect energy consumption. Changes in the PSA Retail dealership network's energy consumption is commented in section 5.2.1.2.



## ECONOMIC INSIGHT

In 2016, savings on energy expenses were estimated at €2.2 million compared with expenditure of around €235 million, i.e. a reduction of around 1%.

These savings are broken down as follows:

- in 2016, the Group invested €1.2 million to finance various actions to reduce energy consumption. The main actions concerned the painting workshops, in particular Sevel Nord. During the year 2016, this plant completely revised the airflow in the paint workshop and changed the starting/stopping of the ovens. These changes will enable savings of 35,000 MWh of gas and 7,000 MWh of electricity in a full year. This action represents the most substantial share of the savings made, at approximately €1.6 million. It could only be implemented on account of the painting process being automated in 2015 at many workstations. In Charleville, the streamlining of production equipment enabled the stoppage of an oven, and an action targeting the reduced pressure of the compressed air network generated savings of approximately 5,000 MWh of electricity. The continued implementation of the plan to roll out LED lighting, mainly in Trnava and Mangualde, will reduce consumption by approximately 2,000 MWh, which represents €300,000. All these actions have a return on investment of less than one year;
- the continuation of daily management actions, in particular regarding the isolation of ancillary facilities to ensure that they only consume energy during use, even inside production buildings, have generated savings of 1,500 MWh of electricity and 3,000 MWh of gas, accounting for €200,000 of savings per year;
- these figures have an impact on vehicle production costs and on the Group's overall economic performance: for one car produced, the savings generated are equal to €1.

**€1,2 MILLION**

INVESTED IN ENERGY SAVINGS  
FOR A RETURN ON INVESTMENT  
OF €2.2 MILLION IN ONE YEAR

### 5.2.1.2. CHANGE IN ENERGY CONSUMPTION AND ENERGY INTENSITY

G4-EN5 G4-EN6

The Group is currently leading substantive discussions on its energy efficiency: a consumption control plan has provided a way to map the performance of the largest plants to identify the focus areas requiring attention for the complete revision of their energy systems, in addition to related short-term investments to help reduce energy consumption.

Plans are being implemented at each plant to rationalise production space, mainly by making plants more compact (retaining the same production capacity), thereby saving energy, particularly on heating and air conditioning of facilities.

Since 1990, work to modernise facilities, replace fuel oil (since 2012) and carbon with natural gas, the development of cogeneration and

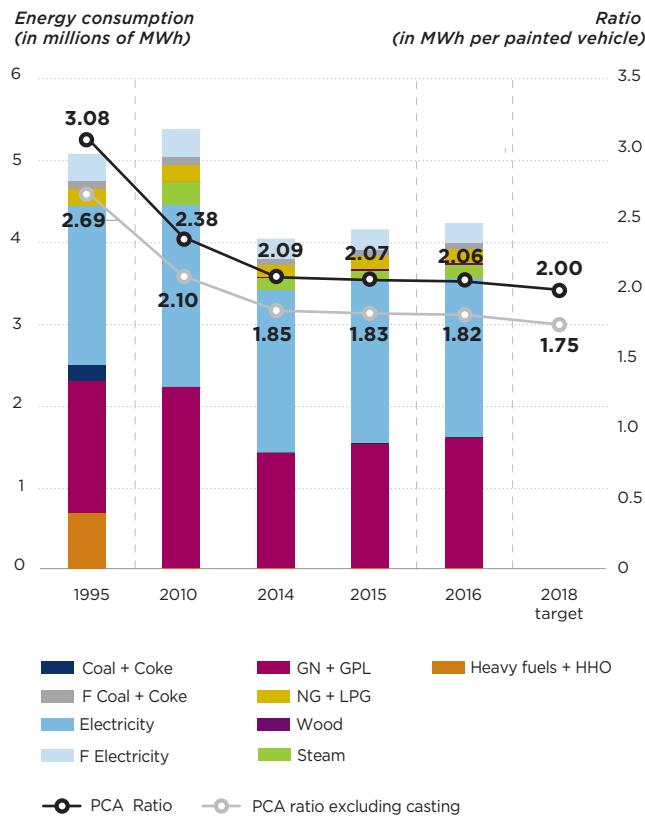
energy management strategies have helped to improve energy performance and reduce greenhouse gas emissions.

Today, the success of this energy consumption management policy, which has now reached maturity, is recognised. Accordingly, the Group has four plants with ISO 50001 certification: Sochaux was the first French manufacturing plant, followed by Mulhouse and Trnava, and lastly the IT centre of Bessoncourt, which obtained certification in December 2014. This shows the increasing management of energy consumption by the Group's manufacturing plants and the Industrial Department's commitment to reducing its carbon footprint. This proactive certification strategy also made it possible to standardise our own energy management system, to confirm its compliance with the standard's requirements, and to obtain approval of its effectiveness.

#### Change in energy consumption

This graph shows the energy consumption of the Automotive Division with and without casting. This presents Group data that can be compared with data from other manufacturers in the sector without casting operations.

Within the Automotive Division, vehicle production uses energy for widely varied manufacturing processes: casting, machining, paint curing and heat treatment, in addition to the lighting and heating of the buildings.



Energy consumption has changed significantly since 1995, whereas the ratio per painted vehicle has decreased substantially. The reasons for this change are as follows:

- increased vehicle production;
- changing production processes. The painting processes, which represent the largest part of the plants' energy consumption, have seen major changes. The roll-out of water-based paints, enabling the reduction of VOC emissions, led to a slight increase in the energy used, on account of higher drying temperatures. However, this increase was more than offset by the roll-out of so-called short-range paint processes, with one fewer stage, thereby reducing energy consumption. Nickel-free surface treatment also created an opportunity for a more energy-efficient process;
- the implementation of the energy management system. This managerial approach involves operators of production machinery and initially targeted the reduction of energy losses in non-production phases: that is the principle of the base load. The following stage consists in developing solutions to reduce consumption during the other production phases. Good ideas are also shared during Business Club meetings and the resulting good practices are then rolled out across all the plants.

In 2016, the Automotive Division continued to reduce its energy consumption per vehicle produced. The strategy is in keeping with the targets for 2018. This trend supports the action plans undertaken.

In addition, the Group is continuing its co-generation contracts at Sochaux, Rennes and Mulhouse, and preparing to connect a new facility at the Sevel Nord plant to supply the Painting process with warm water. This new facility will reduce the plant's gas consumption,

and generate a very good output via the accumulated production of steam for Sevel Nord and of electricity for the neighbouring municipality.

The geographic distribution of PCA's overall energy consumption in 2016 was as follows: 94% for the European Union and 6% for the rest of the world, reflecting the difficulties encountered by automotive markets in Russia and Latin America.

## Reduction in energy consumption

### Within the Automotive Division (PCA)

Following on from 2015, which saw many changes to processes affecting energy consumption (such as short-range paint processes in Madrid, Mangualde and Sochaux), the actions implemented in 2016 can be divided into three categories:

- the continued roll-out of LED lighting as part of a multi-year plan in Sochaux, Trnava and Mangualde and at La Ferté-Vidame, with savings of approximately 2,500 MWh;
- the roll-out of good practices, such as the installation of variable speed drives in various equipment;
- the roll-out of actions specific to each site, such as optimised fusion in the metal casting sector of the Charleville plant, and water heat recovery in the ferrage sector to heat the ambient air in Trnava, and even optimised air management in the Sevel Nord painting workshop.

These actions generated electricity savings of 20,000 MWh and approximately 40,000 MWh NCV of natural gas.

Moreover, all the plants initiated compaction plans to reduce their production areas, thereby reducing the surface to be heated. These highly ambitious plans are starting to be rolled out in Sochaux and at Française de Mécanique, with the sale of buildings taken over by other manufacturers. At other plants, the vacated space was rented to suppliers who then occupied the plant. In other cases, this extra space was used to reintroduce businesses within certain buildings that were previously established elsewhere. Accordingly, the Madrid plant now houses the automotive spare parts centre for Spain, previously located in Pinto. For these situations, energy savings are not quantified by the site directly, but the shortened supply chain can be assessed. These plans often involve profound changes to production lines, and the relocation of resources. They will continue over the next few years.

### In dealership networks

In 2016, as part of carrying out bulk energy purchases, PSA Retail benefited from a new smart metering system linked directly to suppliers, enabling the detailed and real-time measurement of energy use (electricity & gas). As such, consumption is measured automatically, hour by hour, directly on the meters located at the points of sale.

On this basis, the Group coordinates the network to guide it towards the best practices and ensure that all the plants within the scope limit their energy use to the strict minimum. The goal is to reduce the France network's overall energy consumption by 15% by 2018, compared with 2015.

Smart metering is implemented throughout all PSA Retail France points of sale. This tool will be rolled out in Europe in 2017/2018. Since 2012, the network has experienced ongoing transformations in order to pool its points of sale, thereby helping to reduce its environmental footprint. Once the network has been optimised, the aim will be to equip each point of sale within the consolidated Group with a smart metering system.

Moreover, within the framework of European Directive No. 2012/27/EU related to energy efficiency, the Group coordinated an energy audit in 2016 to be carried out across some 15 retail dealerships in France. An action plan was developed to optimise energy consumption by 2020.

As part of the same effort to ensure energy efficiency in the Group's buildings, the brand dealership network has started building a spare parts distribution centre in Niedersachsen, Saxony. This site of 20,000 sq.m. will meet the highest environmental standards: insulation, smart lighting, toilets with low water consumption, water heater supplemented with solar energy, and electric charging stations. Construction was completed in April 2016.

## 5.2.2. Managing industrial greenhouse gas emissions

In light of the environmental challenges related to greenhouse gas emissions, and considering that industrial greenhouse gas emissions represent 2% of the vehicle's carbon footprint throughout its life cycle, the Industrial Department continued its discussions regarding a strategy towards reduced CO<sub>2</sub> emissions by 2025. The intermediate target of 300 kg per vehicle produced in 2018 will be revised downwards. It should be noted that these targets were also established for a scope that does not include casting consumption so that the Group's results can be compared with those of other manufacturers that have no casting facilities.

### 5.2.2.1. GREENHOUSE GAS EMISSIONS

**G.32** **G4-EN4** **G4-EN15** **G4-EN16**

*Note: 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.*

(unit: t)	Year	CO <sub>2</sub>	N <sub>2</sub> O	CH <sub>4</sub>	Direct 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 (scope 1 + scope 2)
<b>Automotive Division</b>	<b>2016</b>	<b>394,434</b>	<b>16.08</b>	<b>27.21</b>	<b>399,991</b>	<b>5,591</b>	<b>161,513</b>	<b>561,504</b>
	2015	374,740	15.3	25.87	380,025	5,263	185,312	565,338
	2014	343,212	13.9	22.1	347,813	4,859	181,884	529,696
<b>o/w PCA France</b>	<b>2016</b>	<b>277,471</b>	<b>10.98</b>	<b>19.09</b>	<b>281,274</b>	<b>5,591</b>	<b>68,050</b>	<b>349,325</b>
	2015	262,265	10.4	18.1	265,862	5,263	73,131	338,994
	2014	230,778	9.0	14.3	233,755	4,859	64,307	298,061
<b>Automotive trade</b>	<b>2016</b>	<b>23,375</b>	<b>0.97</b>	<b>1.53</b>	<b>23,697</b>		<b>25,456</b>	<b>49,154</b>
	2015	25,516	1.06	1.65	25,867	0	29,970	55,836
	2014	28,240	1.2	1.8	28,620	-	32,186	60,807
<b>TOTAL</b>	<b>2016</b>	<b>417,809</b>	<b>17.05</b>	<b>28.74</b>	<b>423,688</b>	<b>5,591</b>	<b>186,969</b>	<b>610,658</b>
	2015	400,256	16.4	27.52	405,892	5,263	215,282	621,174
	2014	374,242	15.2	24.1	379,264	4,859	214,228	593,492

\* Greenhouse gas emissions from the combustion of biomass are not included in direct emissions in accordance with the GHG Protocol guidelines. Direct GHG emissions expressed in t CO<sub>2</sub> eq. are calculated by applying coefficients (global warming potential) 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 from electricity and steam purchases in compliance with emission factors obtained from suppliers for steam, based on the previous year's electricity factors.

**Within PCA**, GHG emissions in 2016 returned to the levels recorded in 2014, at a ratio of 276 kg per vehicle. This result is slightly ahead of the roadmap set. This roadmap forms part of the Group's contribution towards achieving the Paris Agreement target of limiting global warming to 2°C in 2050. In operational terms, this commitment is demonstrated by a 2.1% reduction in GHG emissions every year between 2010 and 2050. The forecast established in 2016 and approved by the SBTi (Science Based Target Initiative) for scopes 1 and 2 show that the Group is in line with this roadmap. The actions initiated over several years, such as replacing heavy fuel with gas, installing a wood furnace in Vesoul supplied with broken pallets on-site, efforts made to improve production processes – such

as short-range painting processes, and the roll-out of renewable energy supplies as in Trnava and Porto Real – are bearing fruit and will be continued in the coming years.

This study looking ahead to 2025 also illustrated the sensitivity of GHG emissions to weather conditions. About one-third of gas consumption is used to heat buildings, and the difference between a severe winter and a mild winter leads to a fluctuation in GHG emissions of approximately 15%. In 2016, the cool and humid spring resulted in gas consumption for heating over a longer period than usual. Contrary to 2015, when weather conditions could not be completely offset by progress in energy management processes, the results for 2016 reflect such progress.

The study also measured the impact of the Group's geographical locations, in particular on indirect emissions due to factors such as electricity production. This chapter's findings are included in our account of the implementation of renewable energies, and the priorities for action with local partners. The contract entered into by Trnava for the supply of 100% renewable energy is the first illustration of this approach.

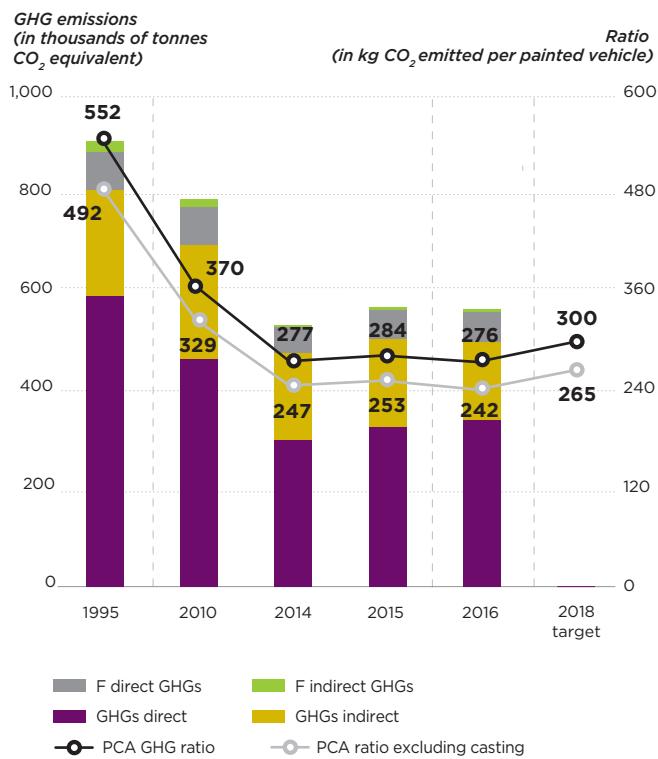
**The brand results** indicated above refer to the same proportion of sites as that of energy consumption (see 5.2.1.1.).

### 5.2.2.2. CHANGES IN AND INTENSITY OF GREENHOUSE GAS EMISSIONS

G.33 G4-EN18 G4-EN19

#### Changes in greenhouse gas emissions (GHG)

(Automotive Division)



Note: data for indirect emissions for 1995 were calculated using electric emissions factors proposed by the IEA for this same year.

This graph shows the energy consumption for PCA including and excluding foundry. This presents Group data that can be compared with data from other manufacturers in the sector without casting operations.

The graph demonstrates that a milestone was reached in 2014 and that the results obtained are currently being consolidated. The aforementioned actions show their efficiency over time, including the management actions. The study carried out in 2016 looking ahead to 2025 identifies the Group's strengths and weaknesses, and suggests strategic orientations to strengthen the roadmap for reducing industrial GHG emissions. The geographical breakdown of direct greenhouse gas emissions in 2016 was as follows: 88% for the European Union and 12% for the rest of the world. For indirect emissions, this breakdown amounted to 79% for Europe and 21% for the rest of the world. This difference illustrates the impact of local electricity production methods on the Group's GHG emissions.

### 5.2.2.3. A ROADMAP IN LINE WITH THE COP21 COMMITMENTS: AVOIDING GREENHOUSE GAS EMISSIONS

The actions taken towards energy savings, described above, can be reflected in CO<sub>2</sub> emissions. Although the impact related to scope 2 on electricity consumption is relatively limited, given that most of the operations are carried out in France (a country with low-carbon electricity), or in Slovakia, where Trnava is powered by renewable energy, the impact of reduced gas consumption is more significant and can be estimated to generate savings of approximately 8,500 t CO<sub>2</sub> eq..

The transition to renewable energy in Trnava and Porto Real reduced indirect CO<sub>2</sub> emissions by 17,000 t CO<sub>2</sub> eq.

However, the sensitivity of consumption to weather conditions generated an increase in emissions of approximately 12,000 t CO<sub>2</sub> eq.

### 5.2.3. Participation in the CO<sub>2</sub> emission allowance scheme G.20 G.32

The Group is part of the scope of application of the CO<sub>2</sub> allowance trading scheme implemented by European Directive No. 2003/87/EC amended for combustion operations (heating and processes) of its largest plants and for one of its castings. 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 and Vigo in Spain).

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

Year	Free allocations (quotas)	Emissions* (tonnes of CO <sub>2</sub> )
2014	292,449	250,174
2015	359,802	257,558
<b>2016</b>	<b>353,181</b>	<b>265,816</b>

\* Sum of verified PSA Group emissions and theoretical emissions related to purchased steam, for which we receive allowances.

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

### 5.2.4. Use of renewable energy G.20 G.32

The share of renewable energies used by the Group, beyond the electricity generated by photovoltaic panels at the Sochaux site, amounted to 397,825 MWh for manufacturing operations, i.e. 18.3% of the electricity used. The share of renewable electricity has improved in all countries, except in France.

These data are included in the table in section 5.2.1.1 as of 2015. They were communicated to the Group by its energy suppliers at each site. As it is tricky to reconstruct the history on the same basis, the year 2014 is not included. The share of renewable energy use is similar for the dealerships.

As part of establishing the Group's CO<sub>2</sub> roadmap for 2025, discussions are being held on the roll-out of renewable energies and the priorities in terms of actions with local partners. Accordingly, the analysis of the market and of green energy offers enabled the Trnava plant (in Slovakia) to sign a contract for the supply of renewable electricity to cover all of its requirements as of 2016. In Brazil, the Porto Real plant is also powered by 100% renewable electricity.

## 2 MANUFACTURING PLANTS 100% POWERED BY RENEWABLE ENERGY

These initiatives form part of the approach introduced in 2012 with the installation of a wood furnace in Vesoul to replace the former heavy fuel heating methods, and with the installation of photovoltaic panels in Sochaux with the support of the Group's partners.

In 2016, 16,881 MWh were thus produced from wood waste generated at the Vesoul plant. This approach helps to achieve two targets: reducing the volumes of waste transported and eliminated elsewhere, and reducing CO<sub>2</sub> emissions (5,591 tonnes of CO<sub>2</sub> generated from fossil fuel). The transition to renewable energy at Trnava and Porto Real reduced indirect CO<sub>2</sub> emissions by 17,000 t CO<sub>2</sub> eq.

**16,881 MWH**

GENERATED AT THE VESOUL PLANT IN 2016  
THANKS TO ON-SITE ENERGY RECOVERY  
FROM WOOD WASTE, REPRESENTING OVER 20%  
OF THE PLANT'S TOTAL ENERGY USE

Furthermore, as part of the project to establish the Kenitra automobile manufacturing plant in Morocco, the Group is reviewing the possibility of installing solar power generation panels, with the aim of starting the vehicle production and solar power generation processes at the same time. The Group would provide an energy operator with the buildings' roof surfaces (about 65,000 sq.m.), storage areas for new vehicles (about 32,000 sq.m.) and parking areas for staff vehicles (about 6,000 sq.m.). The operator would install and operate the photovoltaic panels, and resell the electricity produced (estimated at about 14,500 MWh per year) on the local market. The Group decided to conduct this study with EDF ENR Solaire (subsidiary of EDF Energies Nouvelles), the French leader in the manufacturing and operation of roof photovoltaic generators, already established in Morocco.

The renewable energy supply will continue to be rolled out in the coming years.

## 5.2.5. Environmental optimisation of logistics and travel G.32 G.33 G4-EN4 G4-EN30

The environmental impact of transport is far-reaching, from localised pollution (sound, air pollution, etc.) to global warming. Evaluating the impact of transporting the products, goods and materials through the supply chain (from the purchase of raw materials to network distribution) and staff travel are part and parcel of the global environmental strategy planning process.

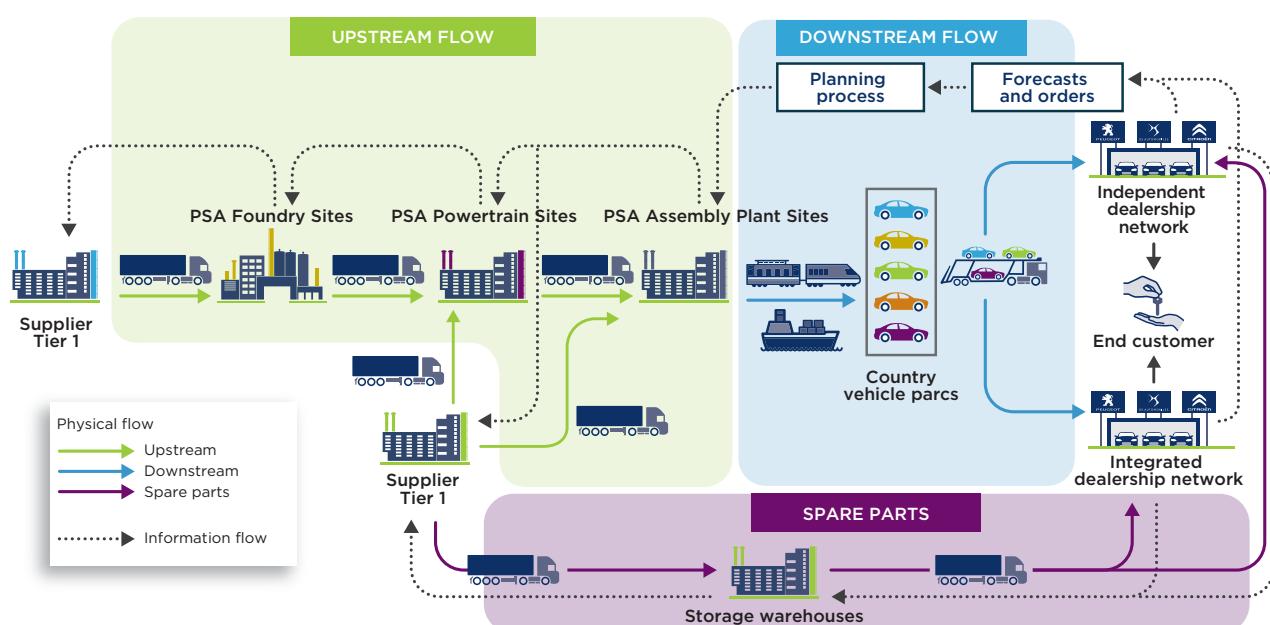
### 5.2.5.1. IMPACT OF LOGISTICS OPERATIONS ON THE CARBON FOOTPRINT OF THE GROUP'S MANUFACTURING OPERATIONS G4-EN17

The PSA Group's logistics operations are part of scope 3 and represent only a small share (1.3%) of the Group's total CO<sub>2</sub> emissions (see section 2.1).

However, when defining the environmental policy of the Industrial Department, the logistics operations were identified as having a core impact on the carbon footprint of the Group's manufacturing operations. Studies conducted to quantify the current impact of the supply chain make it possible to build the "logistics carbon footprint 2018-2022" roadmap, based on the supply chain master plan which sets out the main long-term objectives in terms of logistics.

#### Diagram of the supply chain

The Supply Chain encompasses all the Group players in charge of all the physical workflows and the information flows, from suppliers to end customers. Company employees and suppliers are working on a joint improvement initiative aimed at increasing client satisfaction in terms of leadtimes and quality, optimising inventories and reducing the cost and environmental impact of transport.



#### The PSA Group's transport policy

The PSA Group is a key French automotive manufacturer on the world market and manages thousands of flows on a daily basis, from sourcing supplies for its plants to delivering vehicles and spare parts to its clients.

#### Subcontracting transport

The PSA Group and GEFCO have signed a new exclusivity agreement under which the car manufacturer entrusts GEFCO with the management and optimisation of its entire global manufacturing supply chain, from supplying components to the production and assembly plants to distributing finished vehicles, in compliance with the social and environmental requirements set out by the PSA Group. These upstream and downstream logistics operations are

supplemented with the distribution of spare parts. This agreement concerns the design and implementation of comprehensive logistics and transport solutions for the car manufacturer's three brands: PEUGEOT, CITROËN and DS.

#### FOR more INFORMATION

**"GEFCO awarded €8 billion contract to optimise PSA Group's global supply chain"** 03/11/2016 press release:  
<http://media.groupe-psa.com/en/communiques-de-presse/groupe/gefco-awarded-e8-billion-contract-optimise-psa-group/>

**GEFCO's website:** <http://fr.gefco.net/developpement-durable>

### Governance of the exclusivity agreement with GEFCO

GEFCO is a strategic supplier of the PSA Group. As such, it is fully involved in the Group's strategy for assessing social and environmental performance, as conducted with the Group's service provider EcoVadis. Its results are regularly monitored at the highest level of the Company under a Corporate Business Review (see section 4.1.1).

All of GEFCO's sites have ISO 9001 certification, and some of them have ISO 14001 certification. In particular, the Group is committed to implementing a strict sustainable development policy with the following aims:

- make every effort to use the least polluting transport methods available, in line with the most stringent environmental standards;
- prioritise alternatives to road transport;
- comply, and ensure its subcontractors comply with all legislation and regulations in force in the country in question, specifically that all heavy goods vehicles used in the European Union will meet the Euro 4 standard and above, and any vehicles replaced in the fleet will meet Euro 5 as a minimum requirement.

The deployment of the target architecture of procurement and vehicle distribution flows initiated in 2014 is aimed at improving transport costs upstream (parts) and downstream (vehicles) and reducing the environmental impact:

- a CO<sub>2</sub> evaluation module will assess the environmental impact of the different scenarios on an ongoing basis, thereby producing the best possible transport plans;
- to further improve efficiency, all parts transported from suppliers to all PSA Group European plants will be pooled. This bulk transport reduces the number of trucks on the road;
- the Group is also exploring alternatives to road transport and increasing its use of rail and river transport. Currently under review for 2019: transporting parts from Eastern Europe to certain French plants by rail could remove a large number of trucks from the roads each day, thus reducing CO<sub>2</sub> emissions by thousands of tonnes a year.

### THE DIFFERENT FLOWS BROKEN DOWN BY MODE OF TRANSPORT (SCOPE: WORLD EXCLUDING JVS, 2016)

Breakdown in tonnes of goods or vehicles transported, by mode of transport	Upstream flow	Downstream flow
Air	0%	-
Rail	0%	15%
Road	98%	69%
River/sea	2%	16%

### Actions undertaken by the PSA Group

Actions	Levers used	Gains/results obtained
Optimisation of packaging and volumes transported	All packaging is sustainable and reusable.	Waste reduction: the reuse of sustainable containers (for 98% of sustainable packaging) in new vehicle projects is growing, by taking into account catalogue parts of existing containers at the design stage, rather than developing them separately.
	DESIGN To LOGISTICS initiative launched at the end of 2013 to track the transport impact of parts right from the design phase. Technical specifications for logistics (TSFLs) have been drawn up for the large majority of part families, setting out our logistics requirements for our research and development centres.	Volume of parts transported for a new vehicle reduced by 1 m <sup>3</sup> minimum (compared with the vehicle replaced or equivalent). This rationale is built into the specifications of vehicle projects with a launch date later than 2016. The same approach has also been extended to vehicles already on sale (optimisation during the vehicle lifetime).
Reduced industrial waste	Capital expenditure in a second casting sand thermal regeneration plant.	Reduction of 10,000 tonnes in volumes processed externally, which represents approximately 300 truck shipments and 85 t CO <sub>2</sub> eq. emissions prevented each year.
Roll-out of the PSA Group CSR policy among transport and logistics suppliers	Organisation of an event grouping together more than 100 logistics providers in Berlin in October 2016.	Service providers made aware of car manufacturers' expectations in terms of CSR policy.

## Actions undertaken by the PSA Group in collaboration with GEFCO

Actions	Levers used	Gains/results obtained
Fill rate of the trucks	Implementation of a tool for 3D visualisation of the theoretical loading of HGVs based on daily orders sent to suppliers Pooling of flows between several suppliers, <i>Milk runs</i> , regular optimisation of the uplift frequency	For “fixed rate” trucks (which we pay in full for our plants), we are achieving fill rates of over 90% for delivering parts to the factories and between 70% and 80% for returning empty packagings to the suppliers, depending on the plant. The fill rate of the trucks arriving at the plants is measured and action plans put in place if any anomalies are detected.
Intercontinental flows	Redesign of procurement flows	<ul style="list-style-type: none"> <li>› Parts from suppliers located in eastern France destined for the Argentina plant now transit through Sausheim in Alsace to reach the port of Antwerp by barge, from where they are exported.</li> <li>› Since 2016, flows from Italy to the Kaluga plant (Russia) pass through Trnava (Slovakia) instead of Sausheim, which reduces the road journey by 460 km every time, representing 19 t CO<sub>2</sub> per year.</li> <li>› For the production plant due to be completed in Morocco in 2019, a rail solution is being examined to carry around 90% of vehicle production from the future plant to the port of Tangier, as soon as production has been launched.</li> </ul>
Use of multimodal transport	Move to more environmentally-friendly modes of transport (already high usage of rail transport and use of sea transport)	<ul style="list-style-type: none"> <li>› Reduction of road traffic and the corresponding pollution: Maritime experience in Europe: a regular shuttle between Saint-Nazaire and Vigo (sea highway) has been used for several years. The frequency increased from two to three rotations per week in 2015. In 2016, this route was used by 13,523 trucks. In this way, each truck reduces its road journey by 1,300 km, thus helping to ease congestion and reducing polluting emissions.</li> <li>› Upstream, GEFCO assessed the opportunities to replace road traffic with rail traffic: for example, a weekly traffic flow between North Italy and Valenciennes, via Belgium, is carried out via a container on a train, reducing CO<sub>2</sub> emissions by 122 tonnes per year.</li> <li>› The China Europe Express Train line, which is nearly 11,000 km long and stretches from Duisburg (Germany) to Chongqing (China), already used in 2015 to send gearboxes from Valenciennes to Wuhan (DPCA), is being reviewed as an alternative to air travel to help provide supplies to the 2<sup>nd</sup> Chinese joint venture CAPSA as well as supplies from China to European plants.</li> </ul>
Development of downstream vehicle logistics	Roll-out since 2015 by the Supply Chain Department of a project to develop downstream logistics for vehicles produced in Europe to optimise the distribution costs and times as part of the Supply Chain Master Plan.	<p>This action plan is essentially two-pronged:</p> <ul style="list-style-type: none"> <li>› reduction of the distance covered by new vehicles by increasingly distributing vehicles direct from our assembly plants and transporting them once the final destination is known, thereby avoiding transport to an intermediate storage facility;</li> <li>› development of cheaper and cleaner rail transport with regular trains between plants.</li> </ul> <p>In 2016, the stakes associated with rolling out this organisational project were valued at 10,000 t of CO<sub>2</sub>.</p>

Actions	Levers used	Gains/results obtained
Deployment of an external cross-docking solution	Reorganisation of GEFICO's logistics grouping centres in Europe has started, as part of the Supply Chain Master Plan.	<p>Transport optimisation and consolidation for the collection of parts from suppliers transiting through cross-docks (logistics platform) as a result of pooled collection between plants and reduction in the number of collections for the PSA Group (by standardising the frequency of collection for all plants). Since 2015, cross-docks have been rolled out in Lyon, Prague, Madrid, Miranda, Barcelona, Sochaux, Mainz and Valenciennes. In 2017, the last two cross-docks will be rolled out in Gennevilliers and Chatoroux. Further optimisation is planned for 2018 with the development of information systems. That will lead to a decrease in the number of shipments between cross-docks and European plants, with optimised truck loading. Accordingly, at the Prague cross-dock, the number of shipments to plants has fallen by 60% compared with previous shipments. As a whole, the cross-docks resulted in an avoided discharge of 1,786 t CO<sub>2</sub> eq in 2016.</p>
Implementing Gigaliner shipments	Commissioning of a new type of truck, in line with the new Spanish legislation.	Studies and roll-outs at the Madrid and Vigo plants of shipments by Gigaliner trucks, measuring 25 meters length, and able to transport more goods with a single tractor than a standard semi-trailer, thereby saving 16% in CO <sub>2</sub> per tonne transported.

## Summary of greenhouse gas emissions per type of shipment

Scope (World excluding joint ventures)	Mode of transport	In t CO <sub>2</sub> based on the former calculation method		In t CO <sub>2</sub> eq. based on method <sup>(1)</sup>	
		CO <sub>2</sub> emissions in tonnes - 2014	CO <sub>2</sub> emissions in tonnes - 2015	CO <sub>2</sub> eq. emissions in tonnes - 2016	
<b>TOTAL</b>		<b>442,463</b>	<b>443,252</b>	<b>534,506</b>	
<b>Upstream transport</b>	Road	221,255	77%	238,435	79%
	Air	16,430	6%	26,046	9%
	Rail	1,199	0%	2	0%
	Sea	47,385	17%	38,940	13%
<b>Total</b>		<b>286,269</b>	<b>100%</b>	<b>303,423</b>	<b>100%</b>
Ratio of tonnes of CO <sub>2</sub> from transport/vehicle produced upstream		0.153		0.154	0.192
<b>RATIO OF TONNES OF CO<sub>2</sub>/(M KM X M VEH) UPSTREAM<sup>(2)</sup></b>		104		104	133
<b>Downstream transport</b>	Road	126,732	81%	108,314	77%
	Rail	6,615	4%	8,128	6%
	Sea	22,847	15%	23,387	17%
<b>Total</b>		<b>156,194</b>	<b>100%</b>	<b>139,829</b>	<b>100%</b>
Ratio of tonnes of CO <sub>2</sub> from transport/vehicle distributed downstream		0.063		0.058	0.071
<b>RATIO OF TONNES OF CO<sub>2</sub>/(M KM X M VEH) DOWNSTREAM*</b>		23.8		21.0	21.2

(1) In 2016, the methodology for assessing greenhouse gas emissions, prepared by GEFICO in collaboration with Eco Transit World, became more precise. Previously, emission factors per tonne-kilometre and by mode of transport were used, whereas energy consumption is now indicated for each shipment and by mode of transport, incorporating an emission factor corresponding to said energy consumption. This is done in CO<sub>2</sub> equivalent (thereby including other greenhouse gases) and no longer only in CO<sub>2</sub>. Moreover, the scope for downstream distribution now includes capillary flows through to the dealerships.

(2) This ratio is more representative of transport performance: it takes into account the distance covered (and therefore changes in flows and new flows) and the number of vehicles or m<sup>3</sup> transported. Performance can then be compared on a like-for-like basis.



## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

5.2. Energy and carbon footprint of manufacturing and logistics operations

### 5.2.5.2. RESTRUCTURING EMPLOYEE TRAVEL G4-EN4 G4-EN17

#### GROUP EMPLOYEES' WORK-RELATED TRAVEL – GLOBAL CARBON EMISSION REPORT ON A WORLDWIDE PERIMETER

(in kg of CO<sub>2</sub>)

	Plane	Train	Car
2015	16,595	146,258	111,347
<b>2016</b>	<b>17,138,436</b>	<b>125,307</b>	<b>131,474</b>

The Group's action to restructure employee travel focuses on six initiatives:

- **remote working:** under the terms of the New Social Contract, remote working has been progressively rolled out Group-wide since the start of the year. Within one year, 2,735 employees chose this new working method. The Group is now positioned as one of the leading employers of remote workers;
- **establish an annual programme of 25 days of remote work:** as part of the new performance agreement called the "New Momentum for Growth", this innovation in terms of quality of life at work – which consists in creating an annual programme of 25 days of remote work for each calendar year – will enable employees to occasionally perform their duties from their main residence or from a personal residence in France, or even from an external work place;
- **encourage the use of remote meeting tools** (audio, online meeting system, video conferences). The number of business trips fell by 1% between 2015 and 2016:
  - for meetings involving several attendees in different geographical regions, the Group acquired video conferencing software in early 2010 so that meetings could be attended remotely. Thus several people separated by considerable distances can hold a meeting as though they were in the same room. This easy-to-use technology facilitates exchange between teams located at different PSA Group site locations. Video-conferencing rooms have been installed at 12 Group sites worldwide,
- **for small committee meetings, all the Group's laptops are equipped with an audio and video system;**
- **operate shuttles between Group sites:** as part of the launch of a new vehicle project in Spain, a shuttle bus is operated between PORTO Airport and the PSA VIGO PLANT, which helps to avoid individual travel by rental car;
- **offer a car-sharing solution:** the Group develops a car-sharing solution for its employees, called Free2Move Fleet Sharing. This mobility service, currently being trialled at the Group's sites in the Paris region among a population of PSA Group testers, addresses the various mobility needs of employees. Thanks to Free2Move Fleet Sharing, employees can book their vehicle between 48 hours and 5 minutes prior to departure. The vehicle is unlocked using the staff pass: there is no need to go and collect the keys. Vehicles can be kept for up to 48 consecutive hours;
- **prioritise rail travel on the following routes:** Paris-Bordeaux, Paris-Lyon, Paris-Marseille, Paris-Mulhouse, Paris-Nantes, Paris-Rennes, Paris-Sochaux, Paris-Strasbourg, Paris-Amsterdam;
- **reduce the average emissions of the service vehicle fleet:** the Group makes service vehicles available to employees for their work-related travel. The fleets are mainly multipurpose vehicles for medium distance travel, but there are also city vehicles available for use between the Paris sites. Since January 2014, there has been a drive to incorporate lower CO<sub>2</sub> emission cars in the fleet.

#### AVERAGE CO<sub>2</sub> EMISSIONS FROM COMPANY VEHICLES\* – FRANCE

(in g/km)	2013	2014	2015	2016
CO <sub>2</sub> level	116	114	108	106

\* Vehicles reserved for employee travel (excluding commercial vehicles).

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

G4-DMA

The third aspect identified in the Industrial Department's environment policy is to manage the impacts of industrial facilities on the environment. This aspect reflects a will to manage the impacts of using chemical products in the Group's operations,

mainly components, stamping and painting. The main impacts being targeted are air pollution by atmospheric pollutant emissions such as VOCs and substances harmful to the ozone layer, prevention of soil pollution, biodiversity and accidental discharges.

### 5.3.1. Air Quality G.24

The Group is working to limit sulphur oxide and nitrogen oxide emissions into the air as well as volatile organic compounds, which are regulated, because these pollutants are involved in acidification

processes (formation of acid rain), eutrophication (disruption of the biological balance due to excess nitrogen) and photochemical pollution (formation of oxidising compounds, such as ozone).

#### 5.3.1.1. EMISSIONS OF REGULATED AIR POLLUTANTS G4-EN21

##### VOC (volatile organic compound) emissions

Identified as ozone-producing pollutants in the late 1980s, volatile organic compounds (VOCs) are closely monitored and an action plan to reduce them has been implemented.

Within PCA, although overall VOC emissions from the Group's paint workshop facilities are marginal with respect to overall French VOC emissions into the air (less than 1% of anthropogenic emissions in France, i.e. 689 kt; source CITEPA: Inventory of air pollutant and greenhouse gas emissions (GHG) in France 2014), they still represent the main environmental challenge with respect to site-by-site emissions.

#### VOC EMISSIONS OF BODY STRUCTURE PAINT WORKSHOP FACILITIES BY OPERATION

(unit: t)	Year	VOCs (tonnes)	Ratio (in kg per vehicle produced)
<b>Automotive Division</b>	<b>2016</b>	<b>5,506</b>	<b>2.7</b>
	2015	5,354	2.69
	2014	5,393	2.82
<b>o/w PCA France</b>	<b>2016</b>	<b>1,617</b>	<b>1.78</b>
	2015	1,610	1.77
	2014	1,707	1.93
<b>Automotive trade</b>	<b>2016</b>	<b>nc</b>	<b>nc</b>
	2015	nc	nc
<b>TOTAL</b>	<b>2016</b>	<b>5,506</b>	<b>2.7</b>
	2015	5,354	2.69
	2014	5,399	-

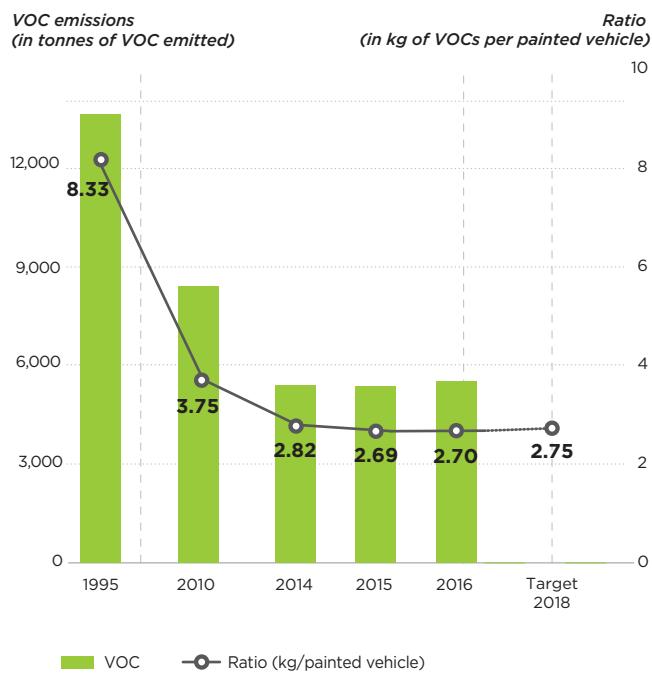
VOCs: volatile organic compounds.

N/A: not applicable.

VOC emissions from PCA's paint shop facilities are determined using a material assessment method that complies with the principles of European Directive No. 2010/75/EU on industrial emissions.

### Change in VOC emissions of body structure paint shop facilities

(PCA scope)



The policy to reduce these compounds is built around the following four areas:

- optimising paint shops by reducing consumption of paints (and thus solvents) by using processes with higher application efficiency, by selecting low-solvent paints and by recycling used solvents;
- implementing low-emission technologies in the new paint shops;
- 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, which involves using the best available technology (BAT), has enabled the Group not only to reduce its VOC emissions

per vehicle in its paint shop facilities by 65% since 1995, but also for each plant to stay within the limits set out in the VOCs (volatile organic compounds) chapter of Directive 2010/75/EU on industrial emissions, which came into force in 2010.

Continued systematic implementation of the best available technologies at cost-effective prices has enabled the Group to steadily improve its performance. VOC emissions per vehicle produced have been below 3 kg since 2013, with 2.70 kg of VOC emissions per vehicle produced in 2016.

2016 marks a stabilisation in VOC emissions by the Group's plants. This situation is due to the combination of three phenomena. On the one hand, the new vehicles released for production generate a slight increase in painted surfaces, resulting in the proportional consumption of paints and solvents (PEUGEOT Traveller and CITROËN Spacetourer in Sevel-Nord, and PEUGEOT 3008 in Sochaux). On the other hand, the commercial offer has expanded and, after DS3, the Group now offers new versions of two-tone vehicles (C3) with two paint colours. This operation also generates an increase in VOC emissions. However, actions to improve application conditions, the modernisation of manufacturing ranges and the continued development of short-range processes, together with the sharing of good practices with respect to maintenance and cleaning operations (which generate VOC emissions) enabled significant progress, in particular at Vigo, and are offsetting these increases.

This strategy for controlling VOC emissions (investing resources, using low-emission products, etc.) also applies to components factories using surface treatments.

The geographic distribution of VOC emissions in 2016 is as follows: 90% for the European Union and 10% for the rest of the world.

### SO<sub>2</sub> and NO<sub>2</sub> emissions

The discontinued use of heavy fuel oil at the plants in 2012, and its replacement by gas, brought SO<sub>2</sub> emissions at plants down to around five tonnes per year.

NO<sub>2</sub> emissions are controlled through the modernisation of the fleet of combustion facilities and the introduction of low-NO<sub>x</sub> burners. The major plans to renovate these boilers have arrived at completion and are yielding the expected results. Emissions are now below 400 tonnes per year in the industrial area, which is still the Group's main contributor.

### DIRECT SO<sub>2</sub> AND NO<sub>2</sub> EMISSIONS PER BUSINESS, IN TONNES

Entities	Year	SO <sub>2</sub>	NO <sub>2</sub>
<b>Automotive Division</b>	<b>2016</b>	<b>5.05</b>	<b>392.87</b>
	2015	4.42	373.3
	2014	4.9	344.7
<b>o/w PCA France</b>	<b>2016</b>	<b>3.36</b>	<b>269.97</b>
	2015	3.18	255.2
	2014	3.7	226.6
<b>2016</b>	<b>3.49</b>	<b>25.25</b>	
<b>Automotive trade</b>	2015	4.1	27.6
	2014	5.4	30.8
<b>TOTAL</b>	<b>2016</b>	<b>8.54</b>	<b>418.12</b>
	2015	8.5	400.9
	2014	10.4	378.4

SO<sub>2</sub> = Sulphur dioxide - NO<sub>2</sub> = Nitrogen dioxide.

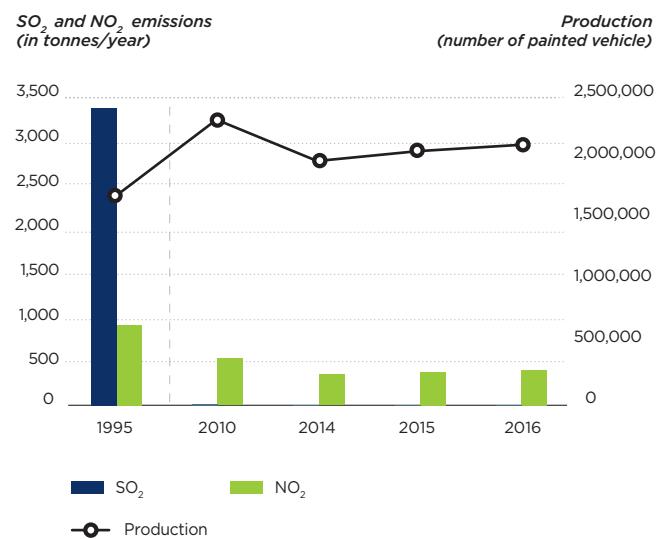
Note: Direct SO<sub>2</sub>/NO<sub>2</sub> emissions are calculated based on primary energy consumption according to applicable regulations.

The slight fluctuations observed in emissions between 2015 and 2016 are due to the increased consumption of home heating oil in Argentina to offer additional heating in the plant, and increased consumption of coke at Sept-Fons. The coke is used exclusively in the iron casting development process.

Data from the PEUGEOT and CITROËN brands were reported from the same percentage of sites as those reporting direct energy consumption (see section 5.2.1.).

#### Change in direct SO<sub>2</sub> and NO<sub>2</sub> emissions

(Automotive Division)



All of this progress helps to improve air quality at the plants.

The geographic distribution of SO<sub>2</sub> emissions in 2016 was as follows: 86% for the European Union and 14% for the rest of the world.

The geographic distribution of NO<sub>2</sub> emissions in 2016 was as follows: 93% for the European Union and 7% for the rest of the world.

#### 5.3.2. Preventing chemical risks (G.20)

##### 5.3.2.1. INDUSTRIAL CHEMICAL RISKS

The Group strives to rigorously manage the use of chemical products defined as hazardous, at all of its plants.

Therefore, when a new chemical product is introduced at a plant, it is analysed by a network of experts, who check the nature and acceptability of the health and environmental impacts and define the main risk prevention requirements to be implemented. All products authorised in this manner, together with their safety data sheets, are managed and made available to all via a single application called CHEMA (Chemical Health and Environment Management Application).

In addition to these introduction conditions, building techniques (building workshops over retention basins and using overhead

##### 5.3.1.2. REFRIGERANT USE AND EMISSIONS

G4-EN20

Limiting emissions of gases which damage the ozone layer is included in the Environmental Management System of the plants. Usage of trichloroethane and halon was stopped between 1999 and 2003, although CFCs and HCFCs are still used in some "cold units" (which are used to cool production equipment, such as cutting liquids for machine tools, electrics control boxes, or premises).

Systems containing liquids harmful to the ozone layer are checked for leakages every year and, when leakages are detected, corrective action is taken. Resupply of facilities with CFCs has been prohibited since 2001 and resupply of HCFC facilities with recycled fluid was authorised until 31 December 2014.

The Group has implemented a plan to replace HCFC cooling systems with HFC-type fluids by 2018, at a cost of several million euros. HFC-type fluids are not substances harmful to the ozone layer according to the Montreal protocol.

As for refrigerants used in vehicle air-conditioning systems, the gradual transition to HFO-type gases was finalised at end-2016 for passenger cars. However, commercial vehicles and those exported outside of the European Union are still filled with "R134a" refrigerant.

For 2016, refrigerant leakages in the Group's assembly plants represented a total of 9.9 t, or 19,842 tonnes of CO<sub>2</sub> equivalent. This reflects significant progress compared with 2015: -30% in volume and -21% in CO<sub>2</sub> equivalent. The plants that experienced considerable leakages in 2015 successfully completed action plans to deal with these differences, and the results confirm this good performance. However, other plants showed some failings in 2016 (leakage of the air conditioning filling system at Porto Real, leakage during refrigerant draining processes as part of the withdrawal of equipment containing "R22") and reduced the overall performance.

pipe systems to carry polluting liquids) considerably limit the risk of core accidents. For other risks, regular audits of compliance with environmental procedures are carried out during walk-through inspections by production line managers, as part of the PSA Group Production System. Compliance with environmental procedures is also confirmed by ISO 14001 audits. Lastly, each site regularly analyses the amount of chemical products in stock and is careful to limit the volumes available on-site to the bare minimum. This is why PSA Group has no facilities classified under Directive 2012/18 (referred to as the Seveso III Directive).

Naturally, all of the Group's industrial projects also undergo impact and safety studies to determine the suitable prevention (and if applicable, response) measures.

Significant changes in European and national legislation on these matters (particularly as a result of the REACH and CLP, and the Seveso III Directive) have resulted in the Group reinforcing its leadership and management tools to maintain a high level of chemical risk prevention. Also, under the new EU regulatory framework for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which came into effect on 1 June 2007, the Group is certified as:

- "producer of articles", and as such has taken the necessary steps to respond to customer queries concerning the possible presence of "substances of concern" in its products;
- "downstream producer" and as such, in partnership with other European car manufacturers (grouped under the ACEA - European Automobile Manufacturers' Association), has implemented an initiative with the Group's suppliers. It aims to ensure they are properly taken into account by these regulations both to ensure delivery continuity of the substances and mixes necessary for automotive production and to supply the information necessary for them to be used in accordance with regulations.

### 5.3.2.2. SOIL POLLUTION G.24 G.31

#### Within the Automotive Division (PCA)

The Group is continuing a strict policy to prevent soil contamination at operational sites, notably:

- by using retention basins for stocks of liquid products;
- and by avoiding the use of underground pipelines to transport polluting liquids wherever possible.

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 these investigations, experts have concluded that some sites surveyed fell into the category which requires self-surveillance. Depending on the site, these surveys were supported by a small number of one-time remediation or prevention programmes.

Other soil testing also takes place in the event of sales or purchases of manufacturing premises, but also in the event of disinvestment from some premises. Investigations are continuing at the Aulnay site to identify any environmental impacts caused by its operations. However, the similar process implemented at the former plant in Asnières is coming to an end, and will enable a completely different use of the plant in the future compared to the manufacturing operations of the past.

As part of the plant compaction processes, the soil of all the plots likely to be sold is systematically investigated and the findings shared with potential buyers.

#### In dealership networks

The Group is carrying out extensive soil and diagnostic studies on the installations identified as potentially polluting. Special attention is given to all points of sale equipped with underground works. The aim is to ensure the perfect maintenance of the installations

at Group level. In case of proven pollution, the Group implements an action plan to treat this pollution, in compliance with regulatory requirements.

In France, as part of the Odas and Osmose programmes, awareness is raised among dealers to encourage their customers to have more consideration for their environmental impact, in particular when washing their vehicle at home.

Furthermore, at Group level, a range of "Technature" cleaning products is offered to customers in order that they may opt for more eco-friendly solutions (all products within the range contain at least 80% components from natural resources, are biodegradable and not hazardous to aquatic organisms).

### 5.3.2.3. REDUCING OTHER DISTURBANCES FOR THE LOCAL POPULATION

G.25

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 in the immediate proximity to the plants, according to diverse criteria such as sound levels, unpleasant odours, traffic, etc. 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.



#### STAKEHOLDER RELATIONS

*The impact of all changes associated with production line compaction and restructuring operations is automatically taken into account. The findings of noise measurements and odour analyses interpreted based on new property boundaries, and hazard studies updated with new locations, are presented to the competent authorities.*

### 5.3.2.4. ACCIDENTAL DISCHARGES

G.22 G.23 G4-EN24 G4-EN29 G4-EN34  
G4-SO8 G4-SO11

Any accident with a noted environmental impact which has been notified to the authorities as such is considered as significant.

In 2016, five incidents were reported to the local authorities:

- on several occasions, downtime on the thermal oxidiser at the Charleville casting facility. This equipment is used to purify smoke and treat odours. A maintenance plan is under way to ensure the facility's reliability;
- a water leakage in Mulhouse that generated the spillage of an oil and water mixture. The mixture was recovered, and an impact study conducted to confirm the absence of harmful effects;

- a discharge of 500 kg of "R134" refrigerant gas when draining the tank in Rennes, in order to switch to "1234yf";
- a test bench that caught fire in Vélizy. Extinguishing water, which was confined, was recovered and disposed of;
- an inconsequential exothermic reaction with steam generation in Valenciennes following a mixture of incompatible products.

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

The Group did not have to pay any such compensation in 2015.

### Amount of provisions and guarantees for environmental risks G.23

In accordance with Decree 2012-633 of 3 May 2012, since July 2014, the Group has set aside €1 million in financing guarantees in order to secure certain installations classified for environmental protection, some of which are French installations. By 2019, the Group will have set aside financing guarantees of around €5 million.

## 5.4. WASTE AND MATERIALS CYCLE: OPTIMISING PROCESSES TO USE THE STRICT MINIMUM IN TERMS OF RESOURCES AND RECOVER WASTE G4-DMA

Eager 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 manufacturing plants are committed to developing a circular economy wherever they are located. This concern is expressed in the desire to avoid any wasting of natural resources and to use only the quantity of raw materials necessary. Moreover, this strategy also extends into waste management, through the achievement of zero landfill waste and by encouraging the use of recovery and recycling channels. Some sites are also studying potential local opportunities to exchange resources and waste as part of industrial ecology experiments. As such, the Group takes part in an inter-

company working group, LAEI (industrial ecology working group), to carry out local testing in areas where its members are active. This initiative did not materialise, since the Poissy plant replaced the installation preparing water pumped into the Seine River by a smaller installation more compliant with the current plant's water requirements. Accordingly, the volumes of waste produced are too low compared with the requirements of another manufacturer to purify its exhaust gases.

In France, the prospects of developing such solutions come up against administrative constraints related to waste status and end-of-waste status, which make this type of action very difficult to implement.

### 5.4.1. Reducing material consumption via optimised manufacturing processes G.29

A great deal of the efforts needed to reduce material consumption are carried out during the product design stage (see section 2.1.3.2.). Work on reducing vehicle mass entailed an overall decrease in material masses, specifically steel in the production of the Group's vehicles (see section 2.4.1.1.). In addition to the work to reduce product mass, the Group's Industrial Department is also undertaking action plans to reduce material consumption.

#### 5.4.1.1. REDUCING METAL CONSUMPTION

75% of the Group's overall waste tonnage every year is scrap metal. 15% comes from components factories in the form of production scraps and turnings, and 85% is made up of stamping waste material. The optimisation actions differ based on the generating processes. For mechanical parts, the reduction of machining turnings relies on the optimised definition of finished parts. As such, the roll-out of

pressurised casting, which makes it possible to obtain geometric definitions of parts very similar to the finished part as from the casting stage and, thereby, to limit over-thick materials, marked a significant step forward. Today, it's the technology applied to the production of aluminium cylinder crankcases for DV, EP and EB engines that combines several advantages, with lighter engine components manufactured from aluminium rather than iron, and less substantial machining, although the production process is more delicate. The turnings, dried and compressed in bricks to best recover the cutting liquids reintroduced into the machining processes, are then sent to the Group's casting facilities or to steelworkers.

For stamping, the MUC (Material Use Coefficient) is one of the main levers coordinating the business line. This approach makes it possible to optimise the consumption of sheets in the process of shaping bodywork parts. This action makes a direct contribution to controlling the main source of manufacturing waste, since stamping

scraps account for two-thirds of the 450,000 tonnes of metallic waste. Although all of these scraps are recycled in casting facilities, their reduction remains a huge challenge. In practical terms, the MUC approach quantifies the share of the material used to produce bodywork parts with respect to the total volume of material used. Stamping requires a percentage of "lost" material to secure the sheet metal between the two parts of the tool. As such, optimisation consists in reducing this share of lost material through the design of parts and tools (shape of sheet metal, depth of stamping). The other line of work concerns the possibility of producing other parts in cut-out shapes. Accordingly, the material cut out to prepare for glazed areas (wind shield, side windows, rear window) can be used as raw material to produce smaller parts. The MUC approach quantifies this progress: it increased from 47% in the design of PEUGEOT 207 to 55% for PEUGEOT 208. This progress can also be measured in the volume of scrap metal produced. This volume decreased by 12,000 tonnes between 2015 and 2016, whereas production increased. As such, 12 kg was saved per car produced. The MUC approach is continuing on all new models and also applies to all stamped metals.

**-12 KG**  
OF SCRAP METAL PER CAR PRODUCED  
VIA THE MUC (MATERIAL USE COEFFICIENT)  
APPROACH

The second major category of waste produced in the Group is generated by the Casting activity. In this area, pressurised Casting is characterised by almost zero waste production, since aluminium

is cast directly into steel tools that can be reused several hundreds of times. For more conventional casting facilities using sand moulds, the Group rolled out substantial resources for on-site recycling, thereby regenerating about 90% of the sand used to manufacture moulded parts. This sand remains inside the plant and is reused several times for these same operations.

#### 5.4.1.2. REDUCING CONSUMPTION OF OTHER MATERIALS

Two-thirds of the remaining 25% of waste produced by the Group every year consists of non-hazardous waste, while one-third consists of hazardous waste.

Assembly is the main generator of non-hazardous waste, primarily due to the disposal of packaging waste. The second-largest source is common waste, similar to household waste and proportional to the workforce of each building overall.

Painting, mechanics and water treatment processes (physical-chemical plants, biological plants) are the main producers of hazardous waste. With respect to painting processes, the regeneration of cleaning and purge solvents has been carried out for several years. Collected from the facilities, these solvents are then sent to a service provider that performs the regeneration process so that the products can be reused in facility cleaning processes. Plants using solvent-based paint are the main users of this short process, and it represents the full extent of their cleaning and purge solvent consumption. The volumes treated in this circular economy line total approximately 1,800 to 2,000 tonnes per year.

This waste topography helps target reduction actions during the design and operating stages. This information is listed below.

#### 5.4.2. Reducing waste production

##### WITHIN THE AUTOMOTIVE DIVISION

The Group's waste management policy is to reduce waste mass per vehicle manufactured, and decrease landfill in favour of waste recovery and recycling.

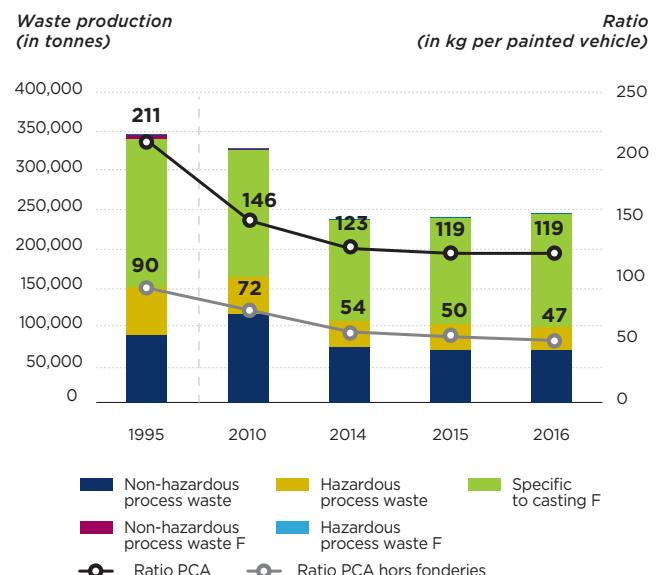
To meet these targets, design efforts are initially needed to optimise the packaging necessary to build a vehicle to avoid producing waste. Secondly, when waste production is unavoidable, the most environmentally-friendly method of recycling or recovery should be identified and implemented, so that a portion of the Group's waste is incorporated into the circular economy, where it is reused.

Apart from metal waste (sheet metal, turnings, etc.), which is almost entirely recovered and can be reused in the steel industry or in the Group's casting facilities, the results obtained since 1995 confirm the proper implementation of this policy:

- the weight of waste per vehicle produced has been reduced by 45%;
- the analysis and characterisation of waste produced during the different stages of production (casting, foundry work, components, stamping, paint and final assembly) have made it possible to identify processing channels that provide an alternative to landfilling. The gradual addition of new processing methods, depending on local supply, helps to regularly increase the waste recovery rate.

##### Changes in the amount of waste by type

(Automotive Division excluding waste metal, almost all of which is recycled, for 2016)



## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

5.4. Waste and materials cycle: optimising processes to use the strict minimum in terms of resources and recover waste

The volume of waste per vehicle produced was constant at 119 kg in 2016 compared with 2015. However, we can note significant fluctuations in the breakdown of waste and processing methods.

### OVER 20 YEARS, THE AMOUNT OF WASTE PER VEHICLE PRODUCED **WAS halved**

The geographic distribution of the total volume of waste in 2016 was as follows: 88% for the European Union and 12% for the rest of the world. The relatively significant portion of waste produced outside of Europe is due primarily to packaging waste related to long-distance transport requirements.

In 2016, the amount of waste generated per vehicle totalled 47 kg, excluding casting waste, which represents progress of 6% in mass. It should be noted that the share of hazardous waste has decreased faster (-9.8%) than the total ratio. This result crowns the efforts made by the Group to reduce the portion of hazardous products in its processes.

The plants are making daily efforts to reduce the amount of waste produced. The Vigo plant recycles certain packaging materials received for internal logistics requirements, while that of Charleville has adapted the frequency of controls of the parts it produces, thereby halving the volumes of developer liquids sent for external destruction. These good ideas were presented during Business Club meetings, and proposed to other plants. If several plants adopt these working methods, they will become best practices and may be implemented in all similar plants. Accordingly, the idea to dry paint sludge by recovering heat from the paint ovens, suggested by Trnava in 2015, was explored by other bodywork plants. Madrid and Vigo were able to implement this method, thereby reducing the dryness of their sludge and reducing their volumes of this waste. The idea could not be implemented in the other plants, due to technical or economical reasons.

The waste production figures are based on the European waste and disposal method categorisations.

#### **Breakdown of waste production by business**

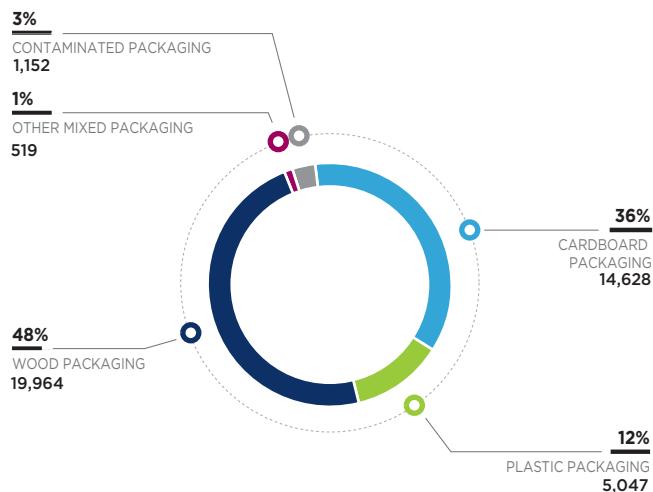
(Automotive Division, excluding waste metal, 2015)



Due to their operations, the two castings at Charleville and Sept-Fons alone generate over half of overall waste by quantity, representing 72 kg of waste per vehicle. The core part of this waste is made up of casting sand, which is mostly recycled on-site after regeneration treatment, which also takes place on-site (see 5.4.3.).

#### **Focus on packaging waste**

(Automotive Division, 2015)



Packaging waste accounts for a significant proportion of the waste produced on the various sites. This waste represented 38,959 tonnes in 2016 (versus 39,635 in 2015). One-third of packaging waste is produced by plants outside of Europe, and consists of wood or cardboard waste, which can be recycled on-site.

Packaging waste reduction is carried out from the design stage of a new vehicle and the definition of supply sources for the various components. The use of sustainable containers is particularly popular in European plants, which benefit from reduced transport distances between suppliers and assembly plants (or even no distance, when these suppliers are located in buildings vacated by the production plants). For more remote plants, the economic and CO<sub>2</sub> footprint can offer an incentive to use lost packaging materials.

2.4% of this waste (932 tonnes) is categorised as hazardous waste. They are metal or plastic barrels contaminated by the products they contained. The processing method consists of burning metal barrels, which eliminates residual product traces while preserving the shape and possibility of reusing these containers for the same purposes as previously. Plastic barrels are treated through a cleaning process, which enables them to be reused.

The other waste is non-hazardous waste. Less than 0.5% of packaging waste is buried – only contaminated wood in Russia. All other packaging waste and materials are recovered. 92% is sent to material recovery facilities to enable the production of new packaging, 6% (almost exclusively wood) is dedicated to energy recovery, and the remaining waste (mainly metal) is recycled for other purposes than packaging.

This information does not take into account the 2,184 tonnes of wood derived from broken transport pallets, used for fuel in Vesoul.

#### **FOCUS ON PAPER USE**

Paper is managed and quantified at all levels within the Group, in manufacturing plants, office facilities and commercial subsidiaries. Paper is used on-site for office applications or print-outs (brochures, sales leaflets, annual publications, etc.) produced by external printers. The Group is attentive to the origin of the paper used, and favours paper from sustainably managed forests (PEFC or FSC labels).

Office paper use is optimised through awareness-raising campaigns and the implementation of a system of printer-sharing at most French sites. A large percentage of the used paper is sorted and collected, usually by private suppliers who then process it through recycling channels.

Regarding print-outs, the Group is a founding member of EcoFolio. It declares the tonnages of print-outs concerned every year and pays an eco-contribution to pay for the collection, recycling and recovery of the paper by local authorities. In this context, with the gradual digitalisation of certain materials, it should be noted that the Industrial Department did not reach the Eco Folio threshold (five tonnes) in 2016, for the second consecutive year.

### 5.4.3. Fostering recycling and waste recovery by implementing circular economy systems

G.24

G.26

G4-EN23

G4-EN2

#### WITHIN THE AUTOMOTIVE DIVISION (PCA)

With a view to creating circular economy strategies, the Industrial Department defined the "zero landfill waste" target for assembly plants in Europe. Extending this approach to other assembly plants outside of Europe will require a good understanding of the local context of the treatment facilities. For components factories, the development of processing methods for specific manufacturing waste is a prerequisite for the definition of such a target. These options will be analysed in 2017, and the waste component will be included in the review of the environmental vision for 2025.

In 2016, Group sites produced 692,034 tonnes of waste.

Metal waste (not shown in the graphs and tables below) makes up the largest part of this volume at 449,774 tonnes. Often no longer classified as waste, these by-products are recycled in the Group castings or in the steel industry.

**100%**  
OF METAL WASTE IS RECYCLED

Casting sand is mostly regenerated on-site in purpose-built facilities (95,946 tonnes of sand). After this treatment, the sand is reused in the manufacturing processes.

The on-site regeneration of sand saw considerable progress in 2016, with an increase of 10,000 tonnes in this processing method compared with 2015. The new facility, established at Sept-Fons in 2015, has started up and achieved the manufacturing targets set. Accordingly, the Group's two casting facilities are continuing to implement short waste treatment cycles, with an on-site treatment that covers nearly all plant requirements.

**95,946 TONNES/YEAR**  
OF CASTING SAND REGENERATED ON-SITE  
AT SEPT-FONS AND CHARLEVILLE

Furthermore, in 2016, the Group's castings recycled 47,503 tonnes of waste metal purchased externally.

Actions undertaken for several years to optimise waste treatment channels continue. Landfill was divided by 15 in 20 years. In 2016, the temporary failure of one of the sand regeneration facilities at Sept-Fons led to an increase in landfilled sand that could not be processed. Apart from this incident, landfill remained stable in volume year-on-year. More than half of landfill consists of common

waste, in particular outside of France. The search for alternative and economically viable processing methods is under way, but must be conducted across several countries, which requires more time. Other landfill is mainly sludge from processing plants. Economic and technical analyses are also under way, and include any transport costs related to these waste types intended for processing.

Office facilities and research sites in the Paris region have not contributed to landfill since 2012.

Excluding metal waste, 83% of waste is recovered as either material or energy, through recycling or ballast.

Given the scope of these actions, 96% of waste produced at PCA plants worldwide is processed by methods other than landfill disposal. This result is up from 2015, first due to increased on-site recycling, and second on account of reduced on-site waste production. If metal waste is included in the calculations, landfill accounts for just 1.4% of the total amount.

**96%**  
OF THE WASTE PRODUCED BY THE GROUP'S  
MANUFACTURING PLANTS IS RECOVERED

#### IN DEALERSHIP NETWORKS

In Europe, the Group implements framework contracts with service providers specialised in the management of hazardous and non-hazardous waste. This approach helps to optimise the monitoring of waste and to ensure its traceability within the processing channels. It is one of the performance targets for personnel in charge of economic management in the PSA Retail Division.

In 2016, the framework contract was implemented in France. PSA Retail France thereby implemented a policy for optimising waste management service contracts. A three-year contract was entered into with a single supplier for all waste produced in France, representing approximately 150 points of sale. This approach makes it possible to use tools (in particular a web platform) enabling better monitoring and simplifying data collection. This centralisation also offers better visibility on the final disposal of waste up to the end of the chain, since the service provider is contractually required to inform the Group of the recovery processes used. Furthermore, the massification of volumes has increased the number of recovery processes accessible to PSA Retail.

In France, the Group's brands implement waste recycling and recovery processes in order to encourage their points of sale (including private dealership networks) to take initiatives promoting better waste management. The "Greenpact" programme developed by CITROËN, and "Ici, on tri Green Team", developed by PEUGEOT,

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

5.4. Waste and materials cycle: optimising processes to use the strict minimum in terms of resources and recover waste

are intended to optimise the management of environmental aspects associated with business of the points of sale:

- sorting of automotive waste which is then collected by approved bodies;
- compliance of plants with national and European regulations;
- traceability of waste and used parts for recycling.

Moreover, as part of rolling out after-sales programmes (Osmose for CITROËN and Odas for PEUGEOT), experts involved on-site incorporate environmental protection guidelines in their coaching programmes, in particular to raise awareness among after-sales managers of waste storage and recovery conditions, as well as cleaning and maintenance rules relating to waste collection points.

This Group environmental strategy also involves the independent, multi-brand vehicle repair and maintenance network Euro Repar Car Service. It is run by the Services and Parts Department. The network provides a waste collection and recycling service to all repairers via agreements with accredited, specialised companies.

### The Autoecoclean label

The "Autoecoclean" label is awarded by the independent body AutoEco, which ensures the traceability of waste collected in workshops. It is awarded every year to those who adhere to their commitments regarding the sorting, collection and recycling of at least five types of hazardous waste and three types of non-hazardous waste. Members are classed in accordance with the quality of the data provided and the longevity of their commitment

to collecting and sorting waste. As such, this label is a long-term commitment for points of sale. Three certification levels are granted:

- in the first year of certification (based on the collection results from the previous year), the point of sale is awarded the Autoecoclean Bronze label;
- after three years of consecutive certification, the label becomes Autoecoclean Silver;
- after two additional years, points of sale which still meet their commitments receive the Autoecoclean Gold label.

CITROËN was the first car manufacturer to offer, in 2009, a label for its repairers most committed to sorting and recycling.

Many points of sale of the France dealership network have Autoecoclean labels. In 2016, 345 CITROËN points of sale were awarded labels, 140 Bronze labels (one year), 97 Silver labels (four years), and 108 Gold labels (six years). The PEUGEOT network has 387 certified sales outlets (123 Bronze and 264 Silver).

AutoEco joins forces with the Auto Infos magazine every year to organise the *Trophées de l'Environnement* awards in order to reward the finest sales outlets. In 2016, the PEUGEOT Mouthon garage in Cran Gevrier received the BATTERIES award. This award recognises plants that have optimised the recycling of their battery waste and, in particular, that have significantly increased the volumes collected.

In its first year of existence, the Euro Repar Car Service network was recognised by Autoeco for its commitment to the sorting and collecting of waste. Three "Autoecoclean" bronze certificates were awarded in 2015 at the multi-brand network stand at the Equip Auto Fair, and an award was presented to the manager of the Euro Repar Car Service France network for its global commitment.

### AMOUNT OF WASTE BY DISPOSAL METHOD

(Automotive Division, 2016)

(unit: t)	Year	Landfill	Recovery and recycling	Other disposal methods <sup>(1)</sup>	Total	On-site recycling <sup>(2)</sup>
<b>Foundry waste</b>	<b>2016</b>	<b>4,830</b>	<b>43,671</b>	<b>0</b>	<b>48,501</b>	<b>95,946</b>
2016 ratio (kg/car)		2.3	21.4	0	23.8	47
	2015	3,325	47,272	32	50,629	85,737
	2014	3,316	45,550	44	48,909	80,578
<b>Non-hazardous waste</b>	<b>2016</b>	<b>4,570</b>	<b>58,962</b>	<b>2,413</b>	<b>65,946</b>	<b>2,240</b>
2016 ratio		2.2	28.8	1.3	32.4	1.1
	2015	4,582	59,792	2,777	67,151	980
	2014	6,636	58,786	1,745	67,168	4,017
<b>Hazardous waste <sup>(3)</sup></b>	<b>2016</b>	<b>461</b>	<b>16,515</b>	<b>12,652</b>	<b>29,628</b>	
2016 ratio		0.2	8.1	6.2	14.5	
	2015	497	18,092	14,267	32,857	0
	2014	760	18,473	15,138	34,371	0
<b>TOTAL</b>	<b>2016</b>	<b>9,861</b>	<b>119,148</b>	<b>15,065</b>	<b>144,075</b>	<b>98,186</b>
2016 ratio		4.8	58.3	7.5	70.7	48.2
	2015	8,404	125,156	17,076	150,637	86,717
	2014	10,712	122,809	16,927	150,448	84,595

(1) Half of the 15,328 tonnes of waste from Other disposal methods is liquid effluents (paint effluent, water from washing machines or cutting liquids from components factories, etc.). These effluents produce too little energy to be used as a replacement fuel. Additional processing methods to separate components are still necessary to recover the various fractions. As such, physical-chemical and biological processes are implemented first. The recovery of this type of waste is a delicate process, since the volumes in question for each plant are low, and only bulk volumes can offer an acceptable cost. Accordingly, the Group is following such a strategy. A quarter of the waste under Other disposal methods is directly incinerated without energy recovery. It consists mainly of common waste. Lastly, the final quarter consists mainly of sludge. In most cases, this sludge undergoes a preliminary drying treatment, followed by the separation and recovery of recoverable fractions (metals, etc.).

(2) The quantity of on-site recycled waste saw a considerable increase (+10,000 tonnes) thanks to the ramp-up of the sand regeneration facility at Sept-Fons. The rest of the progress is due to the increased amount of wood waste used as fuel at Vesoul.

This table does not include the metal waste (449,774 tonnes in 2016), nearly all of which was recycled or manufacturing 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 casting 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 2016, the total amount of waste produced by the Automotive Division maintained a stable ratio at 119 kg per vehicle. However, the breakdown of processing methods saw major changes, with a 13% increase in volume for on-site recycling – which is the shortest possible cycle – and a 4.5% reduction for external processing. The main source of this progress lies in the new casting sand regeneration facility at Sept-Fons, which started up at end-2015.

Excluding casting, the waste ratio per car produced continued to decrease to 47 kg, with a sharper decline in hazardous waste

(-9.8%). The recovery rate increased by 79%, up 1%. Landfill waste remained stable in volume and represented less than 2.5 kg per car, and less than 1.5% of total waste produced through manufacturing processes, including metal. The plants at which these outlets are developed are mainly located outside of Europe, due to the lack of alternative processes.

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

## 4 OUT OF 9 ASSEMBLY PLANTS

IN EUROPE ACHIEVED  
ZERO LANDFILL WASTE

(Of which PCA France, 2016)

(unit: t)	Year	Landfill disposal	Recovery and recycling	Other disposal methods	Total	On-site recycling
<b>Foundry waste</b>	<b>2016</b>	<b>4,830</b>	<b>43,671</b>	<b>0</b>	<b>48,501</b>	<b>95,946</b>
	2015	3,325	47,272	32	50,629	85,737
	2014	3,316	45,550	41	48,907	80,211
<b>Non-hazardous waste</b>	<b>2016</b>	<b>1,491</b>	<b>32,162</b>	<b>2,259</b>	<b>35,912</b>	<b>2,184</b>
	2015	1,432	34,921	2,700	39,053	952
	2014	964	30,669	1,583	33,216	4,017
<b>Hazardous waste</b>	<b>2016</b>	<b>202</b>	<b>11,528</b>	<b>10,333</b>	<b>22,063</b>	<b>0</b>
	2015	240	12,671	11,454	24,365	0
	2014	183	13,600	12,482	26,265	0
<b>TOTAL</b>	<b>2016</b>	<b>6,523</b>	<b>87,360</b>	<b>12,592</b>	<b>106,475</b>	<b>98,130</b>
	2015	4,997	94,864	14,186	114,047	86,689
	2014	4,463	89,818	14,106	108,388	84,228

(Of which automotive trade - brand network scope (excluding metal waste), 2016)

(unit: t)	Year	Landfill disposal	Recovery and recycling	Other disposal methods	Total
<b>Non-hazardous waste</b>	<b>2016</b>	<b>346</b>	<b>8,892</b>	<b>58</b>	<b>9,296</b>
	2015	5,244	4,856	20	10,120
	2014	5,654	4,591	19	10,264
<b>Hazardous waste</b>	<b>2016</b>	<b>24</b>	<b>3,221</b>	<b>201</b>	<b>3,447</b>
	2015	250	3,196	251	3,697
	2014	302	3,463	192	3,957
<b>TOTAL</b>	<b>2016</b>	<b>370</b>	<b>12,113</b>	<b>259</b>	<b>12,742</b>
	2015	5,495	8,052	271	13,817
	2014	5,959	8,054	211	14,221

Important efforts were made to characterise processing methods in the dealership network in 2016. Accordingly, most waste until then automatically considered to be landfill was reallocated to the right processing channels, which accounts for the strong fluctuations between 2015 and 2016. Data for the brands was reported from an average 97% of sites in 2016 (95% in 2015 and 88% in 2014).

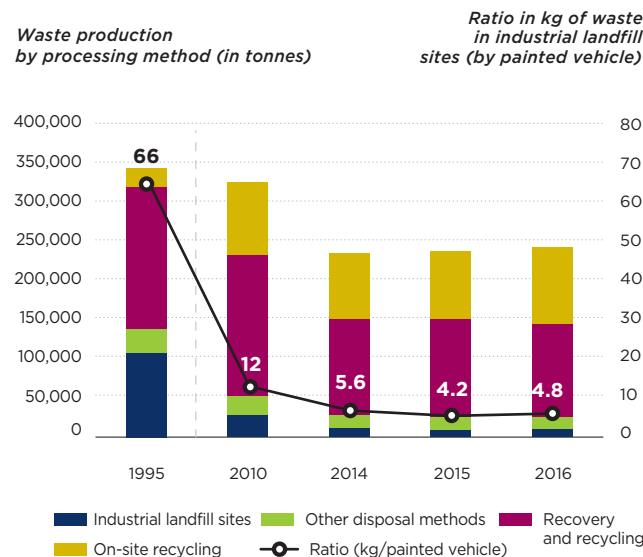
This table does not include waste metal (respectively 2,191 tonnes in 2016).

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

5.4. Waste and materials cycle: optimising processes to use the strict minimum in terms of resources and recover waste

### Changes in the amount of waste by disposal method

(Automotive Division, excluding waste metal, almost all of which is recycled)



### A review of hazardous waste

Hazardous waste is derived from three main processes: the surface treatment and painting of bodywork, the processing of metal parts, and casting activities.

In 2016, the Group produced 29,628 tonnes of waste classified as hazardous, representing an overall decrease of 9.8%.

Hazardous waste classification is established based on a chemical analysis of the waste, or by characterising the substances and products making up the waste. The reduced volumes concern all processing methods and reflect the efforts made over the last few years to change production processes. Accordingly, the switch to a "green" TTS (surface treatment tunnel) in most plants removed nickel from surface treatment waste water. The sludge generated by the physical-chemical treatment of waste water from this process no longer contains this heavy metal. Likewise, the painting workshops using water-based paints produce sludge with different characteristics compared to solvent-based paints. Lastly, the precise characterisation of some waste helps to adapt their classification. As such, waste from calcium carbonate-based dry cleaners at Sochaux was reclassified as non-hazardous, since their paint content was measured at rates below the hazardous waste classification threshold.

In solvent-based paint processes, solvents used to purge application tools between two painting processes, or for the technical cleaning of the facilities, are automatically recovered. The products collected are sent to a regeneration plant located in the Aisne department for French plants. Once they have been processed, the solvents return to the plant to be re-injected into technical cleaning and purging processes. All the Group's plants apply this method, in collaboration with local players. It represents approximately 2,000 tonnes of regenerated solvent reused in the plants every year.

**2,000 TONNES**  
OF SOLVENTS REGENERATED  
IN A SHORT CYCLE EVERY YEAR

Landfill is responsible for the most significant environmental impact. The Group is making efforts towards doing away with landfill (2025 target: zero landfill for assembly plants in Europe). When it comes to hazardous waste, the Group is particularly mindful of the performance of treatment and recovery channels developed by specialists in the field. Use of these channels guarantees a controlled environmental impact.

Landfill is the last resort for treatment, when all other channels have been analysed and proven unsatisfactory. 461 tonnes of hazardous waste are treated through this channel. This mainly concerns metal hydroxide sludge (400 tonnes) which is unsuitable for all of the available treatment channels due to its low metal content. The remaining landfill complies with a regulatory requirement (construction waste containing asbestos, and soot and ashes from the wood furnace). The typology remains constant over time, reflecting the difficulty of finding alternative, economically viable channels for this type of waste, in relatively reduced quantities for each plant.

Most hazardous waste, around 40% in mass, is formed of paint workshop and surface treatment waste. This concerns sludge with a high solvent or metal content, which is treated in the facilities in order to separate the various phases and collect the dissolved metals. The collected fractions are then recycled in the manufacturing processes and the water is treated, then discharged. Often rich in combustibles, the concentrates are then used to produce energy when the calorific values are sufficient, otherwise they are incinerated.

Processing waste (cutting liquids and filter cloths), which represents around 20% of waste, undergoes similar treatment.

Some casting sand not yet treated on-site, is recovered externally. Representing less than 10% of the total, this fraction is in decline and the latest investments within the Group, as mentioned earlier, will help to further reduce this figure.

Finally, general waste (a mixture of water and hydrocarbons from separators on all site roads and parks, physicochemical treatment plant sludge), which accounts for around 10% of waste, is treated in the same channels as those mentioned above. The very low hydrocarbon content in separator water generally prevents any recovery from concentrates. Soiled metal barrels are burned before being reused.

The share of wood waste classified as hazardous in 2015 saw a strong decline. Only 178 tonnes remain, corresponding to contaminated waste that is unsuitable for any use other than destruction. As such, the quantities in question are back to marginal levels.

### Cross-border waste transfers G4-EN25

In 2016, waste exported from France to other Member States of the European Community (Belgium) represented 1,965 tonnes, i.e. less than 1% of the total waste generated (excluding waste metal).

These channels were selected for the following two reasons: the processing method is proved to be effective, and the processing plants are located near the production sites. That is why all the shipments are sent to Belgium from the plants located in Charleville, Trémery and Française de Mécanique.

Outside of France, only the Mangualde plant has used this type of processing to regenerate its solvents. There are no similar facilities in northern Portugal. The volumes transferred (78.5 tonnes) are similar to those in 2015 (81 tonnes).

## 5.5. CONTROLLING THE WATER CYCLE IN FACILITIES G4-DMA

Water consumption by the manufacturing activities is characterised by the following volumes:

About 70% of the water consumed is discharged, either directly into the natural environment (water used for cooling processes only), or post-treatment, at internal or communal facilities. Whatever the case, the quality of this water is monitored daily and storage facilities have been established in plants to deal with possible drifts.

The largest portion of the 30% of water actually used evaporates during production processes. As such, it is difficult to quantify the volumes discharged in that manner. Other water outfalls contain sludge from various processing operations (plant sludge, decarbonation sludge, etc.) which often have a significant water content (dryness of less than 30%), and certain treatment baths (cataphoresis bath, surface bath, etc.). The quantities of this waste amount to 10% of the water actually consumed.

Use analysis shows that painting is the largest user of water. It accounts for between 50 and 60% of an assembly plant's water consumption. Water-based paint workshops are the greatest consumers, and also the main generators of steam, since paint curing in this case consists of evaporating the water solvent used.

After paint, the second-largest source of consumption is represented by industrial refrigeration facilities, often comprising air-cooling towers. On average, that represents 15 to 20% of a

plant's consumption. Although this equipment is fitted with closed circuits, the heat discharge leads to the use of water, which is often discharged directly into the natural environment after processing in the physical and chemical plant.

The other uses are less significant, such as the constitution of cutting liquids in components factories, but in that case the use of evaporating concentrators makes it possible to separate the cutting liquid and water phases at the baths' end of life, which then enables either the water to be reused or to be discharged in the plant. This item represents about 10% of the PSA Group plants' water consumption.

The use of drinking water accounts for a little less than 10% of the Group's water consumption. Apart from a few plants which have no other source of supply (Madrid and study and research centres), this water is intended exclusively for sanitary use (cloakrooms, restaurant, bathrooms).

In terms of significant use, we can mention the water used by the fire and rescue services during exercises conducted across all plants (approximately 2%), workshop cleaning processes (approximately 2%), and washing water and leak test water for end-of-assembly vehicles.

This general mapping is detailed plant by plant, which means that each building knows its main sources of consumption.

### 5.5.1. Annual water abstraction and recycling G4-EN9

The environmental issues caused by water consumption and liquid waste from the manufacturing plants, while significant, remain limited for the Group, as only one plant is located in an area identified by the World Resources Institute as being at high risk of water stress.

#### 5.5.1.1. ANNUAL WATER ABSTRACTION BY SOURCE AND BUSINESS

G.28 G.33 G4-EN8

Saving water is a key objective for each manufacturing plant. As with energy, each plant has its own water consumption management plan based on the widespread use of metering systems, displaying the least water-intensive operating parameters for each workstation,

and using recycling systems. The concept of available resources is different for each site. When performing impact studies, an analysis is conducted to determine the plant's water requirements and how these requirements fit in with the natural environment (e.g. what percentage of the river flow will be taken).

Since 1995, these measures have led to an almost 75% reduction in water consumption per vehicle produced, thereby helping to conserve resources.

At the same time, the volume of water taken, per painted vehicle, has been reduced threefold. The Group has set itself a target of 3.3 m<sup>3</sup> per vehicle by 2018.

The Trnava and Mangualde plants have already achieved very good results, with 0.86 m<sup>3</sup> and 0.96 m<sup>3</sup> in 2016 per painted vehicle, respectively, thereby confirming their expertise.

## ANNUAL WATER ABSTRACTION BY SOURCE AND BUSINESS

Water abstraction (in m<sup>3</sup>)

Entities	Year	City water	Surface water	Underground water	Total
<b>Automotive Division</b>	<b>2016</b>	<b>1,776,519</b>	<b>3,151,690</b>	<b>2,836,853</b>	<b>7,765,062</b>
	2015	1,848,222	3,116,964	2,411,330	7,376,516
	2014	1,873,845	2,941,544	3,194,230	8,009,619
<b>o/w PCA France</b>	<b>2016</b>	<b>966,990</b>	<b>2,102,673</b>	<b>2,196,372</b>	<b>5,266,035</b>
	2015	989,006	1,833,538	1,859,049	4,681,593
	2014	942,877	1,996,341	2,585,244	5,524,462
<b>Automotive trade</b>	<b>2016</b>	<b>457,421</b>	<b>0</b>	<b>0</b>	<b>457,421</b>
	2015	507,657	0	50	507,707
	2014	559,722	0	0	559,722
<b>TOTAL</b>	<b>2016</b>	<b>2,233,940</b>	<b>3,151,690</b>	<b>2,836,853</b>	<b>8,222,483</b>
	2015	2,355,879	3,116,964	2,411,380	7,884,224
	2014	2,443,193	2,941,544	3,194,230	8,578,967

The year 2016 showed a deterioration in the total volume abstracted and in the ratio per car produced.

Two plants are the source of this deterioration: Mulhouse, which compensated for the failure of a cooling system through the use of lost water until the facility was repaired (350,000 m<sup>3</sup> of underground water, subsequently discharged into the network, thereby limiting abstraction) and Poissy, where a major pipeline burst (150,000 m<sup>3</sup> in surface water). These incidents have been dealt with.

As such, the ratio increased to 3.81 m<sup>3</sup> per car. Without these two incidents, the target for 2016 would have been met. Aside from these two cases, other plants have continued initiatives to control water consumption.

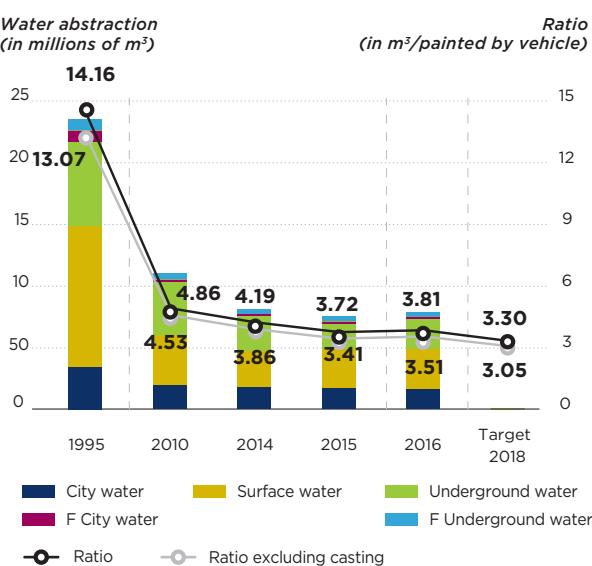
Calculation of the amount of water abstracted is based on the water supplier's bills or the meter readings.

The brand results related to 94% of sites in 2016 (compared with 87% of sites in 2015, and 88% in 2014). Network water consumption is essentially linked to sanitary use and vehicle maintenance for sales outlets equipped with wash stations.

### 5.5.1.2. CHANGE IN THE VOLUME OF WATER ABSTRACTED

#### Change in the volume of water abstracted

(Automotive Division)



The geographic breakdown of water abstraction in 2016 was as follows: 91.7% for the European Union and 8.3% for the rest of the world.

IN THE COURSE OF 20 YEARS, WATER CONSUMPTION PER VEHICLE PRODUCED HAS BEEN

**DIVIDED BY four**

## 5.5.1.3. RECYCLED AND REUSED WATER

G.22
G.24
G4-EN10

The Group is attentive to water abstraction and preserving the resource. A number of best practices in terms of water recycling, which have been implemented at all the Group's plants, can be mentioned by way of example, particularly in the very water-intensive processes of the paint workshops where water can be used in eight reverse cascade rinsing stages on body structures. Evapoconcentration systems have been included in the components factories to separate the oily phases from the water phases

of the machines which wash the parts. This water recycled by evapoconcentration is reintroduced into the parts washing process. Water recycled in this way is estimated at 2 million m<sup>3</sup> per year, representing more than a quarter of the Group's total consumption.

## 2 MILLION M<sup>3</sup>

**OF RECYCLED WATER, PER YEAR, EQUAL TO MORE THAN A QUARTER OF THE GROUP'S TOTAL CONSUMPTION**

5.5.2. Significant industrial effluent discharges G4-EN22

## 5.5.2.1. GROSS INDUSTRIAL EFFLUENT DISCHARGE

**GROSS INDUSTRIAL EFFLUENT DISCHARGE**

*Gross discharges into water from plants (in kg/year)*

Entities	Year	COD	BOD5	MES
<b>Automotive Division</b>	<b>2016</b>	<b>1,467,091</b>	<b>511,104</b>	<b>260,032</b>
	2015	1,469,661	513,618	307,587
	2014	1,325,742	483,680	283,031
<b>o/w PCA France</b>	<b>2016</b>	<b>856,746</b>	<b>241,452</b>	<b>242,068</b>
	2015	850,134	218,599	189,491
	2014	713,168	188,829	180,303
<b>Automotive trade</b>	<b>2016</b>	<b>nc</b>	<b>nc</b>	<b>nc</b>
	2015	nc	nc	nc
	2014	nc	nc	nc
<b>TOTAL</b>	<b>2016</b>	<b>1,467,091</b>	<b>511,104</b>	<b>260,032</b>
	2015	1,469,661	513,618	307,587
	2014	1,326,524	483,961	283,065

COD = chemical oxygen demand.

BOD5 = biochemical oxygen demand in five days

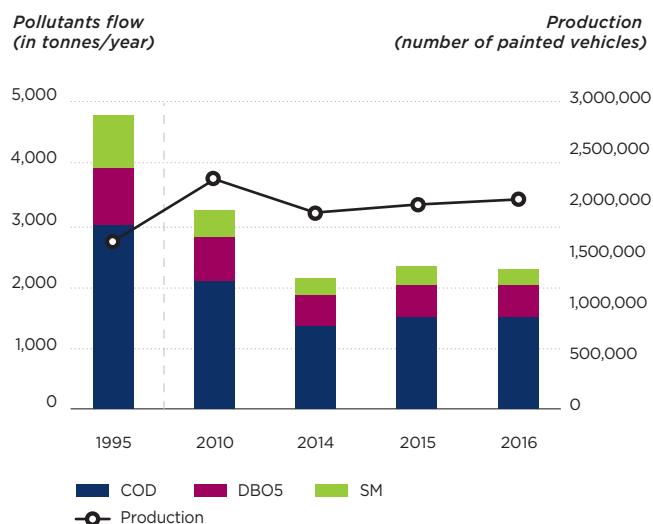
SM: suspended matter.

n/k = not known.

### 5.5.2.2. CHANGE IN GROSS INDUSTRIAL EFFLUENT DISCHARGE G.26

#### Change in gross industrial effluent discharge

(Automotive Division)



The measurements obtained indicate the average pollutant loads for all Group sites. As such, these measurements are for information purposes only and do not reflect a physical reality. The effluents from the Group's 34 plants discharge into around 20 different receiving environments, from the Seine to the Besbre, with differing flow rates and sensitivities as a result.

However, these factors give an indication as to changes in the loads discharged by plants. 2016 was stable compared with 2015. All plants complied with the emission limit values indicated in their operating permits or connection agreements for the relevant plants. This situation is due to the stability of processes implemented in the plants. In 2016, contrary to prior years, polluting processes were not changed. Nickel-free surface treatments are in place, as well as short-range painting processes. The management of processing methods was stabilised, and results were strong. As such, we can observe a 15% decline in the quantities of suspended matter discharged compared with 2015. COD and BOD5 remained constant. These various changes confirmed the heterogeneity of the sources and nature of pollution.

The geographic breakdown of pollutant flows in 2016 was as follows: 99% for the European Union and 1% for the rest of the world.

This indicator presents the gross yearly discharges of the plants which perform regular self-monitoring. In 2016, these sites represented 98% of all water abstraction by PCA plants.

### 5.5.2.3. DISCHARGE OF HEAVY METALS INTO INDUSTRIAL EFFLUENTS

To meet the European requirements set out in the Water Framework Directive (2000/60/EC), France has implemented research into hazardous substances in water (RSDE circulars), with the aim of drawing up a list of pollutants to be monitored for each business sector, together with assessing and, if applicable, reducing (or even removing) in a targeted way the discharges of hazardous substances into the water networks of facilities categorised as being subject to authorisation. As a result of this systematic approach, it is

now possible to quantify discharge from manufacturing operations for the main substances harming the quality of receiving water. Depending on the sensitivity of the receiving environments, maximum discharge values are tolerated but must be regularly supervised, or in other cases, replacement requirements are imposed for the identified substances.

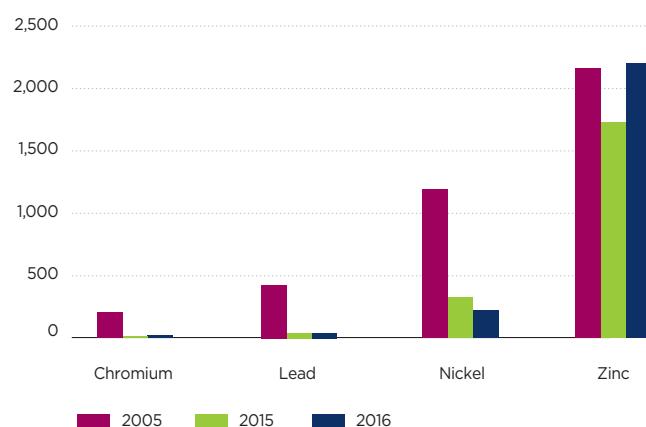
All of the Group's manufacturing sites in France have conducted these campaigns. The permanent supervision planned for six of the 15 sites concerned has already been suspended as the results indicate discharge below the trigger points for these requirements. It was reviewed for four other sites and limited to several specific substances. The cycle continues for three other plants, while two sites have begun feasibility of replacement analyses for the nickel present in the treatment surfaces. For Mulhouse, the switch to a "green" TTS (surface treatment tunnel) confirmed the decline in nickel discharges, which should make it possible to revise downward this discharge control obligation.

This study has also helped confirm the pairs of heavy metals linked to the car manufacturing business and surface treatment, and their potential impacts on the receiving environment. It confirms that any heavy metal discharges, such as mercury, cadmium, arsenic, lead, chromium and copper, are insignificant in terms of flows and as such the Group has no specific obligation to monitor these substances in the long term. It has emerged that the significant metals are chrome, lead, nickel and zinc.

### 5.5.2.4. CHANGE IN DISCHARGE OF HEAVY METALS INTO INDUSTRIAL EFFLUENTS

#### Change in discharge of heavy metals into industrial effluents

*Discharge of heavy metals into water (kg/year)*



This graph shows the Group's efforts to limit its discharge of heavy metals into industrial effluents.

Lead and hexavalent chromium, historically core pollutants from surface treatment operations (STT), have practically disappeared from effluent thanks to new generation facilities. Amounts discharged today are significantly below the regulatory limits for the plants.

As for nickel, which is often used by car manufacturers in surface treatment processes to protect the bodywork from corrosion, the Group committed to introducing surface treatment baths free of this metal several years ago. The roll-out of this new process is delicate and requires adjustments to both the production line and

treatment methods for waste water. Green STT is in operation in the Mangualde, Madrid, Vigo, Rennes, Vesoul, Sevel Nord, Caen, Porto Real and Kaluga sites. In 2015, the components factory and bodywork plant of the Mulhouse site benefited from this technological development. The removal of the former nickel salt baths impedes the 2015 results somewhat, and 2016 confirms a continued decline in nickel discharges.

The situation regarding zinc discharges is a little more difficult to grasp due to the more extensive and diffuse use of this metal. Used in the steel industry on the sheet metal forming bodywork, zinc particles are released throughout the production process in assembly plants and these particles turn up in the treated water before discharge into the natural environment or a communal plant. Zinc is also used in treatment products for air-cooling towers. In 2016, Vigo halved its emissions, thereby confirming that it found a satisfactory system for its on-site processing methods. However,

Mulhouse produces by far the most zinc emissions, accounting for 65% of the total discharge, although complying with the limits set out in its operating permit. The Mulhouse water is then discharged into a communal plant to ensure an additional reduction of this metal before discharge into a natural setting. The amounts measured coming out of the plant thus have a marginal environmental impact. Given the complexity of the processes implemented in Mulhouse (forging, casting, components with surface treatment and the automotive bodywork plant), the optimisation of operations in the plant tasked with capturing the zinc particles is particularly tricky, especially as the implementation of the Green STT has led to a review of treatment methods. All the other plants discharge low quantities of this metal.

These parameters are checked in the self-monitoring of discharged water at least once a week at each manufacturing site.

## 5.6. PROTECTION OF NATURAL ENVIRONMENTS AND ACTIONS TO PROMOTE BIODIVERSITY

**G4-DMA**

The PSA Group's car manufacturing operations do not intrinsically pose a high risk to the environment. The manufacturing facilities are quite large, however, due to the demands of mass-market production.

### 5.6.1. Presence close to protected zones

**G.31** **G4-EN11** **G4-EN13** **G4-EN14**

The Group's manufacturing facilities worldwide include 22 manufacturing plants and 12 study centres and tertiary sites. These 34 facilities occupy an area of approximately 3,680 ha, of which 44% are waterproofed, i.e. a decrease of approximately 2% in the surface area. The greatest share of disposals concerned land reserves, but buildings were also sold at Sochaux to Française de Mécanique. The soil sealing limits the infiltration of water into the soil, which could contribute to flooding, depending on the receiving environment. Consequently, the Group is creating ways to control its stormwater discharges, especially during expansion projects with, for example, the creation of stormwater reservoirs.

Furthermore, most of these sites are located in suburban industrial areas. No site is located in an area defined as wetland (RAMSAR convention) or as an area regulated for the protection of fauna and flora (national parks, Natura 2000 areas, nature reserves, areas covered by biotope orders, etc.). Although some facilities (Bessoncourt, Caen, Charleville, La Ferté-Vidame, Mulhouse, Sept-Fons, Trnava, Valenciennes and Vesoul) are located near these areas, their proximity has no consequence identified to date on the environments concerned.

Plant	Business	Surface area (sq. m)	Waterproofed surface area	Proximity to a regulated area	
				Distance between the plant and the regulated area	Type of area
Bessoncourt	IT centre	57,400	51%	Between 1 and 3 km	Natura 2000 area
Caen	Component factory	585,000	47%	Over 3 km	Natura 2000 area
Charleville	Casting	550,000	35%	Between 1 and 3 km	Nature reserve
La Ferté-Vidame	Testing centre	8,080,000	4%	Between 1 and 3 km	Natura 2000 area
Kaluga	Automotive production	1,430,000	41%	Over 3 km	National park
Mulhouse	Automotive production	3,048,474	63%	Less than 1 km	Natura 2000 area
Sept-Fons	Casting	202,262	48%	Less than 1 km	Natura 2000 area
Trnava	Automotive production	1,920,000	32%	Over 3 km	Natura 2000 area
				Between 1 and 3 km	Regional nature park
Valenciennes	Gearbox production	890,000	35%	Over 3 km	Natura 2000 area
				Less than 1 km	Prefectoral biotope protection order
Vesoul	Spare parts warehouse	1,197,606	89%	Over 3 km	Nature reserve

## 5.6.2. Major biodiversity efforts G.25 G.34 G4-EN12

### 5.6.2.1. EMBRACING BIODIVERSITY AT THE PSA GROUP'S MANUFACTURING PLANTS G4-EN26

Measures required to preserve natural habitats, flora and fauna, as well as to ensure the tranquillity of neighbouring communities, are assessed and defined during initial or additional environmental impact studies conducted before the installation of any new plant facilities or equipment whose content is defined by regulations. These studies assess the sensitivity of natural environments located in the immediate vicinity of the sites, and particularly the proximity of special protection areas of fauna and flora. 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 addition to these studies, analyses of the environmental impacts from business activity are conducted annually using the ISO 14001 Environmental Management System in all of the Group's certified sites.

These analyses include:

- environmental issues such as GHG emissions, biodiversity, energy use, health consequences, etc.;
- characterisation of the site environment (environmental protection area, urban area, etc.);
- the possibility of "listing" environmental aspects on the basis of their impact.

They allow the management of these issues (objectives, performance monitoring, etc.).

Since facilities and the regions in which they are located have very different characteristics, each facility is granted considerable independence in setting up its biodiversity management programme. For example, the plants in Rennes (France) and Madrid (Spain) have conducted flora assessments so that their open space management programmes can be adjusted accordingly. The production facilities

in Porto Real (Brazil) and Sochaux (France) have rehabilitated land on which to plant indigenous species. Forests at the Belchamp and La Ferté-Vidame sites have earned Pan-European Forest Certification (PEFC) for their sustainable management practices.

The Group's commitment to biodiversity can be illustrated by several actions at various Group plants. These include the Belchamp plant, where the teams suggest around ten arboretum tours to employees over the year so that they can discover the rich biodiversity of the 320 hectares of the forest as the seasons change. In addition, following an on-site presentation by several employees demonstrating their passion for bee-keeping, a shared bee colony consisting of six hives was set up, allowing for exchanges among its members, to provide support for those new to bee-keeping and to share best practices.

Furthermore, the Sevel Nord plant has performed a biodiversity assessment and installed 45 hives. Apart from the symbolic impact on the production of local honey, this approach is a good indicator of the condition of nature within the site and its immediate surroundings.

### 5.6.2.2. THE PEUGEOT-ONF FOREST CARBON SINK IN THE AMAZON: AN ECOLOGICAL, SCIENTIFIC AND SOCIO-ECONOMIC COMMITMENT

The PEUGEOT brand, in partnership with France's National Forestry Office (ONF), is continuing the Peugeot-ONF forest carbon sink project it has sponsored in the Amazon since 1998. Scheduled to run until 2038, with a long-term objective of 945,000 tonnes of CO<sub>2</sub> sequestered, the project involves reforesting vast areas of degraded land and restoring biodiversity in the Brazilian state of Mato Grosso, while studying the relationship between reforestation and the absorption of atmospheric carbon dioxide. The reforestation initiative is promoting biodiversity, especially by preserving native plant species, with the aim of restoring balance to the ecosystem. The Amazon rainforest is home to more than half of the world's terrestrial biodiversity.

During the 16<sup>th</sup> Scientific and Technical Council on the Peugeot-ONF carbon sink, which was held in March 2016, much progress was made regarding the various aspects of the project (carbon sequestration, biodiversity and local development).

### **Intensified CO<sub>2</sub> sequestration and development of measurement methods**

After a project life of 18 years, total carbon sequestration by the biomass and soil was estimated at 548,930 tonnes of CO<sub>2</sub> equivalent based on the measurement protocols compliant with the VCS (verified carbon standard) – result pending certification by the external auditor SCS Global Services. The carbon credits were sold under the VCS protocol methodology. An initial certification of a portion of these credits (112,000 tonnes of CO<sub>2</sub>) was conducted in 2011 through a dual audit by Ernst & Young and TUV-SUD. The award of this quality label by recognised, independent observers reflects the project's importance and the partners' disciplined scientific approach.

The Peugeot-ONF carbon sink project was the first reforestation project in Brazil to generate certified carbon credits under the VCS certification label, and the second in South America. In total, 2 million trees have been reintroduced in a plantation of almost 2,000 hectares.

## **548,930 TONNES OF CO<sub>2</sub> SEQUESTERED IN 18 YEARS BY THE PEUGEOT-ONF FOREST CARBON SINK**

Two factors have a positive impact on the project's carbon report: the doubling of the surface area certified under the VCS protocol and an additional, specifically Brazilian "Social Carbon" certification which aims to make the project equally solid socially and environmentally. Accordingly, nearly 1,970 hectares of plantations and restored land are currently pending certification.

Procedures for detecting changes in the plantations and natural forest were implemented through the use of a new satellite sensor launched in space in 2015. A stratification tool was developed for the various plantation types based on the combined use of optical and radar images. Its implementation makes it possible to limit on-site visits while strengthening the accuracy of results.

### **Approval of the plan to develop and conduct scientific research in the reserve**

At the heart of the project, an area of 1,800 hectares of virgin forest with high biodiversity value has been devoted to scientific research since 2009. By mutual agreement between PEUGEOT, the ONF and the Mato Grosso state, this area was made a private natural heritage reserve (RPPN), thereby constituting a life-size assessment tool available to the Brazilian and international scientific community.

During the 16<sup>th</sup> Scientific and Technical Council, the SEMA (Ministry of the Environment of Mato Grosso) approved the development plan

for the reserve, and the related research project, jointly funded by PEUGEOT and the ONF. This decision gives the same importance to the biodiversity study as that given historically to carbon sequestration in the project.

The preparation of the research programme started in 2016, with the physical marking of the reserve area, the appointment of people dedicated to monitoring the reserve, the establishment of plots to monitor the natural forest dynamics, and the development of an initial financing plan regarding the first research themes developed.

### **Return of biodiversity in the plantation zone**

Researchers observed that animal life has been re-established in the plantation segment of the project, recreated ex nihilo nearly 20 years ago: a sign of the good health of the reconstituted forest ecosystem, and a successful outcome also due to the unique character – in a reforestation project targeting carbon sequestration – of the plantation comprising more than 50 local species.

Termites are a particularly important and tangible marker of the developing biodiversity, since they are the basis for soil structuring and the recycling of nutrients for the forest ecosystem. They are now abundant in the reconstituted forest biotope. At the other end of the scale, jaguars were photographed in planted areas of the ecosystem, proving that the project is fulfilling its role in terms of biodiversity.

New global species were also discovered in 2016, such as a new Amazonian fish named "Hyphessobrycon peugeotii", and even a new species of beetle called "Hansreia peugeotii".

### **STAKEHOLDER RELATIONS**

#### **PETRA: The carbon sink at the heart of a regional and international dynamic**

*The carbon sink's long-term success hinges on its seamless integration into the region's economic and social fabric. This has led to the creation of local jobs to help raise awareness about the future of forests and the importance of preserving them.*

*In 2012, the project partners set up PETRA, an experimental platform for the management of Brazilian Amazon rural lands. PETRA supplements the annual support provided to Franco-Brazilian PhD students for research into priority areas for carbon sink technology (like forestry, biodiversity, carbon capture, etc.). Furthermore, this programme uses the carbon sink to develop initiatives to reconcile economic activity and forest protection in rural Amazon areas. In particular, it encourages small local producers to develop sustainable forestry systems (agro-forestry and woodland grazing, among others).*

## 5.7. REPORTING SCOPE AND METHODOLOGY

G4-20

G4-22

G4-23

### Reporting methodology

The environmental indicators in this chapter correspond to the application of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code (Grenelle 2) and the recommendations of the Global Reporting Initiative (GRI). Cross-reference tables with GRI G4 indicators and the requirements of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code are included at the end of this report.

The reported data concern the manufacturing plants (PCA), the R&D centres, the main office sites, and the PEUGEOT, CITROËN and DS proprietary dealership networks.

#### Note:

- some results from previous years have been adjusted to reflect more detailed data reported after the previous Registration Document was published. These amendments have been explained for each discrepancy exceeding 1%;
- the emission factors taken into account to calculate the emissions linked to fossil energy consumption will be updated every five years from now on. The parameters used for the 2014 data report will be applied until 2018.

### Scope of consolidation and coverage rates

For joint ventures: the scope of reporting does not include subsidiaries jointly owned with other car manufacturers or joint ventures accounted for by the equity method, due to the lack of exclusive control.

In these joint ventures, the Group exercises its role as shareholder and industrial partner with a view to long-term development. Therefore it takes its CSR responsibilities just as seriously in these joint ventures as it does in its other operations.

The joint ventures report their social and environmental performance at different levels, depending on the management structure in place with the industrial partner.

The Group owns a stake in these joint ventures or joint operations:

- TPCA, located in Kolin (Czech Republic), a joint operation with Toyota;
- DPCA, located in Hubei Province (Wuhan and Xiangyang, China), in joint venture with DONGFENG MOTOR CORP.;

- CAPSA, located in Shenzhen (China) in joint venture with China Changan Automobiles;
- Sevelsud, located in Val Di Sangro (Italy), a joint operation with Fiat;
- PCMA Automotiv RUS, located in Kaluga (Russia), a joint operation with Mitsubishi Motors Corp;
- IKAP (Iran Khodro Automobiles Peugeot), in Tehran in Iran, in joint-venture with Iran Khodro.

However, PCMA Automotiv RUS, in Kaluga, Russia, a joint operation with Mitsubishi Motors Corp., is included for CSR reporting, as the Group holds a 70% interest.

In 2007, at the PSA 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.

## SCOPE OF THE AUTOMOTIVE DIVISION

### Automotive trade (PCA), including PCA France

For the Automotive business (PCA), the scope of consolidation includes production plants, technical and IT centres, the spare parts centre in Vesoul and the main office establishments.

The Automotive business (PCA) sites included in the consolidation scope are the following:

<b>PCA (34 sites)</b>			
		Belchamp Bessoncourt Caen Carrières-sous-Poissy Charleville Hérimoncourt La Ferté-Vidame La Garenne Metz	Française de Mécanique Mulhouse Paris Grande-Armée Paris 17 <sup>th</sup> arrondissement Poissy Poissy Offices Division Rennes Saint-Ouen Sevel-Nord
<b>France</b>			Sept-Fons Sochaux Trémery Valenciennes Vélizy Vesoul CITROËN RACING PEUGEOT SPORT
	<b>Spain</b>	Madrid	Vigo
	<b>Portugal</b>	Mangualde	
	<b>Slovakia</b>	Trnava	
	<b>Argentina</b>	Jeppener	Buenos Aires
	<b>Brazil</b>	Porto Real	
	<b>Russia</b>	Kaluga	

The Aulnay industrial site has been removed from the reporting scope since 2014 due to being shut down in late 2013. Nevertheless, the Group continues to control the site's environmental impact.

In addition, the PCI site in Saint Étienne is no longer consolidated following its transfer in 2015.

### Automotive trade

The automotive trade reporting data covers dealership activity for the PEUGEOT, CITROËN and DS brands set out below:

- commercial subsidiary registered offices;
- the proprietary dealership network for the PEUGEOT, CITROËN and DS brands;
- training centres;
- regional offices;
- PSA Group spare parts warehouses.

In 2016, sites of less than 500 sq.m., such as showrooms or administrative offices, were excluded from the scope. After analysis, they represent less than 1% of the network activity's energy consumption.

The scope of the automotive trade defined above is set out in the table below.

315 sites are referenced in the scope of the automotive trade. For these 315 sites, some of which comprise multiple activities, it was decided that the consolidation of data would relate to the site's main activity.

<b>Automotive trade</b>	<b>Commercial subsidiaries (19) (315)</b>	South Africa	Belgium	Japan	Switzerland
		Algeria	Brazil	Mexico	Ukraine
		Germany	Spain	Portugal	
		Argentina	Italy	Russia	
	<b>PSA Retail dealership network (265)</b>	Germany	Spain	The Netherlands	United Kingdom
		Austria	France	Poland	Switzerland
		Belgium	Italy	Portugal	
	<b>Dealership network excl. PSA Retail (12)</b>	Argentina	Chile		
		Japan			
	<b>Training centres (3)</b>	United Kingdom	Russia	Switzerland	
	<b>Regional offices (4)</b>	France	United Kingdom		
	<b>Spare parts warehouses (12)</b>	Germany	Brazil	United Kingdom	
		Argentina	France	Russia	
		Austria	Italy		
		Belgium	Mexico		

Coverage rates presented under the tables for the automotive trade correspond to the percentage of total sites that have already reported data for the year and that are concerned by the specific indicators. Failure to report data may be due to the inability of the facility to respond or to calculate the indicator concerned (lack of metering systems, for example). Unless otherwise mentioned, data concern all sites.

For the automotive trade, the reporting period corresponds to a rolling year from 1 November of the previous year to 31 October of the current year.

As the environmental data for BANQUE PSA FINANCE represent a marginal proportion of the Group's emissions, they are not included in this reporting. However, they do appear in the reporting of the BANQUE PSA FINANCE Management Report.

The data presented in this table has been audited by an independent body, the firm Grant Thornton, using the methods set out in section 8.6 of this report.

## Key

**Automotive:** PEUGEOT CITROËN Automobiles S.A. operations in France (production plants, R&D centres, office facilities). The consolidation of the automotive business relates to 34 sites including PCA France, PCA outside France, Sevel Nord and la Française de Mécanique. The industrial site of Française de Mécanique has been consolidated since 2014.

**O/W PCA France:** PEUGEOT CITROËN Automobiles S.A. operations in France (production plants, R&D centres, office facilities). The scope of reporting for PCA France covered 26 sites.

**Automotive trade:** operations of the PEUGEOT, CITROËN and DS dealership networks (headquarters of the retail dealerships, PEUGEOT, CITROËN and DS proprietary networks, regional training centres and regional offices and spare parts warehouses). The scope of reporting for the automotive trade comprises the sites with at least six months' activity during the period covering the year (open before 1 May), but does not comprise sites closed on 31 October. The automotive trade thus comprised 315 sites in 2016.





# 6

## ETHICAL PRACTICES, ECONOMICS AND CORPORATE GOVERNANCE

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The PSA Group has identified three significant issues in terms of "governance, ethical practices and economy":

**■ Issue "Ethical practices in business relations" – internal and external impacts**

In increasingly challenging market conditions, compliance with ethical regulations and principles is the only way to guarantee a level playing field. Car manufacturers must make sure that their activities, particularly in countries categorised as "high risk" by specialised NGOs, do not expose them to international regulatory infringements. Faced with ethical or corruption risks, convictions resulting from non-compliance may not only lead to significant fines, but may also have a lasting impact on the Group's presence in one or more markets. The scope of application of some national laws, particularly those of the United States, Canada and the United Kingdom, extends beyond national borders.

**■ Issue "Distribution of added value" – internal and external impacts**

Public opinion is increasingly sceptical about the methods used by multinational companies to redistribute the wealth they generate, their suspicions exacerbated by debates in society on salary disparities and controversies surrounding the remuneration of executives.

In addition, various stakeholders (government officials, public opinion) are demanding full transparency in fiscal matters: the European Commission has already imposed country-by-country reporting obligations on banks operating in the European Union, including disclosures of all taxes paid and subsidies received. This directive will be extended to all sectors after 2017.

Core industrial firms like the PSA Group must therefore begin focusing efforts not only to be able to eventually meet these expectations, but also to demonstrate their contributions to economic development in the countries where they operate.

**■ Issue "Transparency and integrity of influence practices" – internal and external impacts**

All stakeholders – shareholders, government authorities, opinion makers – expect companies to ensure consistency between their commitments and stated policies with respect to environmental, social, economic and other issues, and the positions they defend in the context of their strategy of influence. This consistency is an advantage to consolidate the reputations of companies like the PSA Group in the area of Corporate Social Responsibility.

Faced with these challenges, the Group has set up the following systems.

## SCOREBOARD

CSR ISSUES	COMMITMENT	AMBITION 2025	TARGET 2016	RESULTS 2016	TARGET 2017
<b>ETHICAL PRACTICES IN BUSINESS RELATIONS</b> <i>Organiser: General Secretary</i>	Ensure ethical business practices and "zero tolerance" for corruption and breaches of competition rules.	Anti-corruption measures are deployed and assessed across all Group activities, including the supply chain. The competition rules and human rights have been disseminated and are complied with across all Group activities and in relationships with its partners (suppliers, partners in joint ventures, etc.).	<ul style="list-style-type: none"> <li>■ Anti-corruption: e-learning module for employees with high-risk positions (see section 6.1.4.4).</li> <li>■ Competition law: in-class training for all senior and executive managers and a whistleblowing procedure was set up.</li> </ul>	<p>Target partially met:</p> <ul style="list-style-type: none"> <li>■ <u>Anti-corruption:</u> <ul style="list-style-type: none"> <li>■ the target was revised to improve the system (the 100 most at risk employees attended in-class training);</li> <li>■ the e-learning modules began in the second half of the year for employees with high-risk positions.</li> </ul> </li> <li>■ <u>Competition law:</u> 100% of senior and executive managers were trained and a whistleblowing system was set up.</li> </ul>	<ul style="list-style-type: none"> <li>■ Improvement of the anti-corruption system: an anti-corruption code is attached to the internal rules (legally enforceable).</li> <li>■ New whistleblowing system ensuring responsiveness and confidentiality in the event of a monitoring plan.</li> <li>■ The Group complies with the Modern Slavery Act and its joint venture partners are aware they must respect fundamental human rights.</li> </ul>
<b>DISTRIBUTION OF ADDED VALUE</b> <i>ORGANISER: GENERAL</i> <i>Secretary/Chief Financial Officer</i>	The Group does not resort to artificial structures that facilitate tax evasion.	The Group meets the requirements for fiscal transparency, complying with regulations in each of the countries where it operates.	The Group is assembling a tool kit to be ready for the future legal requirements of Country By Country Reporting (CBCR).	<p>Target met:</p> <p>The Group has assembled a tool kit for filing its Country-by-Country report with the French tax authorities.</p>	Country-by-Country report for financial year 2016 filed with the French tax authorities.
<b>TRANSPARENCY AND INTEGRITY OF INFLUENCE PRACTICES</b> <i>Organiser: General Secretary</i>	Ensure the timely publication of the positions defended by the Group.	The Group ensures transparency on the positions that it defends and on the interest groups to which it is a member worldwide.	Publish a Group Code of Ethics for Responsible Lobbying.	<p>Target met:</p> <p>The Code of Ethics for Responsible Lobbying was published.</p>	The Code of Ethics for Responsible Lobbying has been disseminated among the relevant Group players.

PSA Group has taken the necessary steps to be able to meet these challenges, which are described below. Its governance mode has updated to better integrate CSR issues: it is presented in sections 6.4 and 6.5.

## 6.1. ETHICAL PRACTICES IN BUSINESS RELATIONS

G4-56

The Group's history has evolved to embrace a corporate culture founded on respect and responsibility. This ethical requirement is formalised by policies, signed agreements ("Global Framework Agreement") or the adoption of international benchmarks (Global Compact).

It is reflected in the collective commitments made to stakeholders: clients, employees, shareholders, partners, and civil society on the whole. To fulfil these commitments, the managers and all employees must comply with shared ethical guidelines.

These rules, compiled in the Group Code of Ethics, are organised around the following requirements:

- respect for the law;

- respect for people;
- respect for the environment;
- respect for customers;
- respect for the Company.

The Group's ethics and compliance policy is based on:

- a structured organisation for ethics and compliance;
- a monitoring system for ethical risks;
- resources implemented to reduce such risks;
- results in line with expectations.

### 6.1.1. Group ethics and compliance organisation

G4-DMA G4-SO3 G4-SO4

#### MANAGEMENT BY THE ETHICS AND COMPLIANCE COMMITTEE

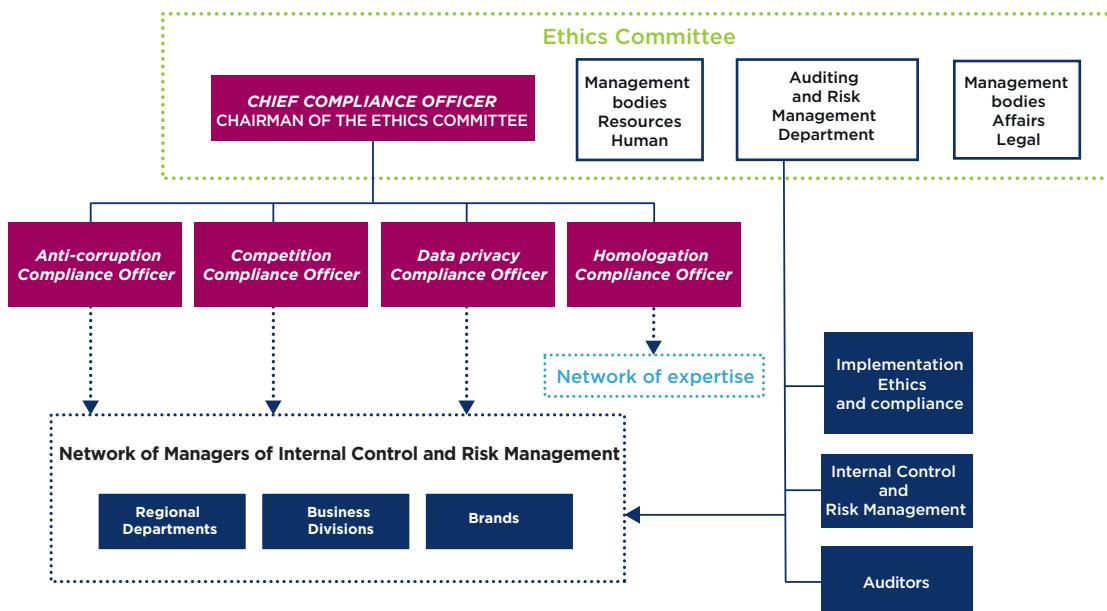
In 2010, the Group created an Ethics and Compliance Committee, which reports to the Executive Committee. It is chaired by the General Secretary and comprises the Head of Human Resources and the Head of Group Audit and Risk Management and, since July 2015, the Group Chief Legal Officer, the new Competition Compliance Officer.

This Committee is the linchpin of the Ethics and Compliance Policy. As such, it determines the main guidelines, sets the targets and reports to the Executive Committee and, when necessary, to the Supervisory Board, in particular through the Finance and Audit Committee.

In 2016, competition, anti-corruption, data privacy and approval compliance officers were appointed. They report to the Group General Secretary – who also chairs the Ethics Committee – and oversee, through the network of Internal Control and Risk managers, that the compliance programmes they have set up in each of their fields are rolled out and properly implemented in the relevant departments. If an action infringes the Group's rules, they have the capacity to block it.

The compliance officers, in their day-to-day work, are assigned either individual or group tasks by the General Secretary. They present their work once a year to the Group Ethics Committee.

Compliance Officer structure

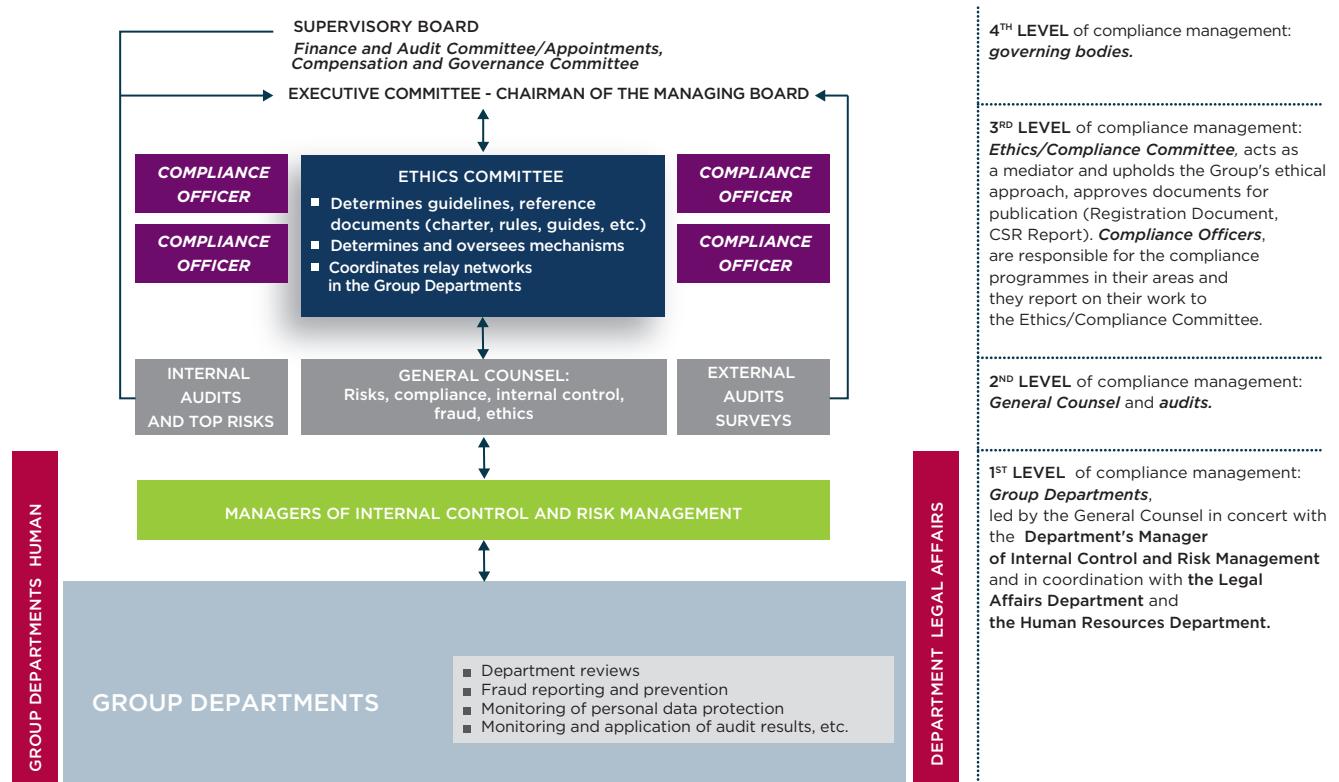


## A FOUR-TIER ETHICS AND COMPLIANCE POLICY

The departments are at the **first** and most critical **level** in enforcing the ethics and compliance policy. The departments, led by their Internal Control and Risk manager, who in turn is supervised by the General Counsel and the compliance officers, roll out the core components of the policy. At least once a year, risks and achievements associated with ethics and compliance are assessed, adjusted and clearly identified. This makes it possible to define action plans during the risk and compliance reviews, a major highlight of the policy. In all, the departments and their heads are responsible for applying the Code of Ethics in their area and for implementing suitable systems according to the risk levels identified. They define and monitor the related KPIs.

- Internal and external audits are the **second level** of compliance management. The Audit and Risk Management Department checks that the processes have indeed been implemented. It confirms and analyses any cases of fraud or corruption. Each audit of a site or a subsidiary includes a section analysing this risk.
- The Ethics Committee, with the assistance of the four compliance officers, gets involved at the **third level** where necessary to settle any issues and to ensure that the procedures are followed properly.
- The Supervisory Board and the relevant committees intercede at the **fourth level**:
  - if the case is referred to them by the Managing Board;
  - as part of the Finance and Audit Committee, or if it is a specific item to be debated by the Supervisory Board.

### The ethics and compliance system



## 6.1.2. A monitoring system for ethical risks G.41 G4-57 G4-58

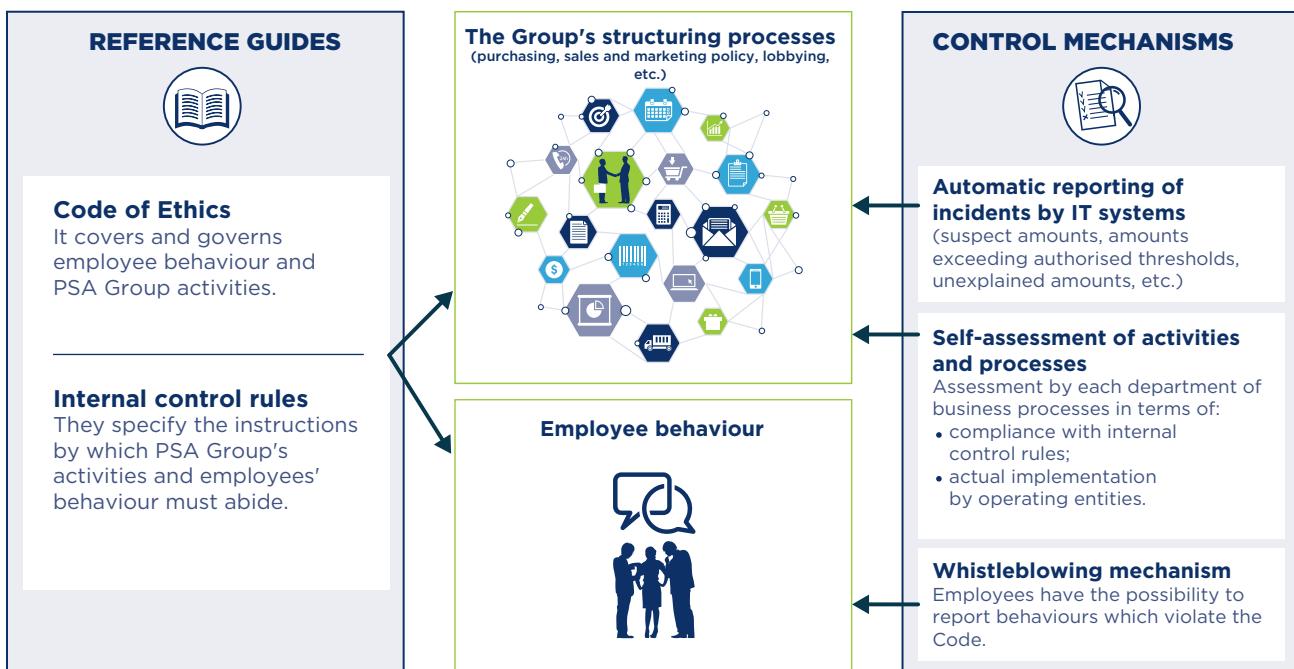
Ethical risks are addressed using the general risk management system implemented by the Group described in Chapter 1 of this report.

To guarantee good faith and fair dealing and to prevent fraud and corruption, the Group relies on principles shared throughout the Group:

- employee involvement;

- analysis of risks and a defined process for controlling them;
- traceability of transactions;
- segregation of powers and multiple sign-offs depending on the sums involved;
- selection of partners.

### The target system designed to manage ethical and compliance risks



The system was amended in 2016 and includes the following components.

### REFERENCE GUIDES: THE CODE OF ETHICS AND THE INTERNAL CONTROL RULES

The Code of Ethics is THE reference. It covers and governs employee behaviour and Group activities. In 2016, some ten new internal control rules were included. Both educational (with dos and don'ts) and accessible to all, these were meant to set forth and illustrate the key compliance standards that Group activities and employee behaviours must comply with. For example, these rules include instructions focused on compliance with competition laws, anti-corruption, data privacy, export control, etc.

The Group's structuring processes (purchasing, sales and marketing policy, lobbying, etc.) are assessed to check that they are compliant with such rules and amended where necessary. In addition to these assessments, the information systems will send alerts

based on automatic incident reports (suspect amounts, amounts exceeding authorised thresholds or unexplained amounts, etc.). The whistleblowing system currently being studied will enable employees to report, in complete confidentiality, any non-compliant behaviour which could have an adverse affect on the Company. Operational feedback from these alerts will enable improvements to be made to the overall system.

### THE INTERNAL CONTROL AND RISK MANAGERS (ICRMS)

Appointed in every department and directly reporting to the Chairman of the Managing Board, the 23 ICRMs ensure that the rules governing internal control are accounted for in all the major processes of their department. To ensure that these processes comply with such rules, the ICRMs may submit action plans or amendment suggestions, in particular after running a risk and compliance review.

## ANNUAL RISK AND COMPLIANCE REVIEW

Once a year, all the departments must organise a focus session on ethical risks and compliance. It takes the form of a committee, including the Head of Department and employees directly reporting to him/her. Headed by the ICRM, this focus session is the occasion to present the results of the self-assessment carried out on the department's work and processes with respect to compliance rules in areas such as competition, fraud, corruption, data privacy, etc. Additional analyses will supplement these results if the department has identified breaches of the Code of Ethics during the year. Based on these results, action plans are drawn up and are monitored by the ICRM and the General Counsel. The overall aim of this department review is to assess the main areas in ethical business practices, particularly in relation to competition, corruption and data privacy and see that such issues are reviewed, both in the general risk analysis conducted by the department and in the assessment of its main processes.

Implemented for the first time in 2016, this new organisation provided a first outlook on the compliance of department processes with fundamental business practices, thereby establishing a starting point. In accordance with the recommendations of the Ethics Committee, "risk and compliance" reviews were conducted in the departments which report directly to the Chairman of the Managing Board as well as in four additional entities, whose business requires a special process (Replacement Parts and Services, IT Department, PSA Retail and BANQUE PSA FINANCE).

The consolidation of this work by the Group provides the Ethics Committee with a general mapping of the risks related to ethics and compliance and the action plans in each department.

## WHISTLEBLOWING

The Group's general whistleblowing system is currently based on a specific internal organisation which is supplemented by smaller whistleblowing systems at a local level.

The organisation gives priority to fast and efficient handling processes: Depending on its nature and level of severity, employees may either report the issue to their line manager, Human Resource manager, ICRM, the Chief Ethics Officer (at country or local level) or Compliance Officers. The principle of subsidiarity put in place for efficiency ensures that only alerts based on specific criteria (amount involved, position of the person potentially involved, etc.) are directly reported to the Ethics Committee. This Committee does, however, enjoy permanent access to all the data collected and full statistics.

In addition, a web-based whistleblowing system was introduced in Latin America. This system is managed by an independent organisation (KPMG in 2016) and provides data to the local-based and Group Ethics Committee. For example, 107 cases were reported through this channel in 2016 and the investigation resulted in the dismissal of six employees and the suspension of two others with a warning letter. In this region, a local Ethics Committee handles cases of Group non-compliance in Argentina, Brazil and Chile in close liaison with the Group Ethics Committee.

A whistleblowing system is also in place in the United Kingdom, and the Group's financial subsidiaries (BANQUE PSA FINANCE) have a similar system, in accordance with legislation. There are also two email addresses for "harassment" and "diversity" issues, as additional ways of reporting a problem and initiating an internal investigation.

In May 2016, pursuant to the Group's commitments in respect of the French Competition Authority, an additional whistleblowing system, was put in place to report cases specifically dealing with competition law by sending an email. It is supplemented by an internal procedure and a practical guide. An AU-004 compliance statement was filed with the CNIL and it was also subject to a consultation with the Central Works Council.

Lastly, in accordance with management process set forth in the Global Framework Agreement (see section 3.1.1), these strictly internal cases are supplemented by reports on potential breaches identified with suppliers. Such cases trigger an action from the Purchasing Department to resolve the issue with the relevant suppliers. (See section 4.2.2.3.).

At the end of 2016, the Group was considering the possibility to implement an external global whistleblowing system to handle cases reported by Group employees or even external partners, concerning identified breaches of ethical rules and legislation, in a professional, neutral and confidential manner.

## SUPPLIER AUDITS

For the non-Group scope, audits are made on suppliers. The Purchasing Department performs the supplier CSR audits. Since 2008, the Group has conducted 75 social and environmental audits with tier 1, 2 or 3 suppliers. They systematically involve an audit of anti-corruption practices and policy. These audits round out the self-assessments made by all the suppliers themselves. The suppliers systematically receive a CSR questionnaire to assess the appropriateness of their anti-corruption policy and system. In 2015, the Group started using an external platform to evaluate suppliers (EcoVadis), which incorporates the indicators of fair practice and compliance. This platform is described in further detail in section 4 of this report.

## CONTROL MECHANISM

- The principles of segregation of powers, and, in the area of management control, the need for two or three sign-offs, depending on the type of commitment and amount of the transaction, help limit and detect possible acts of fraud or corruption.
- The prevention, control and oversight system is built around the following departments and units:
  - the General Counsel, together with the Ethics and Compliance Committee and with the help of the Compliance Officers, defines the resources to be deployed, in particular to prevent fraud and corruption;
  - the Audit and Risk Management Department consolidates, assesses and prioritises the Group's risks. It ensures the Executive Management is informed; each audit of a site or a subsidiary includes a section analysing this risk;
  - the ICRM verifies that the processes are actually applied and confirms and analyses any cases of fraud or corruption within his/her department. If necessary, he/she reports back to the Compliance Officers on cases falling within their scope;
  - management controllers verify the nature of the services provided, their actual provision and the consistency of accounts.
- The Ethics Committee is informed by its various networks of any cases of non-compliance. If necessary, it alerts the Managing Board and provides a regular update to the Supervisory Board committees.

## 6.1.3. Resources implemented to address and reduce risks

### 6.1.3.1. THE GROUP CODE OF ETHICS

In 2010, the Group confirmed its ethical commitment by rolling out a new improved version of its Code of Ethics. This is one of the Group's six key areas of focus. It completes the commitments to employees formalised by the Company when signing the Global Framework Agreement, which was also renewed in 2010.

Comprising 16 rules, the Code is designed to provide employees with updated guidelines that reflect the Company's business, social and environmental responsibilities. Its compact format ensures it can be taken on board quickly and is easy to display. It is available in 22 languages and has been disseminated across 30 countries. It applies to all the Group's subsidiaries (excl. joint ventures), including BANQUE PSA FINANCE, except for FAURECIA which has its own Code of Ethics. The Code was expanded in June 2015 and now includes a foreword on the formal ethics commitment made by the Group's executive managers, which has been signed by the Executive Committee.

Foreword signed by the **members of the Executive Committee** in June 2015

**“Now that we are firmly back in the race, our competitive and performance-based culture must be guided by ethical standards as set forth in our Code of Ethics. Our Group's reputation depends on it.**

*The trust that our clients, shareholders and partners place in us is underpinned by everyone's integrity regardless of position, seniority or country. Any breach of these rules could expose the Group to serious business and financial damage as well as tarnish its reputation.*

*It is therefore mandatory that all of us comply with the Code of Ethics. The Executive Committee is the first to embrace this commitment.*

*We are counting on Group employees to ensure that everyone abides by the Code of Ethics on a daily basis as a way to propel sustainable performance. ☺*

Along with the "Daily ethics" handbook on real-life examples of situations which might occur, the Code of Ethics is made directly available to employees on the Group's intranet. It is one of the new employee documents given to all new staff.

"Compliance with the Code of Ethics" is the first operating procedure in the Group's reference guide, which every employee is expected to apply. Available on the Group's intranet, this procedure

sets out the practical obligations for employees and management in terms of ethics. It describes the actions to take and procedures to follow in the event of questions or if breaches of the Group's ethical principles are identified. It also defines the respective roles of each body. It insists on the fact that the departments must follow formal procedures in managing ethical and compliance issues and meet at least once a year to assess their corporate ethical practices.

In 2015, the two Chinese joint ventures, DPCA and CAPSA, adopted their own codes of ethics to prevent corruption. At the end of 2014, an anti-corruption handbook reflecting Chinese laws and regulations was published. Employees receive training on the handbook procedures.

PCMA Rus, the Russian joint venture created by the PSA Group and Mitsubishi, updated its Code of Ethics in 2016, which is now aligned on that of the Group and also includes specific provisions similar to those that can be found in the internal rules of French establishments.

### 6.1.3.2. THE DEPLOYMENT OF THE CODE OF ETHICS

In 2015 and 2016, a new campaign for the Code of Ethics was launched for all relevant Group employees, based on a specific schedule for each country. This campaign falls in line with the operating procedure, "Compliance with the Code of Ethics", stipulating that each manager must renew his or her commitment to the Code every three years.

The Chairman of the Managing Board oversees this campaign, reflecting how closely top-ranking executive managers are involved in this process.

#### Carlos Tavares

**“[...] Certain infringements to the laws and regulations set forth in our Code of Ethics could lead to serious ramifications. As a manager of the Group, you have specific responsibilities with respect to these laws and regulations.**

*[...] I am therefore counting on every one of you to join in with all the other Group senior managers and executive managers in signing for the first time or in renewing your commitment to uphold our Code of Ethics.*

*[...] I expect outstanding results from this campaign, as a sign of our deep involvement and shared commitment to sustainable success. ☺*

### 6.1.3.3. THE SYSTEM TO PREVENT FRAUD, CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

G.41

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G4-58

This system is an integral part of the Group's ethics commitment.

#### Reference documents and procedures

The principles adopted by the Group in these areas are formalised in the following reference documents, which can be accessed directly on the Group portal:

- Group agreements with regard to all its stakeholders:

The Global Framework Agreement on Social Responsibility was renewed in May 2010. Anti-corruption is one of the 15 commitments of this agreement.

On 7 March 2017, PSA Group and the trade union federations IndustriALL Global Union and IndustriALL European Trade Union signed a new PSA Group Global Framework Agreement on Social Responsibility. It applies to 127 subsidiaries in 35 host countries and is regularly monitored to ensure compliance and a consolidation of related action plans;

- employee documents:

- rules 1, 11, 12 and 16 of the Code of Ethics specify guidelines to avoid anti-competitive practices and corruption, prevent conflicts of interest, limit gifts and maintain a clear segregation between work and political activities. At the same time, the document "Daily Ethics" offers examples of situations and appropriate behaviour in these areas. The Code of Ethics is part of the induction kit systematically given to every new hire,
- the "Compliance with the Code of Ethics" procedure, backed up by the competition procedure, is the foundation of all our operating procedures. These procedures include detailed guidelines concerning fraud and the prevention of insider dealing and corruption, particularly in accordance with the UK Bribery Act,
- a Group-wide anti-corruption practical guide, summarising the Group's policy on anti-corruption was published in 2014 and updated in 2015 and 2016;

- supplier documents:

- these issues are covered in the "Supplier Guidelines for the Group's Corporate Social Responsibility Standards";

- documents for corporate officers:

- a Stock Market Code of Ethics applicable to members of the Supervisory Board and executive managers (see section 6.4.3).

In addition to this general system and the Group's reference documents, other procedures have been introduced in certain Group departments or subsidiaries depending on the identified risks or particular legislation. Examples include:

- United Kingdom subsidiaries: Conflict of Interest and Anti-Bribery policy pursuant to the UK Bribery Act; the document was expanded and updated in May 2015;
- BANQUE PSA FINANCE: "Internal Control Charter and Anti-Money Laundering Procedure"
- Purchasing Department:
  - self-assessment questionnaire sent to all suppliers systematically comprising questions about their anti-corruption policy and a

preliminary review of suppliers in countries deemed at risk. This system is being phased out and replaced by a procedure to assess suppliers, particularly on "Fair Business Practices", by EcoVadis,

- CSR supplier audits systematically including an audit of anti-corruption practices and policies;
- Latin America Division: a local Ethics Committee and web-based whistleblowing process. Every year all managers and employees systematically fill out a form declaring conflicts of interest and receipt of gifts, and submit it to the persons responsible.

#### FOR more INFORMATION

**PSA Group website - «Responsibility and Ethics» webpage - "The ethical charter" and "The ethical guidelines" documents :** <https://www.groupe-psa.com/en/automotive-group/responsibility/>

#### The anti-fraud system

A strengthened anti-fraud system has been in place in the Group's Automotive Division since 2012 (BANQUE PSA FINANCE has its own system). It is placed under the responsibility of the Group's Ethics Committee, which has tasked the Group Security Department (one of the entities of the Group General Counsel) with managing it, carrying out investigations, monitoring and reporting incidents. Audited in 2015, the anti-fraud system is based on preventing, identifying, investigating and handling incidents as well as making ongoing improvements. In 2015, the Local Security managers, Fraud Detection managers and Chief Ethics Officers began to play a greater role in this system:

- prevention and deterrence are provided by the departments that have committed to abide by the minimum measures of the internal control system: updating delegations of authority, principles of segregation of duties, dual sign-off requirements, best practices in managing IT access, etc.;
- for fraud detection, the Group Security Department works hand in hand with a network of Fraud Detection managers, one in each Group department, and some 50 Local Security managers appointed by the companies;
- investigations are overseen by the Group Security Department, in close collaboration with the Legal Affairs Department, the Audit and the Human Resources Department. The department's operating officer hands down any decisions/sanctions. Operating officers can also seek advice from consultants or external lawyers, specialists in national legislations in certain issues, to develop their analysis and find the appropriate solutions;
- in an ongoing effort to improve the system, fraud attempts and cases of fraud are analysed in terms of new fraud techniques, the ability to detect fraud more quickly and its impact, in order to reduce the loop holes in the system.

Restructured and further expanded in 2015, this network includes a monthly presentation and helps, together with the ICRMs to map fraud risks and fine-tune corrective and prevention measures. It analyses attempted fraud and cases of fraud as well as any potential weaknesses in terms of procedure or human intervention. It spearheads fraud prevention initiatives. These managers are in turn backed up by the 50 or so Local Security managers appointed in each Group company.

In all, approximately 100 individuals (excluding auditors), distributed by Group activities, companies and geographical areas, provide optimum coverage for the Group. They are specifically tasked with alerting and informing of any instances of fraud and monitoring action plans in place.

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### EMPLOYEES WORK TO PREVENT FRAUD

Some of the noteworthy measures for preventing fraud in 2016 were:

- confidentiality and control of information: training for all senior managers and executive managers plus an e-learning module; systematic checks to test password strength;
- awareness raising and financial fraud prevention programme for the entire cost-management finance function, (impersonation scams involving the Chairman, identity theft, fraud involving new bank details, etc.);
- personal data: e-learning was made available to all staff in January 2015 on the internal e-platform;
- prevention of corruption: a staff-wide informational video based on the 2014 anti-corruption practical guide was broadcast to all Group departments at the end of 2015. E-courseware was made available in 2016 to provide additional training on this guide;
- anti-competitive practices: additional e-learning was made available at the end of 2015.

Each of these programmes accounts for approximately two hours and fifteen minutes of training.

### Anti-corruption

- The practical guide on anti-corruption measures was promoted in an in-house communication campaign running on the "Live in PSA" portal when it was published. This summary guide, which is easy to download and use, specifies the Group's overall position (zero tolerance) on corruption. It describes precisely the rules concerning gifts and invitations, conflicts of interest, facilitation payments, relations with agents, intermediaries and consulting companies, etc. It provides contacts and examples of warning signals to sharpen discernment. It integrates all the main provisions of national laws that concern the Group and extra-territorial laws, and is enforceable in all countries. Following an update in 2016, it now includes a reference guide which specifically addresses the precautions that should be considered when dealing with agents and intermediaries. These fundamental documents can be found on the homepage of the Group's intranet site and are also handed out during in-class training sessions on the subject.
- In 2015, a three-minute informational video was made available to all staff to highlight the main points of the anti-corruption practical guide. This video is a standalone tool to raise awareness about corruption. It shows possible scenarios of corruption and how members of the Group should act in such cases. Broadcast at the beginning of in-class training sessions, it constitutes the first chapter of an international remote training course on anti-corruption.
- An e-learning module was also designed. Short and available in several languages, it supplements the video and makes it possible to remotely and quickly address part of the staff concerned.
- Extensive in-class training was put in place in 2016. Spearheaded by the General Counsel, it targets employees that have been individually identified in at-risk positions: purchasing and

purchasing advisers/buyers, sales (particularly in at-risk regions, B to B, public procurement, key accounts, imports relations, retail, services and parts), joint ventures, finance (investor and bank relations), customs, marketing, communications (press, sponsors, advertising, media buying, event organisation), sports, institutional relations and real-estate departments, etc.

### FOR **more** INFORMATION

**PSA Group website - «Responsibility and Ethics» webpage - “Anti-Corruption Handbook” document:** <https://www.groupe-psa.com/en/automotive-group/responsibility/>

### Compliance with competition rules

A key event of 2016 was the implementation of an extensive programme entirely dedicated to competition rules.

- A message from the Chairman of the Managing Board was published in December 2015 on the "Live PSA" intranet portal. It took the form of a statement that clearly confirms his desire to combat anti-competitive practices. It was circulated again, with personalised internal communication delivered to each employee in May 2016.
- A Competition Compliance Officer (CCO), in charge of the competition compliance programme was appointed. He is responsible for drawing up, rolling out and monitoring the programme as well as any potential cases that might occur. He is the key contact person for Group employees seeking information on compliance with competition rules. He will therefore receive any work-related issues reported via the dedicated whistleblowing system. Employees can thereby inform the Competition Compliance Officer of any potential breaches of competition law they have identified. To outline the fundamental role of the Competition Compliance Officer, an email campaign was sent out in May 2016 to all employees, to describe the duties of the Competition Compliance Officer, provide his contact details and encourage them to read the in-house magazine published on this occasion including a message from the Chairman of the Managing Board and an interview of the CCO on appropriate behaviour and key information.
- In France, a special whistleblowing system for competition issues was put in place with a dedicated email address. This system was presented to the employee representatives (Central Works Council meeting of 29 March 2016) and the relevant AU-004 compliance statement was filed with the CNIL. Employees have been informed about procedures to follow via the Group intranet, where they can find the email address of their compliance officer at all times and a detailed users' guide to the whistleblowing system.
- Competition liaison contacts were appointed in the relevant departments (sales, purchasing, partnerships and joint ventures, research and development, services and parts). By joining forces with the Legal Affairs Department on a regular basis, they contribute to ensuring the proper implementation of the compliance policy in their department and have a duly signed mission statement describing the terms of their duties.
- A supervisory mechanism ex-ante industry association meetings including competitors was put in place. It institutes an authorisation by the Legal Affairs Department prior to the Group's enrolment in an association. Lists of the associations and authorised employees must be drawn up and kept up to date, and meetings must be kept up to date also.

- A compulsory in-class training session for executive managers and senior managers was put in place. At the end of the session, the attendant takes a quiz and must obtain a score above the minimum threshold to validate their training programme. Moreover, these managers must formalise their commitment to compliance with competition by signing an agreement. The relevant training modules are available on the Group's intranet at all times.
- An e-learning module has also been designed. It is also supplemented by a quiz requiring a minimal score to validate the training course. This module is available, not only to senior managers but to all employees that are potentially concerned.
- A special process was put in place to inform all new employees taking up position on existing operating procedures, and more specifically on the competition procedure.
- A specific provision has been added to the employment contracts of executive and senior managers in connection with competition breach.

#### 6.1.3.4. THE ETHICS AND COMPLIANCE COMMITTEE

The Committee meets quarterly and is responsible for:

- determining the general orientations of the Group's ethics and compliance policy, based in particular on external intelligence (new risks, emerging stakeholder expectations and new legislation) and the consolidated mapping of the departmental reviews. It also decides on the development of tools and reference systems of the Ethics system;
- overseeing operational deployment: setting and monitoring of annual objectives, monitoring of indicators. It guarantees the proper functioning of relay networks;
- analysing, processing and tracking reported "ethics cases";
- acting as the liaison for employees who have questions about ethics;
- reporting on ethics and compliance issues to the Executive Committee and Supervisory Board.

If a case of non-compliance poses a core risk for the Company, the Ethics Committee warns the Managing Board, which decides whether or not it is necessary to inform the Supervisory Board's Finance and Audit Committee.

#### Chief Ethics Officers

The Ethics Committee, in addition to working with the Compliance Officers and the ICRMs, also works with a global network of 11 Chief Ethics Officers covering the geographical areas where the Group operates. These officers oversee that ethical policies are applied locally. The Chief Ethics Officers relay the guidelines and objectives determined by the Ethics Committee in the countries and regions. They investigate the ethical cases for their region, potentially assisted by the Fraud Detection managers and the ICRMs, and ensure that they are consistently referred to the Ethics Committee. If necessary, they may alert the Committee before the investigation begins.

#### 6.1.3.5. THE COMPLIANCE OFFICERS

In 2016, the network of Compliance Officers was expanded: in addition to the Competition Compliance Officer, an Anti-Bribery-Corruption Compliance Officer, a Data Privacy Compliance Officer and a Compliance Officer in charge of approval issues, were appointed. These four areas embody the core areas of compliance of the automotive industry.

These Compliance Officers are responsible for drawing up, implementing and monitoring the programmes to ensure the Group's compliance in their field. These programmes include, in addition to their respective managers, policies (internal control rules, guides, codes, etc), training modules (e-learning, face-to-face), mechanisms and standards (procedures, network supervision, etc.).

To this end, and in contact with external regulators, the Compliance Officer:

- monitors developments, complies and oversees compliance with legislative and regulatory provisions as well as industry standards in his field;
- includes these in the Group's internal management rules;
- identifies the areas and people at risk and is the key contact person for all issues in connection with his field and within his delegation. He deals with the cases received;
- formulates suggestions and gives technical advice, backed by the Support Departments and the ICRMs;
- proposes and helps to design and/or takes part in training initiatives for operational staff;
- helps to draw up, if necessary, a communication plan on these topics for Group staff and employees.

## 4

#### COMPLIANCE OFFICERS

#### 6.1.4. Results achieved

G4-S05

G4-S07

G4-S08

G4-S011

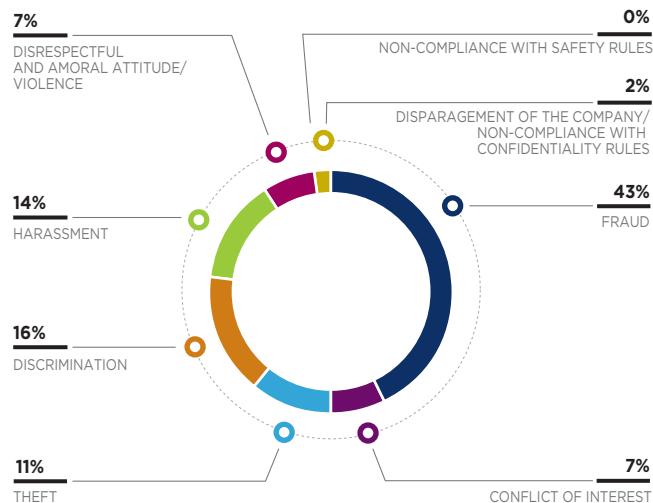
# 18,000

**MEMBERS TO THE CODE OF ETHICS  
THROUGHOUT THE WORLD**

Membership campaigns were launched in France, Germany, Italy, Spain, Great Britain, Portugal, Czech Republic, Austria, Switzerland, the United Kingdom, Belgium, Argentina, Brazil, Algeria and Japan.

## 6.1.4.2. ETHICAL CASES

### Breakdown of cases reported to the Ethics Committee in 2016



## 6.1.4.4. TRAINING

### 2016 Deployment: training and awareness-raising

#### Employees

#### TRAINING ON HUMAN RIGHTS AND ETHICS POLICIES AND PROCEDURES

(Group scope, situation in 2016)

Areas	2015			2016		
	Number of hours	Number of employees	% of employees trained	Number of hours	Number of employees	% of employees trained
Equal opportunity, diversity, anti-discrimination training	9,258	1,537	1.59%	4,471	1,395	1.54%
Compliance with internal rules, Global Agreement, data privacy guidelines, etc.	8,365	7,034	7.26%	26,736	6,034	6.68%
Corruption, conflicts of interest, etc.	1,258	863	0.89%	964	1,018	1.13%
Competition and corruption	313	215	0.22%	1,831	2,518	2.65%
<i>including corruption</i>				702	1,776	1.87%
<i>including competition</i>				1,129	742	0.78%
Code of Ethics	3,175	12,701	13.10%			
<b>TOTAL</b>	<b>22,369</b>	<b>22,350</b>	<b>23.06%</b>	<b>34,002</b>	<b>10,965</b>	<b>11.54%</b>

In 2016, general training on ethics represented a total of 34,000 hours for 10,965 employees. A certain amount of this more general training covered subjects like corruption. For example, under the terms of the Global Framework Agreement on Social Responsibility, the Group is committed to fighting against all forms of corruption and avoiding conflicts of interest. Every Group employee has been informed of this commitment and made aware

of its importance. Moreover, the campaign for adherence to the Code of Ethics, renewed in 2015 and pursued in Japan and Algeria in 2016, once again raised awareness among employees regarding the 16 rules of the Code of Ethics.

All Group employees must behave in line with current laws and regulations, whether national or European, when performing their work. Experts from the Legal Department and the Corporate

Secretary's Office spearheaded training on issues such as competition and corruption for employees in at-risk positions, i.e., Sales and Purchasing Departments.

- At the end of 2016, more than 1,400 employees across 13 countries had already attended in-class sessions on competition law.
- At the end of 2015, 735 employees attended in-class training on anti-corruption measures and 1,874 took a web-based course. This training encompasses the in-class modules given in the Middle East-Africa Purchasing Department and the modules rolled out in Russia and China.

# 33,315

ATTENDED A TRAINING COURSE RELATED TO ETHICS  
BETWEEN 2015 AND 2016

## Suppliers

The Group insists that suppliers also comply with its procedures to prevent corruption and avoid conflicts of interest. These points are stipulated in "Group requirements regarding social and environmental responsibility with respect to its suppliers".

The PSA Group has also defined guidelines for buyers to discourage corrupt practices.

### FOR **more** INFORMATION

**PSA Group website - «Social Commitment» webpage - “PSA Group requirements on social and environmental responsibility with respect to its suppliers charter” document:** <https://www.groupe-psa.com/en/automotivegroup/responsibility/societal-commitment#responsiblepurchasingpolicy>

## Ethics results in 2016

The Ethics Committee met four times in 2016 in accordance with the quarterly mode of operation defined.

### Cases of conflict of interest

There were no major cases of conflict of interest reported in 2016.

### Cases of corruption

In December 2016, the Openbaar Ministerie (OM), the Public Prosecution Service of the Netherlands, announced its settlement of a corruption case in which PEUGEOT Netherlands had been a suspect. By agreeing to pay the sum of €2 million, PEUGEOT Netherlands avoids any prosecution for corruption by a defence officer during the period from 2001 to 2012. The Company cooperated fully with the investigators and has taken measures to strengthen its mechanisms for complying with the law. The transaction with PEUGEOT Netherlands is subject to a more extensive investigation in connection with calls for tender including official vehicles for the Police and Defence. The investigation covers a certain number of car manufacturers.

### Cases of non-compliance with competition laws

- In July 2015, the Spanish Anti-Competition Commission fined 21 car manufacturers for exchanging sensitive data on business and strategy. The Spanish subsidiaries of the PEUGEOT España and CITROËN España Group were fined €15.7 million and €14.7 million, respectively. The Group filed appeals with the Spanish courts in October 2015.
- In 2011, PEUGEOT Turquie Popas was fined €6 million. PEUGEOT Turquie Popas has appealed the decision. The proceedings are ongoing.
- In December 2015, the French Anti-Competition Authority fined parcel and logistic companies for violating competition laws for a total of €672.3 million, with GEFCO being fined €30.6 million. The Group is involved in this proceeding as GEFCO was a wholly-owned subsidiary at the time of the alleged violations. GEFCO and the PSA Group have appealed this decision.

## 6.1.5 Focus: Banking business

Due to its status as a banking establishment, BANQUE PSA FINANCE is subject to banking regulations, which govern the resources and actions of the internal control function.

For several years, BANQUE PSA FINANCE has implemented, pursuant to the Order of 3 November 2014 on the internal control of banking institutions (formerly under CRBF Regulation No. 97-02), the following procedures and systems to prevent risks which all financial institutions may encounter, especially in terms of its control and ethics policy:

- BANQUE PSA FINANCE has established an Internal Control Charter setting out the fundamental principles on which the organisation and operation of its internal control system is based. The Bank's Internal Control Charter defines the organisation, resources,

scope and tasks. It also sets out the way in which the Bank's control system functions. With the partnership established with Santander Consumer Finance, BANQUE PSA FINANCE has kept an internal control mechanism based on the three levels described in the Order of 3 November 2014. The Internal Control Charter was broadly disseminated and may be consulted at any time by all employees on the bank's database; it notably develops and explains the principles of segregation of duties and preventing conflicts of interest which apply to all.

In addition, first-tier controls have been set up in the operating entities. The role of the bodies overseeing permanent control is to ensure that risks are prevented and dealt with at the onset. They do so by identifying, assessing and managing any risks efficiently;

■ an Anti-Money-Laundering and Combating the Financing of Terrorism (AML/CFT) system is in place. This system is based on the BANQUE PSA FINANCE framework agreement, which includes local procedures and checks for risks identified in each operating process. Risks of money laundering and financing terrorism are assessed quarterly when the non-compliance risk assessment is drawn up and certified by each Managing Director of a BANQUE PSA FINANCE entity.

The IT system, whose functionalities are regularly upgraded, singles out individuals whose assets have been frozen so to avoid having any business dealings with them and monitors customers throughout the business dealing. The status of Politically Exposed Persons is also checked in order to establish the necessary vigilance, in particular with respect to the identification and source of funds. Employees are frequently trained on the rules and legislation on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and the procedures that they must put in place;

- BANQUE PSA FINANCE complies with the Group Code of Ethics and performs an ethics review each year;
- a system to protect personal data is operational. This system is based on the BANQUE PSA FINANCE framework agreement, which includes local procedures, appropriate checks and ongoing training for staff. Protecting personal data is discussed quarterly when the non-compliance risk assessment is drawn up and certified by each Managing Director of a BANQUE PSA FINANCE entity;
- in addition to the various systems described above, BANQUE PSA FINANCE has set up a whistleblowing tool for all Group employees to report any non-compliance related to the institutions' activities to the Corporate Compliance Officer (members of the Board of Directors for joint ventures with Santander). This tool, placed in a context of strict adherence to the rules set by an ad hoc internal procedure and confidentiality imperatives, is part of the internal anti fraud and conflict of interest procedure.

## 6.2. DISTRIBUTION OF ADDED VALUE

### 6.2.1. Distribution of the value created by the PSA Group



#### DISTRIBUTION OF ADDED VALUE

(Automotive and Banking Divisions)

	2013	2014		2015		2016	
Revenue (in millions of euros)	38,023	(in millions of euros)	(as a % of revenue)	(in millions of euros)	(as a % of revenue)	(in millions of euros)	(as a % of revenue)
Distributions (in millions of euros)							
CAPEX + R&D <sup>(1)</sup>	2,585	6.5%	2,743	7.5%	2,945	7.8%	3,487
Public sector <sup>(2)</sup>	1,033	2.6%	801	2.2%	626	1.7%	743
Employees <sup>(3)</sup>	334	0.8%	330	0.9%	388	1.0%	427
Shareholders <sup>(4)</sup>	0	0.0%	0	0.0%	0	0.0%	0

(1) Gross R&D, excluding research tax credit and subsidies.

(2) Corporate income tax, customs duties.

(3) Discretionary and non-discretionary profit-sharing plans, variable bonuses and raises (3.2% on average in 2016).

(4) Dividends paid to Peugeot S.A. shareholders for the previous year.

Moreover, the value distributed for the community amounted to nearly €7.8 million for 2016 (see section 7.2.2). It includes the corporate projects sponsored by the Group, the initiatives spearheaded by the PEUGEOT, CITROËN and DS brands, the site-based local philanthropy plans, and the budget allocated by the PSA Foundation to selected projects.

The Group also creates value in its host communities by using local suppliers. See section 4 of this CSR Report for more information.

Payment of payroll taxes is also a component of this value creation and is discussed further in section 3 of this CSR Report.

#### Subsidies received

(Automotive Division)

Under subsidies received in Europe reported in the financial statements, there were €177.5 million in 2016 (of which €171 million of tax credit), versus €167.1 million in 2015, €199.9 million in 2014 and €164.9 million in 2013. The impact of these subsidies is broken down between profits/(loss) and investment deductions.

## 6.2.2. Tax transparency

### FISCAL POLICY

Compliant with the Code of Ethics, based on long-term objectives and in line with its global strategy and targets, the Group's tax policy complies with rules of transparency and responsibility. It is based on the following principles:

1. fiscal policy always complies with applicable laws and regulations. It is guided by relevant international standards (for example OECD Guidelines). PSA Group aims to comply with the spirit as well as the letter of the law. Tax filings and payments as well as book-keeping and tax reporting are carried out in compliance with all local regulations in the countries where the Group operates;
2. the Group addresses all tax matters with integrity and transparency. It strives to maintain constructive partnerships with the tax authorities as this can result in the more timely resolution of any disputes. Tax legislation and procedures are, however, complex areas: when it is not possible to resolve a disagreement with the tax authorities quickly and professionally, the Group uses all the available remedies to assert its rights and its interpretation of the law;
3. in all the countries where the Group operates, it manages its tax matters in a pro-active manner:
  - it does not use contrived or abnormal structures that are intended for tax avoidance, have no business justification (tax haven) and do not meet the spirit of local or international law;
  - it strives to meet a two-fold objective: increase the value created for its shareholders and comply fully with all relevant legal and regulatory requirements in line with stakeholder expectations;
4. the Group's fiscal policy also attests to its responsibility. It pays the taxes and duties legally due in the countries where direct economic value is created within the normal course of its industrial or commercial activity. Consequently, all transfers of

goods and services among group companies are conducted under arm's length conditions. The prices of these operations are based on market conditions and reflect the commercial nature of transactions.

### ORGANISATIONAL STRUCTURE

The conduct of the Group's tax affairs and the management of tax risks are handled by an international team that guarantees compliance with these principles.

As described in the Registration Document, the financial strategy is defined by the Managing Board, implemented under the direction of the Group's Chief Financial Officer and submitted to the Supervisory Board's Finance and Audit Committee for verification.

In daily business, the conduct of the Group's tax affairs and the management of tax risks are handled by an international team that guarantees compliance with the principles of fiscal policy set out above. This team reports to the Group's Chief Financial Officer who must approve any decision which has a material effect on the Group.

As the Group's fiscal policy is to pay the taxes and duties legally due in the countries within the course of its industrial or commercial activities, the Group's strategy is not driven by fiscal considerations.

### MOVING TOWARDS COUNTRY BY COUNTY REPORTING

In 2016, the PSA Group continued its work with a view to meeting the requirements of Country By Country Reporting.. This involved developing the appropriate IT systems and solutions in line with the requirements set by the French tax authorities (Decree no. 2016-1288 of 29 September 2016). The CBCR will be prepared in 2017 for the 2016 financial statements.

## 6.2.3. Compensation of executive managers

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G4-53

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

The compensation policy was decided upon by the Supervisory Board on the proposal of the Appointments, Remuneration and Governance Committee. It takes into account principles of completeness, balance, consistency, readability and measurement.

All compensation components of each member of the Managing Board are reviewed each year to assess the overall compensation of each one (fixed compensation, variable compensation, allocation of performance shares, additional pension plan, company car).

### COMPENSATION POLICY

The compensation policy and compensation levels are described in the Group's Registration Document. Since 2016, the compensation structure encourages the attainment of short- and long-term targets with a view to streamlining and aligning the interests of Managing Board members with those of the Company and its shareholders.

It includes:

- an annual fixed part;
- an annual variable part;
- a long-term compensation plan (performance shares).

Variable annual compensation is based on the degree to which pre-defined targets are met.

In 2017, the Group's collective targets – still representing 80% of the target bonus of the Members of the Managing Board – are broken down as follows:

- operating margin of the Automotive Division for 32%;
- growth in revenue for the Automotive Division at constant exchange rate for 32%;
- vehicle quality for 8%;
- service quality for vehicle sales and after-sales for 8%.

For these collective targets, there is a double trigger threshold which concerns a level of recurring operating income of the Automotive Division and operating Free Cash Flow 2017.

Regarding specifically the Chairman of the Managing Board, his individual performance targets for 2016/17, representing 20% of his bonus, is broken down as follows:

- Group's recurring operating income (+100% BPF and +50% China JV) for 10%;
- work safety for 10%.

The details of this compensation can be found in chapter 3.4 of the 2016 Registration Document.

## 2017 PROPOSED PERFORMANCE SHARE GRANTS

Following its decision of 22 February 2017, the Supervisory Board decided to grant performance shares to members of the Managing Board in accordance with the authorisations of the Shareholders' Meeting of 27 April 2016.

The Chairman of the Managing Board was allocated 130,000 performance shares, and the other members of the Managing Board were allocated 60,000 performance shares. These allocations are part of an overall plan applying to several hundred Group senior managers and executives, for a total of 2,700,000 shares (representing 0.31% of the capital at 31 December 2016).

The vesting period is divided into two stages: 50% of the shares initially allocated will be subject to a vesting period of three years while the remaining 50% will be subject to a vesting period of 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).

Final vesting will be 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 average 2017-2019	Principle: trigger threshold equal to initial target of the <i>Push to Pass strategic plan</i> . If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest. If the trigger threshold is not reached, neither shares in this Fraction nor in the Fraction 2 will vest.	Principle: target higher than the recurring operating margin of the <i>Push to Pass plan</i> . 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 if this target is met.
Fraction 2	Increase in the Group's 2019 revenue versus 2016 (at constant exchange rate)	Principle: trigger threshold close to the growth curve of the <i>Push to Pass strategic plan</i> . If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest. If the trigger threshold is not reached, no shares in the Fraction 2 will vest.	Principle: target higher than the growth curve announced in the <i>Push to Pass strategic plan</i> . 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 if this target is met.

This plan does not include a lock-up period.

This allocation entails the following undertakings for each member of the Managing Board:

- members of the Managing Board keep, in registered form and until the termination of their duties, 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 aforementioned lock-up condition, 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.

## Other benefits

The only benefits in kind provided to Managing Board members are a company car and medical coverage.

No other commitments have been given to past or present Managing Board members concerning any other benefits to be paid when they cease to be a member.

## Employment contract

No member of the Managing Board has a salaried position within the Group; the employment contracts of Jean-Baptiste Chasseloup de Chatillon, Maxime Picat and Jean-Christophe Quémard have been suspended. This suspension was justified by their significant length of service as employees. Mr Carlos Tavares does not hold an employment contract.

## Executive pension plans

A new annual defined contribution plan was instituted on 1 January 2016 for the Group's Executive Directors and members of the Executive Committee, replacing the defined benefit pension plan, which was terminated as of 31 December 2015. The regime was authorised in full by the Supervisory Board in accordance with the procedure of related-party agreements and commitments and was submitted, upon the Statutory Auditors' Special Report, for the shareholders' approval during the Shareholders' Meeting of 27 April 2016 (4<sup>th</sup> Resolution). No amendments have been added since that

approval. In light of the renewal of the Managing Board in 2017, it will be resubmitted for the shareholders' approval in accordance with the related-party agreements, upon the Statutory Auditors' Special Report, during the Shareholders' Meeting of 10 May 2017 (4<sup>th</sup> resolution).

## POLICY ON THE COMPENSATION OF CORPORATE OFFICERS AND COMPENSATION COMPONENTS OF EXECUTIVE DIRECTORS PUT TO VOTE

Pursuant to publication of the French Act "Sapin 2" of 10 December 2016, and the revision of the AFEP-MEDEF Code (§26) in November 2016, the policy on the compensation of corporate officers and the compensation components of members of the Managing Board will be put to vote at the Shareholders' Meeting in 2017. These compensation components are discussed in section 8.1. of the Registration Document.

## Compensation of members of the Supervisory Board

Supervisory Board members and non-voting Board members are paid annual attendance fees up to an aggregate amount determined in advance by the Shareholders' Meeting. Pursuant to the decision of Peugeot S.A.'s Shareholders' Meeting of 27 April 2016, this amount has been set at €1,100,000 until further notice.

## Attendance fees of the Supervisory Board

Since 2016 the Supervisory Board has introduced a larger variable component to the attendance fees. The fees are distributed as follows:

For attendance at Board meetings:	For attendance at Committee meetings:	Chairmanship of a committee:	Supervisory Board advisors:
<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>	<ul style="list-style-type: none"> <li>Chairmanship of the Finance and Audit Committee:</li> <li>➢ fixed part: €12,000;</li> <li>➢ variable part: €18,000, if 100% of meetings are attended*, prorated for absences.</li> </ul> <ul style="list-style-type: none"> <li>Chairmanship of other committees:</li> <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 by audio- and video-conference.

The fixed portion of the attendance fees will be prorated for terms of offices that have expired or terminated during the year. If there is a risk of exceeding the €1.1 million amount, the attendance fees payable to the advisors of the Supervisory Board may be decreased.

In 2016, as he had done in 2015, Mr Louis Gallois waived his compensation as Chairman of the Supervisory Board and the directors' fees due to him. Mrs Anne Valleron (employee shareholder

representative) also waived her attendance fees, as she did in 2015 and 2014.

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 expenses incurred for the performance of their mission by the members of the Supervisory Board.

## 6.3. TRANSPARENCY AND INTEGRITY OF INFLUENCE PRACTICES 6.42

The PSA Group supports responsible lobbying that contributes to more informed public decision-making, helps public institutions to consistently address economic, social, scientific and cultural changes, as part of a democratic, sound and efficient policy. This reflects the PSA Group's conception of lobbying.

### 6.3.1. Group organisation

The Public Affairs Department ensures the harmonisation of the Group's positions across the countries in which it operates.

Headed by a Head of Public Affairs, this department is placed under the authority of the General Secretary who reports directly to the Chairman of the Managing Board.

In Europe, it is responsible for relations with European Union institutions; French public authorities (government, parliament, public agencies and administrations, local administrations); public authorities and diplomatic delegates in host countries; and, by extension, business and professional communities and non-governmental organisations.

In the Group's other regions, the Public Affairs Department oversees the work of institutional relations officers who report directly to the Executive Vice-President of their region.

The Public Affairs Department is tasked with the following missions:

- preparing and coordinating the Group's positions on all kinds of proposed public measures, in collaboration with the business lines;
- defending the Group's interests and, at the same time, promoting its positions to any authorities likely to make decisions impacting it;
- informing government authorities and opinion leaders about the Group's various business, industrial and employee relations issues, in particular by sharing the expertise necessary to make them know and understand the Group's positions that will favour the conditions for its development;
- representing the Group with regard to the European Union (Commission, Parliament, Council, etc.), public institutions in countries where the Group has operations or interests, local trade associations (such as ACEA, ANFAC, CCFA, MEDEF, PFA, SMMT, VDIK), as well as to research associations, foundations and organisations in which the Group participates (road safety foundation, Avere and Movéo, among others);
- staying current with legislation and keeping the Group informed so that the Group may exercise its duty of care.

#### 6.3.1.1. REFERENCE DOCUMENTS

The Group's organisation of the lobbying process is in line with the Group's first Operating Procedures Rule, approved by the Executive Committee.

At an operational level, the managers in the Public Affairs Department have embraced the Group Code of Ethics and expressly pledged to uphold its principles. All new hires in the department are given a copy of the Code, with special attention paid to the rules that concern them.

To accompany this Code of Ethics, in 2016 the PSA Group developed a specific charter focusing on its lobbying practices. This charter defines the principles that all Group employees carrying out a lobbying activity formally commit to adhere to. It is built around the four following fundamental commitments: 1. Transparency, 2. Ethical values and anti-corruption, 3. Political neutrality, 4. Dialogue.

This charter is public and is available on the PSA Group's website. It was presented in 2016, and its application will be monitored in 2017.

#### FOR **more** INFORMATION

**PSA Group website - «Responsibility and Ethics» webpage - “PSA Group Ethics Charter for Responsible Lobbying” document:** <https://www.groupe-psa.com/en/automotivegroup/responsibility/>

Furthermore, these employees implement specific written procedures, approved and published under the PSA Excellence System.

#### 6.3.1.2. MONITORING PRACTICES

The Public Affairs Department's lobbying strategy and initiatives are overseen by the General Secretary of PSA Group, who has also been responsible for the Group's Compliance Officers since 2016.

The lobbying positions on the most pertinent issues to the PSA Group are defined with the Chairman of the Managing Board and debated within the Executive Committee.

The positions which the Group publicly supports fall in line with its strategy. The Head of Public Affairs supervises the work conducted daily by department members. Public Affairs employees and departments in charge of communications and CSR have weekly consistency meetings. The various regions are represented during these meetings. The Head of Public Affairs reports on his work twice a month to the Management Committee, in which the Group Chief Legal Officer takes part. The latter has also been the Competition Compliance Officer since 2015.

The Public Affairs Department may be audited by the Group Audit and Risk Management Department, which acts independently. More particularly, the audit may be performed as part of a wider assessment of the Public Affairs Department's compliance with the rules of the Code of Ethics.

If breaches of the principles set out in the Code of Ethics concerning lobbying and relations with public authorities are identified, they can be submitted to the Ethics Committee according to the principles set out in section 6.1.2.

The PSA Group has signed the EU Code of Ethics for Lobbyists and the French codes of the National Assembly and the Senate.

### 6.3.1.3. RESOURCES G4-SO6

In 2016, about 20 PSA Group employees worldwide were assigned to institutional relations and lobbying.

The budget allocated to these activities is planned and monitored by the Management Control Department in the same way as other activities as part of the Group's budgetary procedures.

In France, the resources that the Group allocates to lobbying activities are reported in the lobbyist register of the French National Assembly. In 2015, between €150,000 and €200,000 was spent, corresponding to an estimate of the costs related to direct interest representation activities before Parliament.

European-wide data is reported in the EU Transparency Register under reference 399 008 07 417 – 87 (in 2015, between €500,000 and €599,999 was spent: these amounts include wages, office rentals, overheads as well as membership dues to trade federations, depending on European standards).

When conducting its business activities, the Public Affairs Department relies in particular on the expertise of a consulting firm specialised in responsible lobbying practice, registered in the French and European transparency registers.

Training sessions for the Public Affairs Department's team on public decision-making, accountability requirements for cross-border lobbying and ethical standards in parliamentary relations were held.

## 6.3.2. The Group's public policies and positions

The Group is committed in keeping public officials and stakeholders up to date on all of the challenges facing it.

To this end, in France, the Group fully cooperated in all working stages of the "Fact-finding mission on the French automotive industry from a manufacturing, energy and tax perspective", including taking part in hearings and opening its doors (see Information report No. 4109 published by the French National Assembly in October 2016):

- hearing on 29 March 2016 of Group PSA's Head of Research and Development, who explained how the Group is making every effort to take up the energy transition challenge and is gaining new ground towards the emergence of autonomous connected vehicles;
- hearing of 4 May 2016 of Carlos Tavares, Chairman of the Managing Board, who introduced the key elements of the Group's

new strategic plan called "Push to Pass". This plan is built around two ambitions: becoming a leading car manufacturer in the world automotive industry for its efficiency, and becoming a popular supplier of mobility services and connected services among clients;

- hearing of 28 April 2016 of the Head of Public Affairs before the European Union;
- visit of the role and introduction of PSA Group's engine plant operations in Trémery (Moselle) on 5 November 2015 and of the emissions control system technical centre located in Carrières-sous-Poissy (Yvelines) on 28 January 2016.

The Group is also fully committed in maintaining a continuous dialogue with all of its stakeholders. Section 1 of this report provides more information on this dialogue and related initiatives.

In line with its CSR commitments and issues (see Chapter 1 of this report), the Group actively takes part in the public debate on issues related to the industry, the automotive sector, ecology

and the environment, transport and mobility, road safety, regional development and international trade. It defends the positions presented in the following table:

*All positions on the table below are to be placed opposite the corresponding actions carried out by the Group, which are also specified in the chapters covering each of the issues addressed in this report.*

COMPONENT	ISSUE	GROUP POSITION
Sustainable mobility	<b>CO<sub>2</sub> emissions from vehicles and fuel consumption</b> <b>CO<sub>2</sub> emissions</b> With increasing global awareness, the eco-car of the future remains a core topic of public debate. With respect to regulations on CO <sub>2</sub> emissions of vehicles, the Group defends the idea of a worldwide harmonisation of emission measurement cycles and test procedures ( <i>World Light duty Test Procedure</i> ) and their swift roll-out in Europe. More generally, the Group asserts that there is no "one-size fits-all" technology that will produce a carbon-free environment. Instead, reducing overall CO <sub>2</sub> emissions will require the marketing of several complementary technologies to meet the various usage patterns and price requirements of customers around the world. It is generally believed that internal combustion vehicles will still account for 85% of automotive sales in 2020, and 15% will be electric and hybrid vehicles. The Group is working with public authorities to help define the conditions that would enable the emergence of a market for low-carbon vehicles. To this end, the Group assists in designing and testing out technologies and standards for electric infrastructures. The Group also urges governments to support the development of electric vehicles, hybrids and plug-in hybrids with incentives for buyers and users on these emerging markets. Concerning biofuels, the Group is in favour of introducing blends of up to 10% to achieve a meaningful impact quickly. That said, it is important to apply sustainability criteria in developing a biofuel industry, notably to address the potential conflict in using crops for fuel instead of food. In order to better inform its customers on the vehicles' actual emissions, the Group started a partnership with the European NGO Transport & Environment and its French partner France Nature Environnement in November 2015. In March 2016, the partnership validated a measurement protocol using PEMs ( <i>Portable Emissions Measurement System</i> ) including an open road test to measure the average consumption of various vehicle categories. In October 2016, the protocol's technical details were published as "open source", along with the results for 40 major flow vehicles of the Group. The results are available on the sites of the Group's three brands so as to inform consumers without misleading them in regards to regulatory values (NEDC cycle) which points of sale are required to display. <b>Automotive taxation</b> The Group considers that it is essential to use a neutral technology approach with public authorities. The aim is to focus on results sought and not on the technical solution. Technological neutrality implies fiscal neutrality. In France, the Group supports a redistribution of petrol/diesel taxes, provided that it takes place gradually over at least five years. Therefore, the Group welcomes the recommendations from the report of the French National Assembly's fact-finding mission on the French automotive industry for technological neutrality as a constant tenet of the State, applying the "five-year rule" to the fiscal convergence and channelling all revenues to transform the industry and renew the older car fleet. As for the TICPE (domestic consumption tax on petroleum products) convergence on diesel and petrol, the Group recommends that, from now on, SP 95 - E10 fuel should be used as reference petrol instead of SP 95 fuel, insofar as SP 95 - E10 fuel makes it possible to reduce overall CO <sub>2</sub> emissions by incorporating 10% of ethanol.	

COMPONENT	ISSUE	GROUP POSITION
Sustainable mobility	Air quality	<p>The PSA Group is favourable to a quick introduction (2017) of the European RDE regulation (<i>Real Driving Emissions</i>) for NO<sub>x</sub> emissions, particles in terms of number and cold-start emissions. As of 2017, PSA Group will anticipate the required RDE level for 2020 (CF = 1.5 NO<sub>x</sub>: compliance factor of 1.5 times the Euro 6 emissions limit for nitrogen oxides). The results regarding the emissions levels from the RDE monitoring data on its recently certified vehicles are available on the following web page: <a href="http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data">http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data</a>.</p> <p>In 2017 the Group will expand its transparency initiatives with T&amp;E et FNE, which until now focused on fuel consumption, by opening it to polluting emissions.</p> <p>In 2016, public authorities (France, Germany, United Kingdom) led investigations on actual emissions of diesel vehicles.</p> <p>The PSA Group fully cooperated with the various countries' authorities and with the European Parliament's Investigation Committee.</p> <p><b>AdBlue® distribution</b></p> <p>The launch of a second generation of SCR diesel engines in 2017 (Euro 6d-TEMP) will require the setup of a dense network at the European-level to distribute AdBlue, i.e. urea acting as a reducing agent to transform NO<sub>x</sub> into nitrogen and necessary for operating the SCR (<i>Selective Catalytic Reduction</i>) depollution system. Therefore, it is vital to expand the distribution network of AdBlue in such a way that all customers can easily refill with AdBlue – as the Group's vehicles are equipped with a tank containing 17 litres of this product.</p> <p><b>The problem of the older car population</b></p> <p>The impact of road transport on pollution in urban areas is primarily due to older vehicles. The PSA Group believes that introducing air quality certificates in France will help upgrade its fleet over time. "Air quality" certificates will provide advantages to the four cleanest car models, such as access to restricted driving zones, authorisation to drive during pollution peaks and may even include easier access to parking facilities.</p> <p>In Spain, the PSA Group supports the RENOVA plan as submitted by the ANFAC (Spanish national association of car and truck manufacturers) to the Spanish government, to upgrade the fleet and support alternative vehicles.</p> <p><i>Hearing of 15 March 2016 by the Senate's working group "Mobilités et Transports" (Mobilities and Transportation)</i>  <i>Group representative: Head of Powertrain and Chassis Department</i>  <i>Topic: emissions of the latest diesel engines</i>  <i>Content:</i></p> <ul style="list-style-type: none"> <li>■ cleaning up diesel engines;</li> <li>■ the Group's position in relation to the regulation;</li> <li>■ steps taken by the Group to strengthen transparency.</li> </ul>
	Technology innovation	<p><b>Research funding</b></p> <p>The Group teams up with laboratories and takes part in many research programmes. In Europe, the Group attends or leads consortiums such as the H2020 - <i>Factory of the Future</i> with the STAMINA, VERSATILE and THOMAS projects.</p> <p>In France, the Group is actively working with technological research institutes and energy transition institutes, with the support of competitiveness clusters. As for the latter, the PSA Group supports the idea that these should be specialised by field.</p> <p>In France, through its involvement in the "Investment for the Future" and the "Future Road Vehicle" programmes, the Group is a stakeholder or project lead in a wide range of research- and innovation-based projects. These projects focus on electromobility (hybridation and electrification), reduced vehicle weight, the autonomous connected vehicle or the plant of the future. As part of the New Industrial France's projects led by the French government's automotive industry platform (PFA), the Group is actively participating in the "2-litre per 100 km vehicles" and "Autonomous vehicle's ecosystem" programmes.</p> <p><b>The autonomous vehicle</b></p> <p>For the past year and a half, the PSA Group has worked within the PFA (French government's automotive industry support platform) and with the inter-ministerial task force to draft approval procedures to test out autonomous driving techniques on open roads. The Group was the first to receive approval to drive on certain road sections in France and Spain.</p> <p>Alongside the VEDECOM Institute, the PSA Group is also involved in the PFA's work on the legal aspects of assisted-driving systems, focusing on the liability systems as well as the discussions on the current amendments to the Vienna Convention.</p>

COMPONENT	ISSUE	GROUP POSITION
Sustainable mobility	<b>Vehicle quality and safety</b>	<p><b>Certification and monitoring of the motor vehicles market</b>  The Group is concerned with the European Commission's proposal in relation to the review of the certification framework and monitoring of the motor vehicles market. The PSA Group supports the objectives to regain consumers' trust, implement an efficient monitoring system and ensure a solid and uniform approval framework, but it believes that concrete answers should be rational, efficient and feasible. The certifications' validity, the cost and conduct of market monitoring, the skills and availability of technical services and test capabilities are therefore many structuring points that the European legislator should further address in light of industrial risks, network competitiveness, customer impacts, global competitiveness and fairness principles and legal security, in order to regulate well.</p> <p><b>Vehicle safety</b>  Vehicle passive safety performance continues to improve despite the constraint to reduce vehicle weight in an effort to lower CO<sub>2</sub> emissions and reduce global warming.  For automotive technology to continue contributing to reducing the number of road fatalities, the focus is increasingly placed on accident avoidance, in particular through the use of new driver assistance and communication.  The PSA Group insists with consumer bodies (NCAP) that the assessment criteria used be based on actual accident analysis efficiency, drawing on its research work within the LAB (Laboratoire d'Accidentologie), a joint lab between PSA Group and Renault.</p> <p><b>Road safety</b>  The Group follows the work of the National Road Safety Council via the CCFA (French Car Manufacturers' Committee) and in relation with the Safety and Road Traffic Delegation, to ensure the relevance of the regulatory proposals with respect to extra development costs. Technical as well as safety regulations are drafted and applied across Europe. However, the countries themselves usually decide how to apply these regulations. The Group is in permanent contact with both European and national officials to offer its assistance and expertise when regulations are being debated.</p>
	<b>Mobility services offering</b>	<p><b>New mobilities</b>  Cars still have their place: as the best vector for freedom and flexible mobility, cars represent a major economic and social issue, particularly outside cities in the absence of alternative solutions. New uses and therefore new services are being created.  To become a leading provider of mobility services, the Group created in 2016 a brand dedicated to new mobilities: Free2Move, which will expand experiences of a sustainable, smart and shared mobility for all. Through a platform, Free2Move rallies all of the Group's new mobilities services: car-sharing services, connected services to make life easier and save time, corporate fleet services, and financial offerings to facilitate vehicle accessibility.  In addition, the Group furthered its acquisitions of equity stakes in start-ups. A new entity "The Business Lab" was created at the end of 2016, with the aim to detect, experiment and transform opportunities, both in terms of mobility and digital technologies, into new activities. The Group set up an investment fund of €100 million to develop these activities.</p> <p><b>The connected vehicle</b>  Cars are increasingly connected to their external environment through a wide range of communication technologies. These new data exchange capacities raise issues that are technical, economic and societal. The Group is very aware of these issues, and works with a large number of groups of experts on the standardisation and protection of personal data. Operating safety, the protection of technical specifications of vehicles throughout their life cycle, data protection and road safety are at the heart of the Group's concerns.  The Group has deployed high performance solutions that can serve as a springboard for innovative telematics services.  To preserve the safety of people and goods, the Group's experts actively take part in the process for global standardisation (ISO) that lays out the conditions to remotely access connected vehicles. These "expanded model" ISO standards specify the limits of liability for car manufacturers and implement access procedures for third-party providers of connected services, so as to protect the integrity of the vehicle and its performance, ensuring onboard safety, in line with balanced market rules.</p>
	<b>Environmental impact of materials and end of life</b>	<p><b>The circular economy</b>  The Group is engaged in the circular economy.  It promotes the repair of its products and to this end, it develops a range of standard spare parts and second-hand parts.  It is also in favour of the development of a harmonised methodology for measuring the rate of incorporation of recycled and natural materials, through its action in the Automotive Industry Platform (PFA).  The Group promotes the adoption by EU Member States of best practices in implementing the European Directive on the treatment of end of life Vehicles (ELV). It advocates for the professionalisation of the recycling industry and higher output (ELV decontamination centres, shredding, sorting after shredding, etc.). It takes part in the ELV steering committees of the Agency for the Environment and Energy Management (ADEME) in France.  The PSA Group leverages its knowledge and experience of recycling to develop the industry in other areas of the world, such as Russia and China.</p>

COMPONENT	ISSUE	GROUP POSITION
Purchasing/ supply chain	<b>Supplier relations and purchasing practices</b> <p><b>Structuring of the industry</b></p> <p>The PSA Group supports the development of suppliers in the automotive industry, including through an organised initiative of the French automotive industry at the national (PFA) and regional levels (by the ARIAs, regional automotive industry associations) with public authorities and the administration.</p> <p>The Group focuses its action on the regions where the automotive industry has manufacturing operations. For example, in 2016, the ARIA Alsace Franche-Comté (PerfoEST) assisted 22 suppliers on human and industrial best practices and 23 suppliers on the "Plant of the Future" programme.</p> <p>The Group has campaigned for the merger between the automotive competitiveness clusters and the ARIA, which started in 2015. One should note the grouping of the iD4CAR cluster with two ARIAs, the merger led in the Rhône-Alpes region and the grouping of Haute Normandie and Basse-Normandie ARIAs.</p> <p>Since 2015, the Purchasing Department has supplemented this strengthened framework in the Automotive industry and its ecosystem by appointing DAPIs (manufacturing division purchasing representatives) in each manufacturing division in Europe. Iberian (Vigo, Madrid and Mangualde), Paris region (Poissy and Saint-Ouen), Central Europe (Trnava), Eastern France (Trémery and Borny; Mulhouse and Sochaux) and Northern France (Hordain, Douvrin and Valenciennes).</p> <p><b>Purchasing practices</b></p> <p>The Group works with some 3,200 supplier sites worldwide.</p> <p>Local sourcing is a key element of the Group's purchasing policy. By locating procurement as close to production plants as possible, it is possible to reduce the carbon footprint (optimising upstream logistics), to best integrate suppliers into a progress-based approach and to reinforce the Group's vigilance thanks to an operational proximity with its partners.</p> <p>The local sourcing objective is 85% in Latin America and 50% in Russia. Likewise, thanks to its deep manufacturing roots in France, the PSA Group has once again made a positive contribution to France's trade balance, with a €5.2 billion surplus. The ability to work with local suppliers and the impact of this strategy on the host countries' trade balance are important criteria for public authorities.</p> <p>Through its purchasing policy, the PSA Group has put in place a supplier classification which separates the strategic and core suppliers from the other suppliers. This demonstrates its commitment to better prepare the future by developing a partnership suited to its partner's skills, from R&amp;D for some, to production.</p> <p>A personalised relationship with suppliers makes it possible to support our suppliers and communicate regularly with them.</p> <p>The Group has signed the High Performance and Best Practices Code promoted by the PFA. In this respect, it supports all the initiatives of the PFA and public authorities to ensure that this Code is promoted and applied in the most comprehensive manner.</p>	
	<b>Social and environmental standards for purchasing</b> <p><b>Development of the supply chain CSR</b></p> <p>The PSA Group believes that there can be no performance without responsibility, and therefore the Group has signed the Global Compact. Mindful of the limitation of its sphere of influence and by customising its relations with suppliers, the Group encourages its suppliers to be vigilant for CSR risks within the supply chain, including:</p> <ul style="list-style-type: none"> <li>■ incorporating workforce-related and environmental criteria into the purchasing process;</li> <li>■ suppliers make a significant contribution to the Group's environmental targets;</li> <li>■ a supplier selection method designed to improve CSR performance.</li> </ul> <p>The Group follows the due diligence approach advocated by the OECD. The Group has identified four types of potential negative impacts that could occur:</p> <ul style="list-style-type: none"> <li>■ environmental damage, including the supplier industrial risk and the commodity risk (use criticality or scarcity of "strategic" commodities);</li> <li>■ violation of social rights: forced labour, child labour, failure to respect the freedom of association, discrimination, failure to comply with international standards;</li> <li>■ ethical breaches, including corruption, conflicts of interests, deliberate non-compliance with specifications, threats to a balanced business relationship;</li> <li>■ social damage in the areas where suppliers have production sites.</li> </ul> <p>Risk prevention depends on a governance of the supplier relationships at the right level (training for buyers, supplier training, segmentation of supplier base), on the suppliers' formal engagement and the assessment of their CSR performance.</p>	
	<b>Environmental optimisation of transport, logistics</b> <p>The Group is a member of GALIA (Group for the improvement of relationships in the automotive industry), a French branch of the European network ODETTE, working in the fields of logistics (packaging, labels, EDI, etc.) and engineering (CAD exchanges and technical documentation, etc.), which simplifies automated communications between industry members. The Group supports the merger between GALIA and the French government's automotive industry support platform (PFA) to further improve efficiency in the supply-chain. Today, GALIA is associated with the PFA's operational working groups which also include the ARIAs, as well as with the initiatives related to the "Plants of the future" programme (PIAVE).</p>	

COMPONENT	ISSUE	GROUP POSITION
<b>Industrial ecology of Group sites</b>	<b>Energy and industrial carbon footprint</b>	The Group has, for many years now, rolled out a process for controlling its environmental impacts and to ensure continuous improvement. This has led to the obtaining of ISO 14001 certification for all its plants and the regular reduction in the environmental footprint of its manufacturing operations.
	<b>Industrial waste and pollutants</b>	
	<b>Water</b>	
	<b>Biodiversity</b>	
<b>Governance, ethics and economic sustainability</b>	<b>Ethics and balance in business relations</b>	Every employee must behave in line with the rules set out in the PSA Group Code of Ethics when performing their work. These rules are organised around the following requirements: respect for the law, respect for people and the environment, respect for customers and respect for the Company.
	<b>Distribution of added value/tax</b>	<p><b>Reducing trade obstacles in global regions</b></p> <p>With operations spanning more than 160 countries, the Group is particularly confronted by technical barriers or pricing hikes that could disrupt trade between countries or regions.</p> <p>At a multilateral level, the Group promotes the UNECE international regulations and its agreements entitled the "1958 Agreement" and the "1998 Agreement".</p> <p>At a bilateral level, the Group actively follows the negotiations in the European Union to finalise the free trade agreements, particularly with Japan and the United States (TTIP). The Group is championing proposals to provide better market access by reducing technical barriers and customs in both a proportional and coordinated manner. This will guarantee that the parties enjoy mutual benefits in each zone.</p> <p>The Group has recommended that trade negotiations resume between the European Union and Latin America. It has also voiced its support for a Europe-wide policy to develop trade with Asia by continuing negotiations with the ASEAN countries. Vehicles assembled in Europe could therefore benefit from the same conditions (primarily pricing) as the ones already in place for imports coming from other Asian countries.</p> <p>In the same vein, the Group has expressed that it would like trade negotiations to start immediately between the European Union, Australia and New Zealand.</p>

COMPONENT	ISSUE	GROUP POSITION
<b>Societal</b>	<b>Involvement in host communities</b>	<p>The Group contributes to structuring the automotive industry (manufacturers, suppliers, equipment manufacturers) across its host communities. In France, PSA Group's efforts are coordinated with those of the French government's automotive industry support platform (PFA) and a partner network, (regional industry associations, automotive competitiveness clusters, mobile, the Union of Metallurgies Industries (UIMM), the Industrial Federations Group (GFI), professional branches, etc.).</p> <p>Both regionally (ARIA) and nationally (PFA), the Group is a stakeholder in initiatives to increase the automotive industry's profile (planeteautomobile.com; career conferences, etc.).</p> <p>The PSA Group also contributes to the development of companies of the future, for example, through the use of revitalisation funds.</p> <p>In support of its economic activity in its hosting communities, the PSA Group commits locally to contribute to research and the development of scientific and technical skills and knowledge. In 2016 in France, a scientific partnership was signed between the PSA Group and the Bourgogne France-Comté region with the CNRS and three regional training and research institutions. Over a four-year period, the PSA Group will support joint research works (notably on clean technologies, the autonomous vehicle and the plant of the future) that will directly benefit regional excellence in cutting-edge research.</p> <p>Two regional agreements were signed by the PSA Group, one with the Bretagne region and the other with Rennes Métropole, notably with a view to expand the Group's industrial research in the region and to invest in cutting-edge technologies in cybersecurity.</p> <p>In Galicia, many applied research projects are being developed in collaboration with the CTAG (<i>Centro Tecnológico de Automoción de Galicia</i>) based on a multi-year partnership contract with the PSA Group. Projects under development notably relate to production data digitisation, advanced automation and collaborative robotics, and artificial vision. These activities, in line with the Galicia region's objectives and the European framework programme H2020, contribute to the increase of R&amp;D skills of the local industrial fabric and the automotive industry and to the improvement of performance and competitiveness of PSA Group plants.</p> <p>The value given to the PSA Group's local ties is also reflected through PSA Foundation initiatives, which aim to support mobility in close proximity with citizens' lives. Benefiting from a first five-year period of operations, the PSA Group presented a very positive assessment of its commitment through the Foundation, bringing hope to its host regions (see quantified balance in Chapter 7.3).</p>
	<b>Management of customers' personal data</b>	<p><b>Consumer personal data protection</b></p> <p>The Group wishes that a balance be found between the legitimate protection of consumers and the Company's performance.</p> <p>It is therefore in favour of the principle of a European regulation on this issue, which will:</p> <ul style="list-style-type: none"> <li>■ harmonise standards for companies and ensure consumers of increased protection of their personal data;</li> <li>■ harmonise the rules protecting privacy within the European Union, in support of a more balanced competition;</li> <li>■ help European companies boost their competitiveness with non-European competitors, who will also be subject to these standards once they process data on European citizens.</li> </ul> <p>The Group had already committed to the essential principles of "<i>privacy by design</i>" and "<i>privacy by default</i>" and is constantly improving the security of its data storage and exchange networks, especially with the connected car that has transformed car manufacturers into players at the heart of the data protection issue. It carries out training and awareness-raising actions within the Company and takes part in working groups among professionals to foster the exchange of best practices.</p> <p>In the same spirit, the PSA Group undertook the development of a compliance pack dedicated to connected vehicles in collaboration with the French data protection agency (CNIL - Commission Nationale de l'Informatique et des Libertés) and the relevant stakeholders in the French automotive industry. These best practices could be shared at the European level.</p> <p>In France, it is prohibited to collect personal data "relating to offences", except for legal persons vested with public authority. The Group wants private laboratories to be authorised to collect such data, at least in the case of research programmes of general interest.</p>
<b>Workforce-related</b>	<b>Social dialogue and responsible management of jobs and skills</b>	<p>The Group defends taking into account the regulatory provisions concerning the need to match the resource requirements and skills to its business performance needs.</p> <p>The "New Momentum for Growth" agreement signed in July 2016 by five unions representing 80% of employees notably provides for the development of employees' experience. It aims to promote a positive employee experience within the Group, at key stages in their career paths and daily lives. The ambition of the PSA Group employee experience includes digital technology development and the implementation of new, more collaborative work methods. Employees will adopt the new tools in relation to digital transformation more easily; and innovative teleworking arrangements will help enhance their quality of life, with a view to increase the number of teleworkers from 2,000 to 4,000 by 2019.</p>
	<b>Respect for human rights and the free exercise of union rights</b>	<p>The Group notes progress made by French law in regards to parent companies' and sourcing companies' duty of care, including on human rights. The Group has already started to strengthen its monitoring plan in this regard.</p>

## NEW PRACTICES FOR PARTICIPATION IN PUBLIC DEBATE

To help get the public talking, the Group holds events on technological transitions or mobility:

- On 25 May 2016, during Innovation Day, an event open to media, financial analysts, institutions and employees, the Group introduced its electrification solutions for future hybrid and electric vehicles, as announced in the plan "Push to Pass". In order to meet all its customers' needs when it comes to mobility and use, the Group is concentrating the development of its models on two modular multi-energy platforms that allow it to distribute a broad line of models in internal combustion, electric and plug-in petrol hybrid engines starting in 2019. Thanks to its two universal platforms, it will be possible to produce electric or combustion vehicles on the same assembly line and therefore, manufacturing centres will be more flexible to meet the increasing global demand in low-carbon vehicles. The Group issued documentation showing details on both of the demonstrators introduced during Innovation Day;
- On 28 September 2016 during the Mobility Days, open to the media, financial analysts, institutions and employees, Carlos Tavares announced the launch of Free2Move, PSA Group's brand of new mobility services.

Parliamentarians were also invited to take a tour in this exhibition, guided by the Head of Research and Advanced Engineering and the Head of Connected Services and New Mobilities of the Group, focusing on sustainable, smart, safe and shared mobility for all;

### FOR **more** INFORMATION

**"Freedom of movement for everyone - Mobility Days 2016"**

**Video:** [https://www.youtube.com/watch?v=2g37tLZd\\_1w](https://www.youtube.com/watch?v=2g37tLZd_1w)

- On 14 December 2016, the Senior Expert for PSA Group's driver assistance systems took place in a round-table hosted by Nextdoor in Issy-les-Moulineaux, on the theme "The autonomous vehicle and the city of tomorrow - Technologies, business and society: What are the stakes?", with the presence of other industry representatives, academics and host communities' representatives. A journalist specialised in autonomous connected vehicles led discussions around the following issues: "How will the vehicle adapt to the city of tomorrow? And how will cities adapt to the vehicle of tomorrow?", with a view to get a picture of the risks and opportunities from this technological revolution;

### FOR **more** INFORMATION

**"the autonomous vehicle and the town of tomorrow" filmed conference :** [https://www.youtube.com/watch?v=s6S\\_E\\_ZSfFg](https://www.youtube.com/watch?v=s6S_E_ZSfFg)

- On 26 April 2016, the PSA Group took part in a round-table hosted by Avere France during the Ever event in Monaco. Introduction of the Group's current offering in electric vehicles and announcement of the launch of the new 2019 generation;
- In 2016, the PSA Group became a member of the CharIN e.V association. (CHARging interface INitiative e. V.) that promotes the development of the CCS (Combined Charging System) quick charging standard.

## 6.4. GOVERNANCE PRINCIPLES

The Group's corporate governance is based on compliance with recommended governance practices and on the Code of Ethics described in section 6.3.1 of this document.

### 6.4.1. AFEP-MEDEF Corporate Governance Code

The Company refers to the AFEP-MEDEF Corporate Governance Code, which was revised in November 2016, as applicable to French joint stock companies with a Managing Board and Supervisory Board. This Code can be viewed on the Internet: <http://www.medef.com/>

A summary table in section 3.2 of the Registration Document presents the few provisions of the Code which were not kept, with the related explanations.

## 6.4.2. Disclosures on the situation of the members of the Supervisory Board and the Managing Board

G4-LA12

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### SUPERVISORY BOARD

The table below sets forth the changes in the Supervisory Board in 2016 and up to 22 February 2017.

Effective date	Description of the change
15 December 2015	Co-optation of the company DONGFENG MOTOR (Hong Kong) International Co. Ltd. (DMHK) as member of the Supervisory Board, replacing Mr Zhu Yanfeng. Appointment of Mr Zhu Yanfeng as permanent representative of this company on the Supervisory Board and his appointment as Vice-Chairman of the Supervisory Board. Resignation of Mrs Dominique Reiniche as member of the Supervisory Board.
23 February 2016	Co-optation of Mrs Catherine Bradley as member of the Supervisory Board, replacing Mrs Dominique Reiniche who has resigned..
29 April 2016	Appointment of Mrs Helle Kristoffersen as member of the Supervisory Board, replacing Mrs Patricia Barbizet who has resigned.
30 June 2016	Resignation of Mr Bruno Bézard as member of the Supervisory Board.
23 September 2016	Co-optation of Mr Jack Azoulay as member of the Supervisory Board, replacing Mr Bruno Bézard.

The Supervisory Board has a balanced representation with 14 members, including:

- six members appointed upon the proposal from each of the three main shareholders: two for the State; two for the Peugeot family group (comprising the companies Etablissements Peugeot Frères (EPF) and FFP); and two for DONGFENG Motor (Hong Kong) International Co. Ltd. (DMHK). Three members appointed by each of these shareholders were named Vice-Chairman;
- six independent members, including the Board Chairman and a Senior Independent Member;
- one employee representative and one employee shareholder representative.

The Shareholders' Agreement signed on 28 April 2014 between the three main shareholders and the Company defines how the Supervisory Board is formed.

The Members of the Supervisory Board are appointed for a four-year term.

#### Senior Independent Supervisory Board member

A Senior Independent Member has been appointed from among the independent members and has, according to the Internal Rules of the Supervisory Board, the following powers and prerogatives:

- to call and chair meetings of the independent members of the Supervisory Board on operational matters of the Board and to convey its conclusions to the Chairman of the Supervisory Board;

- notify the Chairman of the Supervisory Board of any conflict of interest it has identified which could affect the deliberations of the Board;
- take note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensuring that they are addressed;
- report on the performance of his or her duties to the Supervisory Board and, where applicable, to the Shareholders' Meeting.

In 2016, one meeting of the independent members of the Supervisory Board was held.

#### Employee representatives

The employee representative was appointed by the Group's European Works Council in accordance with Article L. 225-79-2 of the French Commercial Code and the by-laws (Article 10.1 B). A representative of employee shareholders was appointed by the Shareholders' Meeting on the proposal of the Supervisory Boards of the corporate mutual funds, in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the by-laws (Article 10.1 C). The Shareholders' Meeting of 10 May 2017 is being asked to amend the by-laws in order to maintain representation of employee shareholders on the Supervisory Board for a four-year period even though the proportion of employee shareholders has dropped below 3%.

In 2016, Mr Kondratuk also completed a training, "Employee Members of the Board", at the French Institute of Directors.

## Composition of the Supervisory Board

At 22 February 2017, the Supervisory Board had the following members:

Members of the Supervisory Board	Date of first appointment	Date of last renewal	Term of office expiry date	Independent according to the AFEP-MEDEF Code	Main function	Committee membership
<b>Louis GALLOIS</b> Chairman	12/02/2013	2014 AGM	2018 AGM	✓	Chairman of the Supervisory Board of Peugeot S.A.	Strategy Committee, Appointments, Compensation and Governance Committee
<b>Marie-Hélène PEUGEOT RONCORONI</b> Permanent Representative of EPF Vice-Chairman	02/06/1999	-	2018 AGM		Chief Operating Officer of Établissements Peugeot Frères	ACGC, Asia BD Committee
<b>Zhu YANFENG</b> Permanent Representative of DMHK Vice-Chairman	04/06/2015	-	2018 AGM		Chairman of DONGFENG MOTOR CORPORATION	Strategy Committee, Appointments, Compensation and Governance Committee
<b>Jack AZOULAY</b> Vice-Chairman	23/09/2016	-	2018 AGM		Director of Industrial Shareholdings	Strategy Committee, Appointments, Compensation and Governance Committee
<b>Catherine BRADLEY</b>	23/02/2016	2016 AGM	2020 AGM	✓	Independent director (FCA)	FAC (Chair.), ACGC
<b>Pamela KNAPP</b>	31/05/2011	-	2017 AGM	✓	Independent director	ACGC, FAC
<b>Jean-François KONDRAKIUK</b> Employee representative (appointed under Art. L. 225-79-2 of the French Commercial Code)	24/04/2013	2014 EGWC	2018 AGM		Employee	Strategy Committee, Asia Business Development Committee
<b>Helle KRISTOFFERSEN</b>	27/04/2016	-	2017 AGM	✓	Strategy manager and "Low Carbon" business lines Secretary, Total	Strategy Committee, Asia Business Development Committee
<b>LIU Weidong</b> (appointed on the proposal of DONGFENG)	29/04/2014	-	2018 AGM		Deputy General Manager of DONGFENG MOTOR CORPORATION	Asia BD Committee (Chmn.), FAC
<b>Robert PEUGEOT</b> Permanent representative of FFP	06/02/2007	-	2018 AGM		Chairman and Chief Executive Officer of FFP	Strategy Committee (Chair.), FAC
<b>Henri Philippe REICHSTUL</b>	23/05/2007	2013 AGM	2017 AGM	✓	Corporate director	Strategy Committee, Asia Business Development Committee
<b>Geoffroy ROUX de BÉZIEUX</b> Senior Independent Supervisory Board member	23/05/2007	2013 AGM	2017 AGM	✓	Chairman of Notus Technologies	ACGC (Chmn.), FAC
<b>Anne VALLERON</b> Employee shareholder representative (appointed under Art. L. 225-71-71 of the French Commercial Code)	24/04/2013	2013 AGM	2017 AGM		Employee	Appointments, Compensation and Governance Committee, Finance and Audit Committee
<b>Florence VERZELEN</b> Permanent representative of SOGEPA (appointed on the proposal of the French Government)	29/04/2014	-	2018 AGM		COO of Engie Europe and CEO of Engie Russia	Finance and Audit Committee, Asia Business Development Committee
<b>GOVERNANCE INDICATORS</b>						<b>50%<sup>(1)</sup></b>

(1) The employee representatives and employee shareholders were not counted in the calculation of this percentage.

AGM: Shareholders' Meeting SB: Supervisory Board Strategy Committee; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Asia BD Committee: Asia Business Development Committee; EGWC: European Group Works Council

## Advisors to the Supervisory Board

Advisors to the Supervisory Board	Date of first appointment
<b>Frédéric BANZET</b> (Appointed on the proposal of the Peugeot family group)	SB 29/07/2014
<b>Aymeric DUCROCQ</b> (Appointed on the State's proposal)	SB 28/07/2015
<b>WEI Wenqing</b> (Appointed on the proposal of DONGFENG)	SB 28/07/2015

Pursuant to the Shareholders' Agreement to which the Company is a party, each of the three main shareholders may request that they have a non-voting advisor at the Supervisory Board meetings. In accordance with the Internal Rules of the Supervisory Board, the advisors are appointed by the Supervisory Board for a four-year term.

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

## INDEPENDENCE OF BOARD MEMBERS

Following preparatory work by 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 (Art. 8.5 of the AFEP-MEDEF Code) at its meeting on 22 February 2017.

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

**50%**  
OF THE MEMBERS OF THE SUPERVISORY  
BOARD ARE INDEPENDENT

## Diversity policy

The Board frequently examines the balance that it strives to achieve among its members and those of its committees in light of its composition, changes in the Company's ownership structure and diversity within the Board. The Board currently has six women and eight men, or a 46% ratio of women (stable since 2014). The employee representative is not taken into account in calculating this percentage.

**46%**

OF WOMEN  
ON THE SUPERVISORY BOARD

The Board intends that the percentage of women and independent members in its midst will not fall below this level. The Board also has five members of foreign nationality (Pamela Knapp, Helle Krisoffersen, who enjoys dual French and Danish citizenship, Zhu Yanfeng, Henri Philippe Reichstul and Liu Weidong), and all non-employee members have experience within an international organisation. The Board intends to have an increasingly international dimension by bringing on-board foreign members or members with extensive experience abroad.

The Group is also assembling a wide range of skills and talents required for its expansion (these skills and talents are discussed further in Chapter 1 of this CSR Report). The skills matrix for the members of the Board is included in the Registration Document.

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

Please refer to section 3.1 of the Registration Document for further developments about the Supervisory Board's composition (introduction of the members, developments in 2016, performed terms, statements on conflicts of interest, family ties, etc.).

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;
- been a corporate officer of a company that has been declared bankrupt, or placed in liquidation or receivership in the last five years;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities;
- been 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.

## 6.4.3. Conflict of interests within Managing and Supervisory bodies

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The corporate officers have declared that no conflict of interest occurred during 2016 between their obligations to Peugeot S.A. and their personal interests or other obligations, and that none existed at the date of this report.

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.

Procedures to prevent conflicts of interest are set forth in the Internal Rules of the Supervisory Board (these procedures are described in section 3.2 of the Registration Document): "any member of the Supervisory Board who finds him or herself, even potentially, either directly or via an intermediary, in a conflict of interest situation with regard to the corporate interest, must notify the Chairman of the

*Supervisory Board, or any person appointed by the Chairman. They shall refrain from taking part in decision-making on related issues, and as such may be asked not to take part in the vote."*

All corporate officers have signed up to the Stock Market Code of Ethics. The Code was updated in December 2016. It aims to define the preventive measures authorising members of the Supervisory Board, Managing Board, the Executive Committee and/or Advisors to the Supervisory Board to intervene on Peugeot S.A. and/or FAURECIA shares, in line with market integrity rules (reminder of confidentiality obligations and the obligation to refrain from such activity in the event of access to inside information and the applicable penalties, declaration obligations, definition of blackout periods, inclusion on the list of permanent insiders, etc.). It is available in full on the Group's website. They are periodically reminded of these obligations by the Company.

#### 6.4.4. Handling and reporting of critical event

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Critical events are handled and reported according to a structured process:

- for events related to product quality, there is a dedicated process through the Quality Division;
- for the management of crises not involving product quality, the process is formalised in a summary document updated in 2015. This document specifies the criteria for assessing triggering of the crisis, the people to contact, the composition of the management team and the appointment and management procedure of the team. This document can be rapidly and easily accessed by members of the Executive Committee through different means (laptop, tablet, mobile phone).

In addition, for all events that expose the Group to a significant risk, the Chairman of the Managing Board, the Director of the Risk Management and Audit Department or the "Statutory Auditors" refer the case to the Finance and Audit Committee of the Supervisory Board and inform the Supervisory Board if necessary.

Lastly, in accordance with the Internal Rules of the Supervisory Board, "the Supervisory Board 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".

In 2015, no critical event occurred with respect to the management of crises not related to product quality.

### 6.5. INTEGRATION OF CSR INTO GOVERNANCE

#### 6.5.1. Organisation, delegation and appointment process

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The structure of the Group's corporate governance is described in Chapter 3 of the Registration Document and in Chapter 1 of the CSR Report.

Chapter 3 of the Registration Document contains information about the current or past experience of members of the Board and Managing Board and the date of their recruitment.

The Board comprises diversified profiles in terms of gender, expertise and country of origin of members.

#### 6.5.2. CSR performance of governance bodies

In section 3.2 of the Registration Document, you are reminded that the Supervisory Board discusses at least once a year on its practices. En 2016, the Supervisory Board held this discussion at its December meeting.

At least once every three years, a formal evaluation takes place. 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 evaluations and any follow-up measures. A meeting of the members of the Supervisory Board is held once a year to assess the performances of the Managing Board and reflect on its future.

As in 2015, in April 2016, the Supervisory Board reviewed the Group's Corporate Social Responsibility programme in accordance with recommendations of the financial market authorities (AMF).

According to the 2016 ranking established by the consultancy firm Ethics and Boards, the Group ranks 48<sup>th</sup> for the number of women in management bodies. In 2015, it was at the head of the French ranking for the proportion of women on the Board, after it established gender parity in the Supervisory Board and the Compensation and Appointments Committee. In this criteria, the PSA Group is in the lead in the global automotive industry, followed by GM.

Furthermore, the Managing Board's CSR performance is measured through collective objectives assigned to its members. For example, in 2017, quality objectives (quality of vehicles and quality of service) have been set and represent 16% of the variable part of Board Members. The Chairman of the Managing Board has a workplace safety target which represents 10% of his maximum variable compensation.

## 6.6. REPORTING SCOPE AND METHODOLOGY

### Reporting methodology

The governance and ethics indicators set out above correspond to the application of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code and the recommendations of the Global Reporting Initiative (GRI). A cross-reference ratio with GRI G4 indicators and a cross-reference ratio pursuant to the requirements of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code (Grenelle 2) are included at the end of this report.

The reported data concern the production plants, the research and development centres, the main office sites, the PEUGEOT and CITROËN Retail dealership networks and the activities of BANQUE PSA FINANCE (BPF).

### Scope of consolidation and coverage rates

For joint ventures: The scope of reporting does not include subsidiaries jointly owned with other car manufacturers or joint ventures accounted for by the equity method, due to the lack of exclusive control:

In these joint ventures, the PSA Group exercises its role as shareholder and industrial partner with a view to long-term development.

The Group owns a stake in these joint ventures or joint operations:

- TPCA, located in Kolin (Czech Republic), a joint operation with Toyota;
- DPCA, located in Hubei Province (Wuhan and Xiangyang, China), in joint venture with DONGFENG MOTOR CORP.;
- CAPSA, located in Shenzhen (China) in joint venture with China Changan Automobiles;
- Sevelsud, located in Val Di Sangro (Italy), a joint operation with Fiat;

- PCMA Automotiv RUS, located in Kaluga (Russia), a joint operation with Mitsubishi Motors Corp;
- IKAP (Iran Khodro Automobiles Peugeot), in Tehran in Iran, in joint-venture with Iran Khodro.

However, PCMA Automotiv RUS, located in Kaluga, Russia, a joint operation with Mitsubishi Motors Corp., is included in the reporting scope because the PSA Group has a 70% stake in its shares.

Scope of the Banking Division: With respect to the scope for the Banking Division, the BANQUE PSA FINANCE data are included in this reporting.

The coverage rate of the data in this chapter is 100%.

The data presented in this chapter have been audited by an independent body, the firm Grant Thornton, using the methods set out in chapter 8.6.



# 7

## THE GROUP'S COMMITMENT TO SOCIETY

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The PSA Group has identified four major societal issues:

■ **Issue “Involvement in host communities” – internal and external impacts**

Due to the scope and breadth of their operations, automobile production sites have a considerable economic and social impact on their host communities. They create jobs and drive growth at the grass-roots level.

They adapt to or influence socioeconomic changes, both in emerging countries, by attracting small businesses, and in countries with mature economies, where they play a key role in the revitalisation of host communities following restructuring plans, for example.

For car manufacturers, this broad-based involvement is key to their acceptance by host communities as well as their reputation among customers and government authorities.

It is important to evaluate these indirect factors and monitor the overall impact on local communities and regional economies.

■ **Issue “Philanthropy/socially responsible mobility” – internal and external impacts**

Individual mobility as a fundamental right is often impeded by difficulties relating to social or economic isolation or exclusion. Mobility players, including car manufacturers, are in the best position to address this issue, working to improve access to mobility for the most vulnerable populations.

Public opinion is increasingly mobilised around the plight of vulnerable populations and businesses are expected to help limit all forms of exclusion, in areas such as employment, education (including in the area of road safety), health, humanitarian emergencies, or culture and leisure activities.

Stakeholder expectations tend to increase along with the size of the companies involved and the burden is therefore relatively high for car manufacturers.

■ **Issue “Management of customers’ personal data” – internal and external impacts**

Given today's ever-expanding connectivity, the growing popularity of social media and the exponential rise in online shopping, Internet users who are not well versed in the legal issues surrounding the confidentiality of information are showing signs of increasing wariness.

Automotive industry customers are not immune to this fear: the challenge for car manufacturers is thus to give clear indications that all personal data shared with them by their customers will be kept confidential, in the interest of maintaining a relationship founded on trust.

This document refers to customers' personal data, a term that includes both data belonging to existing and potential customers, and to the users of our products and services.

■ **Issue “Responsible Marketing” – internal and external impacts**

At a time when consumer and government authorities are particularly sensitive to advertising campaigns that speak to sustainability issues, the automotive industry's messages are increasingly scrutinised.

In the first place, car manufacturers must therefore demonstrate their ability to fulfil their legal obligations with respect to their communications and marketing efforts. But it is also important for them to ensure that their messages achieve the desired aims without overstating their case, thus exposing themselves to the risk of controversy (“green-washing”). Furthermore, companies in the sector have a duty to encourage responsible behaviour and ensure that their practices are exemplary.

Faced with these challenges, the Group has set up the following systems.

## SCOREBOARD

					
CSR ISSUES	COMMITMENT	AMBITION 2025	TARGET 2016	RESULTS 2016	TARGET 2017
<b>PHILANTHROPY/ SOCIALLY RESPONSIBLE MOBILITY</b>  <b>Organiser: PSA Foundation</b>	Step up the Group's outreach initiatives in the area of access to mobility by establishing partnerships with those working in the social integration sector and the local communities where it operates.	The PSA Foundation is known for its actions carried out in favour of socially responsible mobility in the host countries.	Support 10 solidarity garages demonstrating integration through economic activity. Begin the launch of vehicle services for vulnerable populations ( <i>Base of the Pyramid</i> ).	Target met: 22 garages supported.	Help structure and professionalise three regional networks of solidarity garages.
<b>CONSUMER PERSONAL DATA MANAGEMENT</b>  <b>Organiser: General Secretary</b>	Use customers' personal data with care across all marketing and sales activities.	PSA Group is recognised as a benchmark corporate citizen in terms of its respect for consumer privacy.	Integrate the anticipated European regulatory developments into a long-term compliance project in our systems.	Target partially met: The expectations have been identified. An awareness-building effort among the Group's business lines was partially carried out and should continue. Studies of the IT systems and business line processes have begun.	Decide on the methods ( <i>including technological solutions</i> ) to be used to bring the Group's activities and business processes into line with the GDPR [General Data Protection Regulation] and draw up a timetable.
<b>RESPONSIBLE MARKETING</b>  <b>Organisers: Executive Vice-Presidents, Brands and Head Of Sales and Marketing Office</b>	Ensure that all the Group's marketing efforts comply with the UDA's Charter of Responsible Communication Commitments for Advertisers.	An environmental and socially responsible dimension to the image of the brands, and their products and services, that is recognised by customers.	For the Group's main passenger car models, publication on the brands' websites of their fuel consumption and CO <sub>2</sub> emissions in real driving conditions.	Target met: ■ PEUGEOT: published on 06/07/2016; ■ CITROËN: published on 07/07/2016; ■ DS: published on 06/07/2016.	Demystify the customers' purchase decision by providing an online configurator on the brands' websites for calculating the average consumption in real driving conditions of the model selected, which also allows customers to configure the settings to estimate their anticipated fuel consumption based on their own use.
<b>INVOLVEMENT IN HOST COMMUNITIES</b>	Issue addressed through the management of jobs and skills, philanthropy, procurement practices, road safety, etc.				

NB: the socially responsible mobility and sponsorship/philanthropy issues have been combined in line with Group policy.

## 7.1. INVOLVEMENT IN HOST COMMUNITIES

**G.35** **G.36** **G4-EC7** **G4-EC8** **G4-SO1**

The Group employs over 182,000 people worldwide. Very often, the Group is one of the leading private employers in the regions where it has manufacturing operations. As a core economic player, it assumes its social responsibility commitments in its various host communities:

- by requiring its production sites to use local suppliers (see section 4.2.3);
- by exercising responsible management of structural transformations (see section 3.2);
- by developing and maintaining economic activity at the local level (see section 3.2.1 - § "A reindustrialisation commitment" and section 4);

- by developing scientific and technical skills and knowledge at the local level (see section 2.0 - §: "the StelLab network");
- by developing technologies that have shown a proven ability to make automobiles safe and undertaking safe driving awareness campaigns (see section 2.3.3);
- and by engaging in the philanthropy actions described below.

For all of its developments or projects for the establishment of operations, the Group involves its stakeholders in the examination of economic, social and environmental impacts.

## 7.2. THE GROUP'S SPONSORSHIP AND PHILANTHROPY STRATEGY

**G.36** **G.38**

### 7.2.1. Group policy and priorities

#### **The Group's philanthropic actions address the issue of socially responsible mobility.**

The Group is firmly convinced that mobility is an important global challenge faced by society and a fundamental right. It has an effect on everyone's lives and is a key driver for economic development. It underpins independence, progress and innovation. After more than 100 years of automobile mobility, the Group can claim a certain legitimacy in discussing this issue. Backed by this seasoned expertise, the Group is focusing on projects that are useful to the community while seamlessly capitalising on its core car manufacturing competencies.

The PSA Group demonstrates its ongoing commitment to socially responsible mobility through its Corporate foundation, created on 18 June 2011, and renewed this commitment for five years in June 2016. The PSA Foundation lends its support to projects which use mobility to promote social integration, strengthen social ties and expand access to culture and education.

This commitment is embodied in actions informed by the research and experiments carried out at the *Laboratoire de la Mobilité Inclusive* (a foundation of public and private players addressing inclusive mobility issues). The mobility access experiments conducted also allow the Group to explore new business models.

The projects supported by the Foundation are put forward by public interest organisations around the world, with special emphasis on the Group's areas of development. 85% of projects are located in France and 15% abroad. The Foundation's activities are backed by a five-year budget of €9.5 million.

#### **The Group's philanthropy policy helps it develop stronger local roots.**

Support given to organisations or associations located very near the Group's employee pool strengthen the bond between it and its environment. This outreach is the result of its desire to become involved in the world beyond its own walls. These convictions are given shape by actions in all countries where the Group operates. They involve both initiatives pursued by the Foundation and action taken by the brands PEUGEOT, CITROËN and DS, and the Group's manufacturing sites and office facilities, which have been supporting local development initiatives since 2005.

Details provided in this document concerning these initiatives are based on information found in the Foundation's databases and in the communications materials produced by the sites and the brands. The PSA Foundation works in close collaboration with its network of local correspondents, so as to lend its support to mobility projects put forward by organisations.

## 7.2.2. Summarised statement of contributions

2016	Monetary contribution	Time volunteered by employees calculated in terms of equivalent hours paid	Donations in kind	Overhead expenses	Total	
Activities of the PSA Foundation	€1,163,000	-	€72,000	€270,000	€1,505,000	19.4%
Philanthropic activities of the Group's sites, brands and subsidiaries <sup>(1)</sup>	€1,187,832	€122,686	€251,076	-	€1,571,594	20.1%
Business initiatives of the Group's brands <sup>(2)</sup>	€4,690,000	-	-	-	€4,690,000	60.5%
<b>TOTAL</b>	<b>€7,040,832</b>	<b>€122,686</b>	<b>€323,076</b>	<b>€270,000</b>	<b>€7,756,594</b>	<b>100%</b>
	90.8%	1.6%	4.2%	3.5%		

(1) Included in the reporting scope: the Vigo, Mangualde, Valenciennes, Vesoul, Porto Real and Buenos Aires sites and the brands CITROËN and DS.

(2) Included in the reporting scope: PEUGEOT (France), CITROËN (France) and DS.

## 7.3. SOCIALLY RESPONSIBLE MOBILITY: THE FOUNDATION'S INITIATIVES G.36 G.38

### 7.3.1. The Foundation for “A world on the move”

The PSA Foundation lends its support to projects in the area of socially responsible mobility. To carry out its philanthropic mission, the Foundation is backed by a multi-year action plan with a five-year budget of €9.5 million. The Foundation provides support in the form of funding, equipment, or personnel.

#### GOVERNANCE BODIES (ESTABLISHED ON 11 JULY 2011)

- The Board of Directors: composed of nine members (two founders, four representatives of Group entities and three independent experts) and chaired by the Chairman of the Group's Managing Board, with Marie-Hélène Roncoroni, a member of the Supervisory Board, as Vice-Chairman.
- General Delegation of the Foundation: a team led by a General Delegate and reporting to the Group's Communications Department.

The Foundation regularly monitors its activities and makes assessments on the anniversary of each project's sponsorship. The Foundation provides continually updated financial tracking throughout the year, including a balance sheet provided in its Activity Report, available since January 2015 on its website.

#### FOR **more** INFORMATION

**PSA Foundation's website, “publication” webpage:** <http://www.fondation-psa-peugeot-citroen.org/en/publications/>

#### PROJECT SELECTION PROCEDURE

Only projects relating to mobility or social integration are accepted for consideration by the Foundation. Each project's details are recorded in a standardised description sheet. For each case, the Foundation's staff prepares a scoresheet for assessment on six criteria: the relevance of the initiative, its innovativeness, project management, the societal impact of the project and the number of beneficiaries, the degree of involvement of the sponsor (if the project is sponsored by an employee) and the location of the project. The same scoring method is used to review all proposals. Projects with budgets of up to €80,000, or €100,000 in the case of multi-year projects, are submitted for review by a selection committee whose members are named by the Foundation's General Delegate. For projects with higher budgets, the Foundation's Board of Directors is the deciding body.

The initiatives come from non-profit organisations, NGOs and employees, or grow out of projects supported by the Group's plants and facilities. Applications are submitted online on a website in two languages (French and English).

#### OVERVIEW OF FOUNDATION ACHIEVEMENTS SINCE ITS CREATION

The Foundation has provided support in the form of funding, equipment, and volunteer time to over 470 projects, drawing on a network of some 20 local delegates and around 200 individual employee sponsors from the PSA Group who give up their time voluntarily.

**470 PROJECTS**

SUPPORTED SINCE THE INCEPTION  
OF THE **PSA FOUNDATION**

## RESULTS IN 2016

At 31 December 2016, the Foundation had donated a cumulative total of €10.3 million to various public interest organisations. In 2016, donations totalling €1.2 million were paid to support 69 projects in three main areas:

- “mobility and integration, an emergency outreach”: this involves initiatives to help people join the workforce or to help highly disadvantaged people;

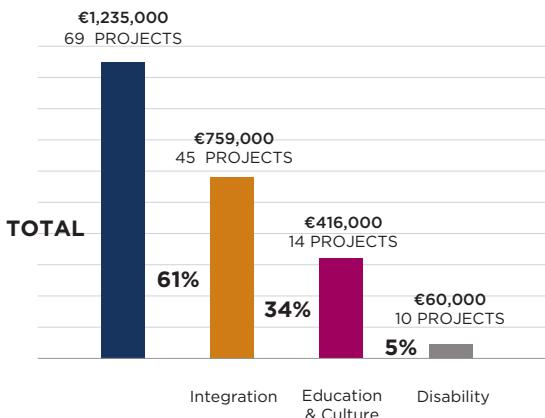
- “mobility and educational and cultural action”: these initiatives use mobility to promote equal opportunity and give at-risk youth a second chance;
- “mobility and disability”: the goal of this programme is to increase autonomy and improve quality of life for disabled persons.

**€1,2 MILLION**

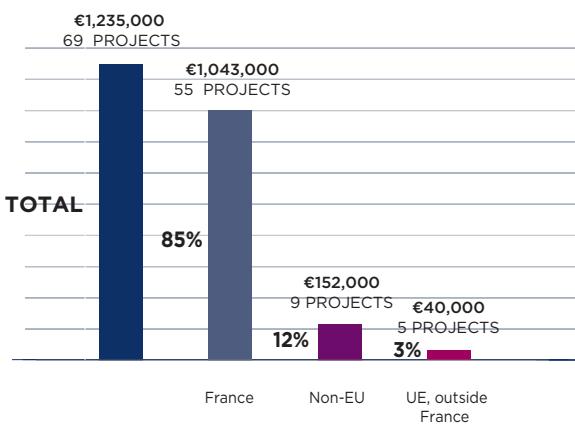
DONATED TO VARIOUS PUBLIC INTEREST ORGANISATIONS IN 2016

## DISTRIBUTION OF BUDGETS ALLOCATED IN 2016 BY THE FOUNDATION

Distribution by category of budgets allocated in 2016 by the Foundation



Distribution by region of the budgets allocated in 2016 by the Foundation



## THE FOUNDATION AWARDS

Recognising the Group's workforce as a unique resource to provide leadership in host communities in line with the Foundation's goals, an annual awards ceremony has been held each year since 2013 to honour individual achievements and encourage further volunteer participation by the men and women of PSA Group in service of organisations or projects relating to mobility. The year 2016 was the fourth time that the Foundation Awards were given to encourage the Group's employees throughout the world to become involved in mobility projects. A jury judged the 80 applications received and selected 17 which were awarded €5,000 and three which received €10,000. This year, nearly 9,000 online votes were received for the Grand Prize – “the Online Favourite” – which was opened up to all Internet users for the first time and no longer just to employees.

The strong level of involvement of the Group's employees in the Foundation Awards illustrates the adoption of the Foundation's values and goals at all Group sites as well as the Group's commitment to its responsibilities as a corporate citizen, fully mindful of its impact and role within society.



### RELATIONS WITH STAKEHOLDERS

Five years since its inception, the PSA Foundation is now a recognised expert in inclusive mobility solutions and, since March 2014, has taken part in the work of the Laboratoire de la Mobilité Inclusive alongside key players in this area, including companies (Total, Michelin, Macif, Transdev, the French postal services, etc.), NGOs (Secours Catholique, the Red Cross, Wimoov, FACE, etc.), and institutions (Pôle Emploi, FASTT, CNML - the central and local government consultative body, and CGET). The mission of the Laboratoire de la Mobilité Inclusive is to advise on inclusive mobility issues, mainly relating to individuals with integration needs, seniors and people in isolated rural and outlying urban areas. The Laboratoire also works with players from the social and solidarity economy to trial mobility services, and presents the mobility needs of the less fortunate to the French authorities.

## 7.3.2. Socially responsible mobility projects

### 7.3.2.1. MOBILITY AND INTEGRATION

The Foundation supports organisations active in rural communities or in outlying urban areas who work closely with social agencies and local authorities to put in place socially responsible mobility solutions in aid of people referred by social services. The goal is to remove the mobility obstacles for the unemployed to receive training or find a new job.

The mobility service experience the Group has gained with partner associations allows it to identify new players, new needs of BoP customers and, more generally, new car usage models (other than ownership) to test the effectiveness of new business models for mobility services, one of the key pillars of the new "Push to Pass" strategic plan. The action taken to help the less fortunate return to employment has led to the creation or development of solidarity garages and broadened the client base of the brand's dealer networks involved in the Foundation's initiatives.

At end-2016, the Foundation had helped over 40 structures active in the area of socially responsible mobility throughout France.

**Socially responsible mobility platforms** – These platforms offer a range of different mobility services for specific communities: mobility evaluation and advice, rental of vehicles at a special rate, transport on demand, access to driver licences, etc.

Under its Mouv'Up ! programme, launched in 2013, the PSA Foundation has, for the third year running, made a commitment to the FARE [federation of road associations for education], which it has supported since 2012, to assist project leaders to put in place, or step up, mobility for integration platforms. Six new territories have been entered and four others have received support to grow their existing platforms.

**Solidarity garages** – The Foundation supports these community garages aimed at welfare recipients. They allow people to have vehicles repaired, rent or buy them at low cost. These garages also hire the unemployed to help them return to the workforce. Through its 2016 call for projects, the Foundation supported 22 solidarity garages in France with projects to create new garages or develop existing ones.

**Inclusive driving schools** – The Foundation supports reduced-rate driving schools for the long-term unemployed, welfare recipients and struggling youth. With the help of targeted instruction methods and pricing, these schools give them open access to tests for the BSR safe-driving certificate, rules of the road and driving licence. They are a powerful tool for social and professional integration.

**Solidarity car rentals** – Being able to hire a car at a lower cost can help a person find a job or become qualified for one. The Foundation supports organisations providing this type of community service. These include the associations Carbur'emploi and AIPAM.

**Transport on demand** – Transportation on demand services make getting about easier for low-income people and/or those isolated in rural communities or outlying urban areas with poor public transportation, and strengthens social ties.

#### FOR **more** INFORMATION

**PSA Foundation's website - "Solidarity Car Repair Centre"**  
**webpage:** <http://www.fondation-psa-peugeot-citroen.org/en/social-inclusion-sponsorship/solidarity-car-repair-centres/>

### 7.3.2.2. MOBILITY AND EMERGENCY OUTREACH

In mobility and emergency outreach, the Foundation continued and expanded its partnership with the French Red Cross. The Red Cross on Wheels project, launched jointly by both organisations in 2012, continued to be rolled out. The aim is to reach out to the most vulnerable and disadvantaged people through a social assistance road show. Armed with a specially-adapted commercial vehicle, the service offers advice and help with food, clothes and toiletries. In 2016, the Foundation decided to continue its support by helping to create three more mobile services (which were proven to be both useful and relevant by an impact study run by the French Red Cross in late 2015), and also by supporting a further initiative – *retour vers* [return to] – by organising and implementing two social transport services.

### 7.3.2.3. MOBILITY AND EDUCATIONAL AND CULTURAL ACTION

One of the Foundation's key educational and cultural initiatives in 2016 was its continued support of the *Petite Galerie* project. The Foundation partners the second programme, "The moving body", which follows on from the "Founding Myths" theme. This partnership is a perfect fit for the Foundation's aims, as it improves access to culture for all: the "*Petite Galerie*" is a new multidisciplinary space that provides an introduction to all forms of art, with specific "off-site" projects. For instance, a road-show version of the "Founding Myths" exhibition was set up at one of the Group's industrial sites in the Paris region. This partnership with the Louvre sits perfectly alongside the partnership with the DS brand, which was a patron of two major exhibitions at the museum in 2016 and supported the renovation of the visitors' access.

#### FOR **more** INFORMATION

**PSA Foundation's website - "Education and Culture"**  
**webpage:** <http://www.fondation-psa-peugeot-citroen.org/en/education-culture-sponsorship/>

### 7.3.2.4. MOBILITY AND DISABILITY

In 2016, the Foundation supported 10 initiatives in France and abroad that offer mobility solutions to the physically and mentally disabled, so that mobility is no longer an obstacle but a springboard to greater independence and an improved quality of life.

## 7.4. LOCAL PHILANTHROPIC INVESTMENT G.36 G.38

PSA Group is a key player in the local economies of its host countries, and as such strives to be a responsible corporate citizen in the communities where it lays down strong roots. Sponsorship and philanthropy actions pursued by the Group's sites or its brands thus allow them to lend their support directly to local structures in areas related to the Foundation's main focus, socially responsible mobility.

These local initiatives have often been replicated by the Foundation since it was created in 2011, whenever they relate to socially responsible mobility. They serve as a means to promote dialogue with stakeholders in host communities and enhance the Group's

reputation and image. They foster local development and deepen the involvement of the Group's sites in these communities.

Group employees are very actively involved in all local initiatives. They are often encouraged to participate as volunteers in the actions of local organisations.

Always with the aim of growing strong roots in these communities, the three brands - CITROËN, PEUGEOT and DS - and all the Group's sites themselves define the type of partnerships they build with local organisations. The common thread running through all these partnerships is local development and the importance of proximity.

### 7.4.1. Actions by the brands and the Group's sites

Sponsorship and philanthropy actions pursued by the Group's sites or its brands thus allow them to lend their support directly to local organisations in areas related to the Foundation's main focus, socially responsible mobility. In response to stakeholder concerns, these partnerships develop concrete local projects that are useful for everyone.

#### ACTIONS BY THE BRANDS

Brands support associations everywhere in the world, with local representatives choosing which ones to support. Examples include:

- **PEUGEOT Poland** created the *PEUGEOT SANS BARRIÈRES* [PEUGEOT for all] programme with its own website (<http://www.peugeotbezbarier.pl/>) to help people with mobility problems to get behind the wheel.
- **PEUGEOT Argentina**, via its "IMAGINATION BY PEUGEOT" programme, undertook to create social value through different educational and environmental protection initiatives. PEUGEOT Argentina ran a number of training and awareness initiatives with the help of carefully selected experts in each of the fields: the *VALORES PARA CRECER* ("Values for growth") Foundation promotes the integration of young people into the workplace by teaching them about expected behaviours such as being proactive and team work; the *PESCAR* (Fishing) Foundation sets up job training workshops to provide invaluable assistance to vulnerable young people looking to enter the job market; the *REVOLUCION 21* Foundation promotes sustainable development in Latin America by teaching the public about climate change and proposing initiatives to slow down the changes and preserve the continent's natural resources; the INECO Foundation fosters the development of neuroscience worldwide by supporting university projects aimed at improving the prevention, detection and treatment of neurological disorders and providing scientific training for professionals and educating the public. PEUGEOT Argentina also supports the *CONSEJO NACIONAL PUBLICITARIO*, a not-for-profit organisation dedicated to the creation and dissemination of public interest campaigns aimed at raising awareness and changing behaviours on topics of general interest.
- **PEUGEOT Ukraine** sponsored the 24<sup>th</sup> annual charity gala of the Kiev International Women's Club which raised funds to be distributed to not-for-profit organisations to fund charity initiatives. In 2016, PEUGEOT Ukraine also donated nine computers to Ternopil school for the introduction of IT lessons.
- **PEUGEOT Slovakia** partners the Slovakian tennis federation to promote the sport to children and young people. As part of the same initiative, PEUGEOT Slovakia provided cars to take young players to events in 2016 (European Team Championship, World Team Championship, ITF Junior Masters, etc.). PEUGEOT Slovakia also supports the Tennis Into School and Give your kids to tennis projects and organises an annual PEUGEOT TENNIS DAY to introduce tennis to children and encourage them to take up sport in their free time. At this event, the children can meet tennis stars and parents can chat with the coaches.
- Since 2014 **CITROËN** has been a partner of the BACCIGALUPO Foundation which offers sports activities to young people with learning difficulties. In 2016, the brand exhibited the new CITROËN C3 wearing a giant sweater at the C\_42 building to raise a smile from as many visitors as possible, with the CITROËN ConnectedCam™ capturing the smiles. For each smile "donated" in front of the car between 19 and 26 December, CITROËN gave €2 to the Le Rire Médecin association, an organisation which takes clowns to children's hospitals.
- In November 2016, **CITROËN UK** donated a CITROËN C4 Cactus "W" to THE NICEST JOB IN BRITAIN programme in the UK. The car will be used for charitable initiatives throughout the year. At the wheel of this car, the programme winner will collect donations for 40 charity associations in 2017.
- In the period December 2015 to January 2016, **CITROËN Italy** ran a novel initiative under the name BE GOOD. To take part, Italians had to record an original festive wish video with a positive message and post it on CITROËN Italy's social media accounts. CITROËN Italy donated €5,000 to the charities chosen by the originators of the three videos which collected the most votes (three donations of €5,000).
- **CITROËN's triple WTCC champion**, José María López, went to meet children in the Fuerte Apache district (Buenos Aires) and donated a CITROËN engine to the local technical school on behalf of PSA Group. He also gave the teachers a technical lesson on the Group's vehicles.

- In 2016, CITROËN Spain supported various charity initiatives: It continued its partnership with the Madrid Food Bank, providing it with a CITROËN C4 Cactus and a CITROËN C4 Picasso to help it collect food; it sponsored the *TE INVITO A CENAR* event which offers the poor a Christmas meal made by some of Spain's top chefs; it sponsored the race organised by the *HAY SALIDA* association set up to combat domestic violence; it worked with the Abracadabra and Menudos Corazones organisations to introduce free vehicle safety checks in the CITROËN Spain network from 27 November 2016 to 31 January 2017. For every check carried out, CITROËN paid €3 to each of these two associations which help the sick. 67,500 free tests were carried out and €202,500 collected.
- DS AUTOMOBILES took part in the 2016 edition of the exhibition organised by the association *LES SAPINS DE NOËL DES CREATEURS* [Designers' Christmas Trees]. Creations from big names in the world of fashion, design and architecture were sold with all proceeds going to charity. DS AUTOMOBILES also sponsored the Louvre's *PYRAMIDE* project, the challenge being to reorganise the entrances and reception areas under the pyramid, without altering the architecture of the building itself, in order to best accommodate the 9 million visitors it receives each year (the original project back in 1989 only anticipated 4.5 million visitors).

## ACTIONS BY THE GROUP'S SITES

The local initiatives, put in place by the Group's sites several years ago, have often been replicated by the Foundation since it

was created in 2011. They serve as a means to promote dialogue with stakeholders in host communities and enhance the Group's reputation and image. They foster local development and deepen the Group's involvement in the communities. Group employees are very actively involved in all local initiatives. They are encouraged to participate as volunteers in the actions of local organisations or lend support to local events.

- The Poissy site has been an active participant in the *PLATO VAL DE SEINE* programme, run by the Chamber of Commerce and Industry for the Yvelines department, since 2001. The site has appointed two executives who offer group coaching to managers of VSE/SMEs in the Vallée de Seine region to help them improve their companies' performance. Each programme involves a two-year commitment between the businesses receiving assistance and the managers offering skills-based sponsorship.
- Back in 2011, PSA Group in Argentina launched its *GUARDIANES DE LA EDUCACION* programme. The Group uses this programme to help improve the quality of technical training: to date more than 250 vehicles have been given to schools and universities and the Group also provides technical training for the teachers and lecturers. The Ministry for Education has awarded this programme national interest status. In 2016, a new agreement was signed between the Department for Education and Culture, the General Secretariat of Buenos Aires province and PSA Group executives in Argentina with a view to extending the *GUARDIANES DE LA EDUCACION* programme to the province. At the ceremony held in the PSA Group Palomar plant, the Group handed over 37 engines to the professional training centres in Buenos Aires province to be used as educational tools.

### 7.4.2. Actions by the joint ventures

DPCA (DONGFENG PEUGEOT CITROËN AUTOMOBILE) and PSA Group decided to offer young pupils at the MLF/PSA primary school the opportunity to take part in an exchange with two Chinese schools in the province of Hubei. ZhaoJun, in Yichang, and Dajichang, in Enshi, the two schools selected, received financial support from DPCA as part of its charitable programme to help underprivileged schools in Hubei.

Around 40 students from the MLF/PSA school in Wuhan took part in the exchange, half travelling to ZhaoJun school and the other

half to Dajichang school. During their stay, the French students from MLF/PSA experienced day-to-day life in a Chinese school and were lodged in the school's visitor dormitories. Each MLF/PSA was matched up with a Chinese pupil.

DPCA and PSA Group undertook to make this a long-term partnership between the three schools and their pupils.

### 7.4.3. The PEUGEOT Industrial Heritage Fund

As a core industrial player in France for many years, the Group supports, via the PEUGEOT Industrial Heritage Fund, the Terre Blanche Archives Centre. Inaugurated in September 2010 and financed by an endowment fund, this centre's mission is to offer a home for archival materials from all the Group's production plants and office facilities. After a top-to-bottom renovation to restore features typical of 19<sup>th</sup> century industrial architecture, the building now houses a rare collection of historical records, photographs, technical drawings and unusual artefacts that have been brought together for safekeeping. The Terre Blanche Archives Centre also

opens its doors to historians, researchers and students interested in viewing its archives. The fund continues to expand, thanks to gifts and contributions from automobile enthusiasts, including many former employees, whose invaluable but often fragile documents can be digitised and preserved under optimal conditions. More broadly, the archives offer a compelling perspective on the more than 200-year history of automobiles in Europe. In 2014, the centre's staff helped organise Wartime Manufacturing, an exhibition commemorating the centenary of the First World War.

## 7.5. INFORMATION AND RESPECT FOR CUSTOMERS G4-SO11

### 7.5.1. Consumer personal data management

Customer satisfaction is a strategic issue for the Group because it is a prerequisite for loyalty. It requires in-depth knowledge of the needs of customers and inevitably requires the collection and transmission for analysis of their personal data. In fact, personal data provided by customers is essential to building and maintaining ties between customers and the organisation. It is this data that allows the relationship with the customer to be personalised to an extent that would not otherwise be possible.

The growing use of the Internet, and that of information and communication technologies in general, continues to expand opportunities for the transmission of personal data, which is a source of concern for consumers.

The proper management of customers' personal data is both an issue of trust and one of competitiveness. This proper management is also the "fuel" necessary for the digital economy to function correctly. If the collection of personal data has become indispensable for many companies, the transmission of this data presupposes that the consumer has confidence in the use that will be made of this data and is convinced that the data will be neither used or disclosed for purposes other than those for which it was collected nor in an illegal or abusive manner.

#### 7.5.1.1. COMPLIANCE WITH CONSUMER PRIVACY REGULATIONS

G4-SO8
G4-PR8

The new European privacy regulation came into force in 2016 and companies have until May 2018 to comply with it. PSA Group has already begun to work actively with the French data protection agency (CNIL - Commission Nationale de l'Informatique et des Libertés) to produce a compliance pack for connected vehicles in order to make early provision for some requirements of this European regulation. Alongside this, the Group has produced a reference guide covering the use of data within the Company and its partnerships.

The new European privacy regulation essentially involves:

- stepping up companies' commitments: the appointment of a Data Privacy Officer; the introduction of privacy by design and privacy by default principles, stricter notification of security loopholes, etc.;
- strengthening individuals' rights over their data: right to be forgotten, data portability rights, better transparency and systematically notifying individuals of their rights and who collects and processes their data; obtaining the customer's clear consent to use their data, etc.;
- stepping up the controls and sanctions by the regulatory authorities (as a percentage of worldwide revenue), etc.

The Group has already taken the main elements of the proposed European regulation, supported by consumer representatives, into account in changes it has made to its working practices (full roll-out of the opt-in, business practices to inform the customer about the processing of their personal details, handover of connected vehicles which encourage the explanation of the new communication methods and how they can be deactivated).

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. In particular, it is standardising all data protection references in its various contracts: purchase orders, after-sales services, connected services, Internet forms, etc. An internal database of best practices has been created and disseminated; the "IT regulations" have been updated to include helpful recommendations.

The Group is also running employee training and awareness sessions which are also offered at the points of sale. As soon as the European regulation was approved, work began to update the in-house training materials for Group employees. A working group was set up involving the Group's operating units and the Human Resources Department. The aim of this working group was to identify and train the employees who were required to comply with this regulation. An e-learning module on handling personal data had been taken by a total of almost 1,900 employees by the end of 2016. It will continue to be deployed in 2017.

The Group also stipulates in its contracts that its partners and suppliers must demonstrate the same level of commitment to data protection.

Alongside this, 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.

Finally, the Group is taking part in working groups along with other industry players and regulatory authorities to promote the exchange of best practices

#### Infringement of consumer privacy regulations

*(The French Data Protection Act, scope: PEUGEOT and CITROËN subsidiaries)*

En 2016, the brands were not cited for non-compliance with customer privacy legislation in any legal proceedings.

### 7.5.1.2. PROTECTION OF BANKING PRODUCT CONSUMERS G.42

The distribution of consumer credits, which makes up about 70% of total credits distributed by BANQUE PSA FINANCE subsidiaries (70% of customer credits and 30% of dealership credits), is subject to specific regulations that protect consumer rights. Specifically, in the European Union since adopting the Directive 2008/48/EC on consumer credit which has now been transposed by the different member countries into their domestic law.

This directive, which has created new tighter obligations with regard to advertising, pre-contractual information, creditworthiness of borrowers and contractual information, has been implemented by BANQUE PSA FINANCE and the subsidiaries and/or branches affected.

In 2015, CREDIPAR introduced a system to identify its private customers who were experiencing financial problems, in application of the Charter for banking inclusion and the prevention of excess debt adopted by the French Association of Investment Firms and Credit Institutions [*Association Française des Établissements de Crédit et des Entreprises d'Investissement - AFECEI*]. The system, which was introduced in after-sales and debt recovery, sets out a series of predefined criteria to permit the early detection of vulnerable customers which allows it to support them and help them find solutions which will not further aggravate their financial situation. Employees working with the system received appropriate training.

More generally, in the interests of quality and improving its customer processes, CREDIPAR has put in place a system for handling customer complaints designed to quality assure their treatment

(commitment on response times, requirement for a written response). This system is based on a framework instruction which requires all local subsidiaries or branches of BANQUE PSA FINANCE to appoint a Head of Complaints to deal with complaints received in compliance with the instruction, to monitor the types and volume of complaints, analyse this data and, where this shows up poor practice, take appropriate corrective measures.

Furthermore, CREDIPAR joined a mediation system set up by the ASF and cites contact details for the appointed ombudsman in all its credit agreements alongside those for its own Consumer Department, which is responsible for handling complaints. If a specific customer's claim receives a negative response from the Consumer Department, their details are passed on to the ombudsman.

CREDIPAR also signed up to the "Agreement on amicable recovery of consumer credit" between the ASF and various consumer representative bodies. The Agreement seeks to guarantee customers that a number of best practice rules will be followed (progressive stages in the recovery process, respect for confidentiality and privacy, transparency in the relationship with the customer). In this way it seeks to promote amicable settlement of unpaid debts.

CREDIPAR takes part in ASF working groups on the protection of consumers (borrowers) and the prevention against over-indebtedness.

As the Internet has become a vital tool in the handling of customer relations, BANQUE PSA FINANCE now queries its customers online to further increase their satisfaction and improve the effectiveness of its customer service teams. For the past two years, unsatisfied customers have been contacted in order to serve them better wherever possible.

## 7.5.2. Responsible marketing

### 7.5.2.1. THE RESPONSIBLE COMMUNICATIONS CHARTER

In order to ensure that its advertising and marketing reflect corporate social and environment responsibility concerns, such as respect for people, the environment and awareness of the economic issues involved in buying a car, etc., back in 2007 the Group prepared a Responsible Communications Charter in partnership with the Marketing Departments at PEUGEOT, CITROËN and DS.

PSA's Responsible Communications Charter is available on the corporate website.

The Charter applies to all communications materials produced by the Group, the brands, regional offices and dealer networks, including TV, online and print advertising, events and POS displays and collaterals, regardless of target audience, media or country.

Available in French, English, Spanish and Chinese, it is distributed to Group and brand teams involved in communications, marketing, legal affairs, procurement and other processes, as well as to their vendors.

Moreover, in November 2007, PSA Group signed the Charter of Responsible Communication Commitments for Advertisers issued by the UDA, the professional association representing French advertisers.

The Group's Charter is built around five commitments to support responsible advertising, which inform all of the initiatives deployed by the brands:

## 1 - DESIGNING A RESPONSIBLE COMMUNICATIONS CODE TO COVER ALL THE COMPANY'S COMMUNICATIONS

Actions and tools deployed	Objectives and results
The Responsible Communications Charter	<ul style="list-style-type: none"> <li>➤ First published in 2008, this charter aims to apply the Group's corporate social and environmental responsibilities to all forms of communication to the public. It permits the sharing of best practices in communication, advertising in particular, among all entities in all countries.</li> <li>➤ In 2015, an email was sent to all the business lines affected by the Responsible Communications Charter (Marketing, Communications, Events, Digital). The purpose of this email was to ensure that the Charter was fully understood by all employees concerned, despite the high staff turnover in these business lines.</li> <li>➤ Since 1 January 2016, the PSA Group's Responsible Communications Charter has been systematically appended to the specifications for all new calls for tender for the purchase of "Advertising &amp; brand communication" materials and products. As such, the Charter is part of the document which sets out the contractual relationship with the selected branches. The Purchasing Department was involved in this process.</li> </ul>
Guide to posting on social networks	<ul style="list-style-type: none"> <li>➤ Since 2011, Group employees have had access to guidelines to assist them when posting on social networks. These guidelines are automatically emailed to all new starts and are available on the Group's intranet.</li> <li>➤ The guidelines were updated and added to in 2015. Alongside this, to accompany the arrival of almost 2,000 apprentices, a social media awareness film was disseminated on the intranet. This was an animated film which put into practice the guideline recommendations by giving several concrete examples.</li> </ul>
Training in online communications	<ul style="list-style-type: none"> <li>➤ In 2013, all employees likely to take part in online forums were made aware of the potential consequences of their Internet activities following the launch of a PSA Group blog. It was decided that all new communications staff would henceforth be trained in good advertising practices and responsible marketing via the digital channels.</li> <li>➤ In 2014, the Communications function launched a coaching programme for staff making use of avenues on the Internet to share information.</li> </ul>
A ground-breaking brand communications strategy	<p>In spring 2016, the Group's three brands introduced an external (media and customers) and internal communications policy which systematically highlights the environmental benefits of their models, specifically the fuel consumption and CO<sub>2</sub> emission figures in real driving conditions, which are also published on their websites:</p> <ul style="list-style-type: none"> <li>➤ PEUGEOT: <a href="http://www.peugeot.fr/marque-et-technologie/technologies/efficiency.html#consommation-a-l-usage_153_6">http://www.peugeot.fr/marque-et-technologie/technologies/efficiency.html#consommation-a-l-usage_153_6</a></li> <li>➤ CITROËN: <a href="http://www.citroen.fr/univers-citroen/technologie/consommation-usage.html">http://www.citroen.fr/univers-citroen/technologie/consommation-usage.html</a></li> <li>➤ DS: <a href="http://www.dsautomobiles.fr/inside-ds/environnement.html">http://www.dsautomobiles.fr/inside-ds/environnement.html</a></li> </ul> <p>This practice has become a communication standard in line with the Group's transparency policy (cf. § 2.1.3.). The aim is to offer customers easier access to better information and raise awareness of global warming among all targets.</p>
Voluntary certification for the CITROËN Advisor platform	<p>In 2016, CITROËN successfully renewed the AFNOR certification for its CITROËN Dealership Advisor (certified since 2015) and obtained the same certification for its CITROËN Product Advisor. The voluntary certification of the CITROËN Advisor platform [NF Service – online consumer advice NF Z74-501] falls under the application of the Group's Responsible Communications Charter which is based on the principles of honesty and integrity. Third-party certification offers a guarantee that the processes CITROËN has developed for the collection, moderation and posting of consumer reviews online comply with these principles.</p> <p>CITROËN is the only automotive brand to offer a platform of this type. CITROËN Dealership Advisor allows customers to rate and review the service they received at the point of sale. It is an effective customer relationship management tool for the CITROËN points of sale, which can identify an unsatisfied customer and get back in touch with them. Since CITROËN Product Advisor launched in summer 2016, customers can also post product reviews.</p> <p>Already over 69,000 reviews with an average rating of 4.8/5 on CITROËN Dealership Advisor. (CITROËN Product Advisor, launched in 2016: around 1,000 reviews)</p>



## 2 - INCITE THE COMPANY'S AUDIENCES TO ADOPT RESPONSIBLE BEHAVIOURS

Actions and tools deployed	Objectives and results
CSR communication to the public	<ul style="list-style-type: none"> <li>➤ A specific CSR section was created on the Group's website to enhance the visibility of its commitments.</li> <li>➤ In 2015, a clip presenting the Group's CSR policy was shown to shareholders at the Annual General Meeting. It is available on the Group's YouTube channel at: <a href="https://www.youtube.com/watch?v=Y2Hgyu3AtTw">https://www.youtube.com/watch?v=Y2Hgyu3AtTw</a>, under the title "Le développement durable au cœur de la performance / Sustainable development at the heart of performance."</li> <li>➤ At the local level, the Group's sites were also encouraged to communicate widely on their best CSR practices. The Argentinian site created a CSR section on its website: <a href="https://site.groupe-psa.com/argentina/en/corporate-social-responsibility/">https://site.groupe-psa.com/argentina/en/corporate-social-responsibility/</a></li> </ul>
Promotion to the public (journalists and customers) of the best-in-class technologies	<ul style="list-style-type: none"> <li>➤ The best-in-class <i>technologies</i>, such as the PureTech and BlueHDi engines (CO<sub>2</sub> emissions reduced by 25%) are promoted widely (e.g.: CITROËN's "Dog Stretching" video spot), as are the concept cars, which promote our sustainable technological solutions, e.g.: the ONYX instrument panel which is made from compressed old newspapers, a world first for the QUARTZ with the use of a fabric that is digitally-woven (no cutting, therefore no wastage) using a polyester thread made from recycled plastic.</li> <li>➤ An <i>across the board advertising campaign for the "Engine of the Year"</i> prize, awarded to the Turbo PureTech 3-cylinder 110 and 130 for the second consecutive year in 2016, was made available to the different countries. The "Engine of the Year" logo has been incorporated into all advertising materials and mentioned in press releases.</li> <li>➤ In 2015, the Group took part in the Livrer sans polluer [pollution-free delivery] initiative organised by the City of Paris to support businesses in their move towards cleaner vehicles. Artisans and small business owners were invited to test drive the range of clean delivery vehicles on offer. PEUGEOT and CITROËN exhibited their light commercial vehicles, the PEUGEOT Partner Electric and CITROËN Berlingo Electric, in the 4th district of Paris.</li> <li>➤ In 2015, PEUGEOT launched the Electric BOX, the first range of 100% electric mobility solutions. It offers the PEUGEOT iOn from €99/month plus a PEUGEOT electric bike to anyone trading in a diesel vehicle registered prior to 01/01/2001. The PEUGEOT iOn battery is guaranteed for eight years and PEUGEOT assistance is also offered free for up to eight years (breakdown, towing, alternative travel and accommodation are all included in the deal). In March 2016, PEUGEOT France launched the "PEUGEOT Electric Store", an e-commerce site for electric vehicles: <a href="http://www.peugeot-electric-store.fr">www.peugeot-electric-store.fr</a>, which allows customers to configure a vehicle, reserve it online, simulate a loan and obtain an agreement in principle online. These facilities testify to PEUGEOT's desire to promote its range of electric vehicles to the public.</li> <li>➤ When the new PEUGEOT 3008 and 5008 were launched, the focus of all marketing and advertising (<i>the reveal</i>, Paris trade show, test drives for international motoring journalists, press kits) was the ecological challenge met by the project teams. An initiative was run to promote all the technological solutions which had been deployed to keep the vehicles' environmental impact to a minimum, with the aim of reassuring customers and encouraging them to choose a CO<sub>2</sub> efficient vehicle. On the same occasion, PEUGEOT advertised its unique and innovative mobility add-on solutions to take you the last few miles: an electric-assisted folding scooter (e-Kick) and an electric-assisted folding bike (e-Bike) which charge in a charging station in the boot while the vehicle is in use.</li> </ul>
Promoting the circular economy to customers	<p>The Échange Standard line, including the majority of mechanical parts, is offered to customers of the Group's network of approved repair centres, with the same manufacturer's warranty as new original parts. This solution, which involves recovering used parts and refurbishing them without generating waste, offers customers the opportunity to join in the Group's efforts to promote the circular economy.</p>
Eco-driving training for business customers.	<p>PEUGEOT has joined forces with Mobicgreen, the eco-driving training institute, to offer businesses the PEUGEOT Green Connect training programme. Intended for businesses, this training programme allows them to adopt eco-driving techniques by way of an e-learning module offered on a dedicated website combined with on-road training in these techniques. (<a href="https://peugeotretailbusiness.fr/eco-conduite-peugeot-green-connect/">https://peugeotretailbusiness.fr/eco-conduite-peugeot-green-connect/</a>)</p>

Actions and tools deployed	Objectives and results
Eco-driving awareness for private and business customers	<ul style="list-style-type: none"> <li>➤ The MyCITROËN and MyPEUGEOT services allow customers to track their fuel consumption and the carbon footprint of their vehicles through personal accounts online (MyCitroën.fr or MyPeugeot.fr) and optimise consumption each time they travel. DS AUTOMOBILES launched its MyDS app at the 2016 Paris Motor Show. A large-scale communications initiative was deployed to promote it to as many customers as possible and encourage them to download it. The apps can be downloaded free of charge on all smartphones. Through the apps, the brands can get to know their customers better and communicate transparently on the fuel consumption of their models.</li> <li>➤ In late 2014, CITROËN created a "sustainable mobility" section on its website to offer its customers eco-driving tips and inform them about the Group's sustainable mobility strategy.</li> <li>➤ Since 2016 all three brands have offered private customers a Monitoring Pack which includes an Eco-Driving module offering <i>personalised</i> eco-driving tips to help drivers reduce their fuel consumption by focusing on their driving style. The Connect Fleet Management service, offered by the three brands, enables companies to monitor fuel consumption trends and CO<sub>2</sub> emissions of each vehicle using an online fleet management tool and gives fleet drivers access to the Eco-Driving module.</li> <li>➤ To mark the launch of the new CITROËN C3 on 29 November 2016, CITROËN organised an eco-driving challenge at the wheel of this new model. The challenge was for three pairs of journalists to reach the Spanish border, from Paris, on one tank of fuel (52 litres). The officially-certified result of the challenge, over 830 km on one tank of fuel, will be used: for advertising (in the 3<sup>rd</sup> TV spot of the new CITROËN C3 saga, due to air in 2017) and internal, press and social media communications (the journalists filmed a video of their trip in which they pass on eco-driving tips).</li> </ul>
Eco-driving and road safety awareness campaigns for employees	Materials explaining the benefits of eco-driving practices were distributed to employees. In addition, the French sites organise regular road safety exhibitions and prevention initiatives.
Road safety awareness campaigns for customers and the general public	<p>Since 2009, CITROËN Argentina and the CSEVI (Centro de Experimentación y Seguridad Vial) Argentina have been running a road safety awareness programme which aims to educate the public through different initiatives and training sessions with a view to reducing the number of road accidents (<a href="http://www.programa-acrs.com.ar/">http://www.programa-acrs.com.ar/</a>). Throughout 2016, CITROËN Argentina was involved in various road safety awareness campaigns:</p> <ul style="list-style-type: none"> <li>➤ filming of entertaining and funny videos on good road safety practices (<a href="https://www.youtube.com/watch?v=wkcYlpXEZ8o">https://www.youtube.com/watch?v=wkcYlpXEZ8o</a>);</li> <li>➤ introduction of theoretical and practical road safety training for women journalists and influencers who then pass on these good practices (<a href="https://www.youtube.com/watch?v=l4U9SrMHRxw&amp;feature=youtu.be">https://www.youtube.com/watch?v=l4U9SrMHRxw&amp;feature=youtu.be</a>);</li> <li>➤ introduction of online road safety courses in the dealership network for customers who test drive the new CITROËN C-Elysée (the course, given by a CESVI instructor, centres around the C-Elysée's excellent safety equipment).</li> </ul>
Provision of electric vehicles for employee business trips	<ul style="list-style-type: none"> <li>➤ Electric vehicles (30 iOn and C-Zero vehicles) were included in the service vehicle pools for use on short trips between sites (in the Paris region and between Sochaux and Mulhouse). Around 50 charging points and 10 quick charging stations were set up at the Group's sites in France.</li> <li>➤ A self-service station offering electric bicycles was set up at the Grande Armée site.</li> </ul>
Safe cycling awareness campaigns for employees	During the 2015 Mobility Week, the Saint-Ouen plant organised a workshop by the Bicycl'Aide association for its employees. Mechanics from the association carried out bike checks and taught cyclists how to prevent and repair breakdowns. They showed them how to repair their bikes, provided advice and the right tools and touched on cycling safety topics. The initiative was run again in May 2016.
Encouraging employees to get involved in solidarity initiatives	The Foundation Awards (4 <sup>th</sup> edition in 2016) again offered an opportunity to encourage employee involvement in solidarity and educational initiatives, by giving prizes to employee patrons of organisations supported by the PSA Foundation.

**Actions and tools deployed****Objectives and results**

Encouraging customers to offer their vehicle for use by a car-share service

- › At its dealership open day in March 2016, CITROËN offered customers buying a new or second-hand vehicle free parking through a car-share solution introduced by the Tripndrive start-up. The solution, trialled at the Nation, République and Vincennes branches in Paris, offers free parking to customers when they offer their car up for use by others when they are not using it themselves. The offer applies even when their car is not rented out and they receive payment when it is. This partnership illustrates CITROËN's commitment to help the Company progress, even if it means shaking up traditional commercial practices.
- › At a time when more and more car owners are tempted by new mobility solutions to reduce their car expenses, CITROËN has joined forces with the TravelCar.com car-share platform to offer a groundbreaking long-term lease option. The option, launched in January 2017 in France, allows the customer to leave their car at one of the partner TravelCar.com depots when they are not using it. TravelCar.com then takes care of everything (rental to others, insurance formalities, etc.). The more the customer shares their car, the greater the benefits. In addition, if the customer agrees to make the car available for 20 days each month, TravelCar.com promises to pay them a minimum guaranteed sum (even if the car is not rented out during these 20 days) which will completely cover the lease of a CITROËN C1 (€149/month), meaning the customer's monthly lease expense is zero. The offer itself is available on all CITROËN models, but the guaranteed minimum payment, which covers the full monthly lease charge if the car is made available for 20 days per month, applies only to the CITROËN C1.

### **3 - EMPLOYEE AND CUSTOMER PERSONAL DETAILS SHOULD BE USED WITH CARE IN MARKETING INITIATIVES**

**Actions and tools deployed****Objectives and results**

Policy for the collection and administration of personal data in the management of relations with customers

- › Since 2013, an internal database of good personal data processing procedures has been available on the Group's document repository and can be accessed by all employees.
- › The brands have signed country-specific charters for the use of CRM data with their dealership network.
- › Since 2015, PEUGEOT and CITROËN have been working to put in place a single customer database aimed at:
  - › facilitating the alignment of the databases with their transparent personal data management policy (<http://www.peugeot.fr/infos-legales.html>; <http://www.citroen-advisor.fr/conditions>);
  - › improving the quality of customer information and thus taking better care to respect customers' preferred contact methods.
- The initiative is currently being finalised for France (launch late 2016) and will be gradually rolled out to the European subsidiaries from 2017. It allows the brands to run better-targeted marketing campaigns to customers who have chosen to receive this information.
- › In 2016, DS AUTOMOBILES completely revised its contact plan to make better use of customer data for targeted marketing campaigns which offer added value for the customer. The plan is currently being rolled out to all its subsidiaries to encourage them to use customer databases more responsibly. By adopting this new approach, DS AUTOMOBILES obtains a 360° customer insight which allows them to advertise to the right people, at the right time and in the right place and anticipate potential customer over-kill (bounce-back, complaints, unsubscribing, below-target opening rates, etc.)

Information systems are constantly brought into compliance with regulatory and legal developments, specifically those relating to personal data

- › The 2014 action plan aims to roll out the necessary procedures (implementation of the European initiative) by early 2018 in response to anticipated regulatory changes.
- › In 2015, "Privacy by design" compliant processing recommendations were incorporated into the specifications (information systems creation/upgrade). Observance of authorisations incorporated into every new project in France. The disclaimers on the online forms in France were also standardised and work was undertaken with the export subsidiaries to take into consideration the national data protection requirements.
- › The brands' marketing databases were revamped in 2015/2016 and customers' personal data processing rights are now automatically observed.

Employee awareness/training

- › In 2013, the Group appointed a personal data protection coordinator who created a network of officers in each department and developed the information and education media (workshops, communications materials on the subject, etc.)
- › A personal data e-learning training module was designed and launched on the internal CampusWeb e-platform in 2015.

Sharing and standardisation of good practices

- The Group is actively taking part in working groups along with other industry players and regulatory authorities to promote exchanges of best practices and formalise compliant applicable standards.

#### 4 - ENGAGE IN AN INTERNAL PROCESS TO VALIDATE ADS BEFORE THEIR EXTERNAL DIFFUSION

<b>Actions and tools deployed</b>	<b>Objectives and results</b>
Internal validation procedures	<ul style="list-style-type: none"> <li>➤ Press releases are validated according to the internal memorandum: "Operating procedures for external communications/press relations". This validation process for external communications was expanded to online communications, which are being used to an ever increasing extent. This offers traceability for the press relations material production process and ensures the information communicated to media targets is coherent and relevant.</li> <li>➤ Defined in 2004, the advertising validation procedures were strengthened in 2008 with the worldwide deployment of the Group's Responsible Communications Charter. The brands review all advertising campaigns to ensure they meet the rules laid down in the Charter. This process was optimised in 2013 for greater efficiency: The Legal Department provided the teams with a reference document and clause list to help them prepare current advertising campaigns. For adverts defined as "complex" (not related to an offer category on the clause list, including a new tagline or new advertising copy or advertising a product feature for the first time), the assistance of the Legal Department must be sought. In practice, all campaigns are submitted to the Legal Department for their approval or amendment as appropriate. The agency sends the TV scripts to France's professional advertising regulation agency, the ARPP, for its opinion prior to production so the brands only broadcast content that has been officially approved by the Legal Department and the ARPP, in line with the rules of responsible communications. Thereby they avoid the financial and legal risks of litigation in relation to their media and non-media communications.</li> </ul>
Implementation of the "check-list for responsible communications for marketers published by the UDA"	<p>In 2016, CITROËN introduced the "check-list for responsible communications for marketers published by the UDA" (the organisation representing French advertisers). CITROËN's marketing and communications director distributed the UDA check-list to all their employees, requesting that it be systematically used by the teams prior to any communication delivering a brand promise. The UDA check-list is short, effective and easy to use and lowers the risk of circulating non-compliant communications.</p>

#### 5 - INCORPORATE SOCIAL AND ENVIRONMENTAL CONSIDERATIONS INTO THE CRITERIA FOR THE SELECTION OF COMMUNICATIONS MATERIALS

<b>Actions and tools deployed</b>	<b>Objectives and results</b>
Advertising banners and flags recycled into leather goods by an ESAT (organisation for disabled workers from the sheltered or adapted sectors)	<p>Since 2009, the PEUGEOT and CITROËN advertising banners have been recycled into bags and wallets by the Ateliers de Chennevières ESAT. Since 2010, flags have also been made into laundry bags and shoe bags. These items are sold to Group employees in the Paris region at events jointly organised by the sites' Works Councils and ESAT and a special initiative is also run annually during disability week.</p>
Cutting down on paper use	<p>The Group uses PEFC or FSC paper for recurrent publications (annual report, sales brochures, etc.) and prints only the number of copies required. In France, the Group is a member of the French government's EcoFolio paper-recycling programme. The corresponding EcoFolio contribution is remitted to local authorities to support their paper sorting and collection systems. All printers have Imprim'vert or Imprim'Lux certification which guarantees that they sort and recycle all their printing waste and inks.</p>
Paperless internal and external communications	<ul style="list-style-type: none"> <li>➤ In 2014, the corporate press office and the press offices of the three brands moved to entirely paperless processes (PDF press files sent by email and FTP links to download the photos and videos). Information about trade fairs, press test drives and other events is increasingly shifting to electronic media: journalists are given a business card with the address and log-in details for a website where they can access all the materials.</li> <li>➤ The brand websites no longer offer the option of receiving paper catalogues. Downloadable e-brochures are available on the website. The brands have also cut down on the number of paper catalogues they produce for trade fairs which are replaced where possible by an e-catalogue: • 2014 Paris Motorshow: distribution of paper CITROËN and DS brochures reduced by 60% compared to 2012 (e-brochures emailed instead) / CITROËN and DS did not hand out any paper brochures at the 2016 Paris Motor Show.</li> <li>➤ CITROËN internal communications replaced the in-house magazine C MAG with the intranet site CITROËN INSIDE and the In MOTION magazine <i>has been</i> replaced by the PEUGEOT In MOTION intranet. PSA Group's employee magazine, Planète, went online in 2016.</li> </ul>
General roll-out of video conferencing	<p>To cut down on employee travel between Group sites, video conferencing is <i>offered</i> systematically for all major meetings (post summer holiday meetings, conferences, etc.).</p>

Actions and tools deployed	Objectives and results
Eco-design of stands and gender equality at the trade shows	<ul style="list-style-type: none"> <li>› CITROËN and DS select suppliers who are committed to reducing the environmental impact of their stands (choice of materials used, recycling and reuse). Both brands' stands at the 2016 Paris Motor Show were made of wood from sustainably-managed forests and all stand waste was recycled. The proportion of the parts being reused is also increasing. The stand suppliers selected by CITROËN and DS:           <ul style="list-style-type: none"> <li>› use only wood from sustainably-managed forests;</li> <li>› recycle 100% of the waste generated when producing/dismantling the stands;</li> <li>› reuse a minimum 15% of stand parts for other stands. Since the process was launched, the percentage of parts reused has been steadily growing each year (12% in 2014/15% in 2016).</li> </ul> </li> <li>› CITROËN and DS have also committed to gender equality. Their trade show teams are made up of equal numbers of men and women. From 2010, CITROËN had been employing male team members but has employed both men and women on their stand since 2014. This has improved the brand's image with the general public and provided advertising opportunities (France 2's daily news programme cited the CITROËN as an example, for instance).</li> </ul>
Website eco-design	<p>In 2016, DS AUTOMOBILES launched its new eco-design website. The customer journey involves fewer mouse clicks and consequently less data is exchanged. Moreover, the website's video content is hosted on platforms to avoid data-heavy downloads. The new website will be rolled out in Europe in 2017. In doing this, DS AUTOMOBILES reduced its hosting energy costs. Thanks to its new ergonomic website, the brand has created a better customer journey with easier access to the information in the hope that this will impact positively on its sales strategy.</p>
Recycling of event installations through a structure for integration through economic activity	<p>The PEUGEOT convention in September 2016 brought together brand representatives from subsidiaries and dealerships the world over (2,500 attendees). The installations were quite considerable: an exhibition hall which could accommodate 150 cars, a plenary meeting room and a reception hall totalling 4,500 sq.m. To permit it to recycle as much waste as possible, PEUGEOT worked with local councillors to put its events communications agency in touch with Résines Esterel Azur, a structure for integration through economic activity. The aim was to recover materials which would be used to manufacture new products. The installations and décor will thus be reworked in the workshops of the association, which found itself a new supply source it had not dared hope for: an operation which benefits the environment and local employment.</p>

## 7.5.2.2. COMPLIANCE WITH ADVERTISING AND MARKETING, LABELLING AND CONSUMER INFORMATION REGULATIONS

G4-DMA G4-PR3 G4-PR4 G4-PR7

### Labelling and information provided to customers

To improve car buyer information, PEUGEOT and CITROËN provided their dealers with fuel-efficiency labels in January 2006, ahead of the regulatory deadline. The labels display each model's average fuel consumption and CO<sub>2</sub> emissions. Eco-labels to identify the most environmentally friendly cars were introduced by both brands in 2007 and revised in October 2010.

### CITROËN France, Number 1 accessible automobile network for the deaf and hard of hearing

With almost 10 million people with hearing problems in France, CITROËN took the initiative to make its dealerships accessible to the deaf and hard of hearing, a first for an automotive network in France! The service has been in place since March 2015 and is provided free of charge to the customer. Customers simply visit [www.citroen.fr](http://www.citroen.fr) and click to contact CITROËN using the ACCEO solution, which is available on all devices (computer, smartphone and tablet): [www.acce-o.fr/client/citroen](http://www.acce-o.fr/client/citroen). Communication is then made with the CITROËN representative and transcribed in real time on the screen by an e-transcriber.

This service illustrates CITROËN's ongoing commitment to serve all its customers better by offering them a smooth, simple and user-friendly experience. The initiative is part of the experimental CITROËN & VOUS programme which has been rolled out in the dealership network to foster long-term relationships of trust with its customers.

### Information provided to customers relating to environmental technologies

#### ■ BlueHDI: powerful, economical and respectful of the environment

Inaugurated by the new CITROËN C4 Picasso family in the BlueHDI 150 version (coupled with a manual six-speed gearbox and an automatic six-speed gearbox) and soon to be offered on the DS5 in the BlueHDI 180 version (coupled with an automatic six-speed gearbox), the BlueHDI engine offers numerous advantages: high power, moderate consumption and respect for the environment.

#### ■ The SCR (Selective Catalytic Reduction) system

Installed just upstream of the particulate filter, it transforms the NO<sub>x</sub> continuously into water vapour (H<sub>2</sub>O) and nitrogen (N<sub>2</sub>), both of which are harmless.

This new system also provides a considerable reduction in fuel consumption and CO<sub>2</sub> emissions, with a minimum of 110 g/km with the HDi 150 version on the new CITROËN C4 Picasso (117 g/km with automatic gearbox) and 114 g/km with the HDi 180 automatic gearbox on the DS5.

These new powertrains already comply with the Euro 6 standard.

### ■ PureTech: a new petrol engine offering for improved efficiency

Designed and produced in France, the PureTech powertrains use innovative, efficient and cost-saving technologies.

A family of even more powerful and environmentally friendly petrol engines: offer 15% more power and up to 25% lower fuel consumption and CO<sub>2</sub> emissions, in comparison with the previous generations.

After the launch of the new three cylinder petrol engine in its non-turbo version (1 litre 68 hp and 1.2 litre 82 hp), this family is being enlarged with the arrival of a turbocharged variant, the e-THP 130, the first PSA Group petrol engine to comply with the Euro 6 standard. The e-THP 130 offers high power of 130 hp at 5,500 RPM and maximum torque of 230 Nm at 1,750 RPM, but is also respectful of the environment with CO<sub>2</sub> emissions of 110 g/km. The CITROËN C4 was the Group's first model to benefit from the e-THP 130 at the start of 2014.

The range of engine offerings has also been expanded with the launch of the e-VTi82 PureTech ETG. The first engine in the PureTech family to be equipped with latest-generation Stop & Start technology with a strengthened starter and to feature the new computerised ETG gearbox. This five-speed gearbox benefits from a rampage function and optimum pedal mapping allowing for better dosage, for gentle starts and improved driving comfort. These innovations enable this powertrain to emit only 95 g/km of CO<sub>2</sub> and to provide combined fuel consumption of 3.9 l/100 km on the New CITROËN C3 and the DS3.

### ■ HYbrid Air: a technological offensive at the service of the environment

Faithful to its leitmotiv, which is to offer technologies accessible to all and for all usages, CITROËN is developing a full-hybrid solution for its vehicles: HYbrid Air.

A genuine technological breakthrough, the HYbrid Air uses compressed air combined with hydraulics, an area in which CITROËN benefits from long-standing expertise.

HYbrid Air means: no additional battery for a more affordable price, intact passenger space and easier recycling. These are also breakthrough performances with a reduction of 45% in fuel consumption in city driving, compared with an equivalent petrol engine, and a boost effect.

Since this technology is particularly well-suited to the city car segment, it is a special feature on the new CITROËN C3 (less than 3 l/100 km on the combined cycle, 69 g/km of CO<sub>2</sub>) and on the CITROËN C4 Cactus.

## Infringements of regulations on advertising, marketing, labelling and consumer information

(Scope: PEUGEOT and CITROËN subsidiaries)

In 2016:

PEUGEOT infringements:

- in Switzerland, CHF1,000 fine in January 2016 for an advert deemed non-compliant with the PVB (Preisbekanntgabeverordnung);
- in Germany: charged with failing to provide CO<sub>2</sub> information in a Facebook post about the 308 and for an Internet advert for the 208 which required a link to be clicked to access the CO<sub>2</sub> information.

CITROËN infringements:

- in Spain: fine of €1,000 for incomplete information in an advert;
- in Germany: charged with failing to provide CO<sub>2</sub> information in an Internet advert for the C3.

### 7.5.2.3. RESPONDING TO CONTROVERSIES: "PLEIN PHARE" BLOG

**G4-PR6**

Plein Phare is a blog on diesel issues. Launched in order to share information and provide keys to understanding this controversial subject, which often involves considerable technical complexity, Plein Phare aims to offer a passionate forum for debate, addressing issues such as air quality, automobile technologies and the future of diesel engines.

*Would you like to discuss technology, cars or share your concerns about the air we breathe? Come and exchange ideas, share information and let your voice be heard to make this blog an invaluable educational resource on diesel issues.*

<http://www.pleinphare-leblog.fr/>

### 7.5.2.4. DECRYPTING INNOVATION AND NEW VEHICLE USES: "IN MOVEMENT" BLOG

The In Movement blog aims to share with the general public, both professional and non-professional, insights from the experts who are designing the mobility solutions of the future. It takes them behind the scenes, explaining how cars are designed and manufactured, and gives key information to help them understand the sustainability issues which are specific to the automotive industry.

*Comments? Ideas? Tips? Share them with us in an email or Tweet.*

<http://www.inmvt.com/>

### FOR more INFORMATION

Below is a selection of 2016 posts published on the «In Movement blog»:

**"What happens to end-of-life vehicles (ELVs)?" 26/08/2016 post:** <http://www.inmvt.com/en/behind-the-scenes/end-of-life-vehicles-recycling-backstage/>

**"How is PSA doing on plug-in hybrid (PHEV) technology?" 24/05/2016 post:** <http://www.inmvt.com/en/innovation-culture/psa-group-hybrid-phev-technology/>



# 8

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## 8.1. CSR REFERENCE GUIDES FOLLOWED BY PSA GROUP AND EXTERNAL COMMITMENTS G4-15

### Charters, principles and other initiatives

In implementing its sustainable development approach, the Group refers to a structured set of international or industry reference guides and benchmarks, including:

#### External standards

- ISO 14001 for the environment. The certification of all PSA Group's manufacturing sites began in 1999 and was completed in 2014 with the certification of the Kaluga site;
- Societal responsibility: ISO 26000 (non-certifiable). The Group ensures that its sustainable development policy incorporates the guidelines in the standard;
- Sustainable development reporting: Global Reporting Initiative Guidelines (initially G3, later G4) have been used to prepare the Group's CSR Report, covering the actions of all subsidiaries;
- Global Compact which the Group joined in 2003 (and GEFCO in 2009). In 2009, the Group joined Caring for Climate, a voluntary and complementary action platform for United Nations Global

Compact participants who seek to demonstrate leadership on the issue of climate change; since 2015, the Group has been among the companies classed as Advanced on these issues;

- Sustainable development objectives: the Group supports the 17 global SDGs published by the UN in September 2015 at the Sustainable Development Summit to put an end to poverty, combat inequality and injustice and face up to climate change by 2030. A cross-reference table of the Group's commitments and those of the UN can be found in section 8.5.4. of this report;
- Communication: the Charter of Responsible Communication Commitments for Advertisers issued by the UDA, the organisation representing French advertisers, since 2008, the date of its first publication.

#### Internal standards

The Group has developed its own benchmarks:

- employment and the workforce: the Group's Global Framework Agreement on Social Responsibility signed with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF) in March 2006 and renewed in 2010;

- ethics: Code of Ethics. The Group's new Code of Ethics, adopted in 2010, renews and expands on the Code of Ethics published in 2003;
- procurement: "The Group's requirements regarding social and environmental responsibility with respect to its suppliers" published in 2006;
- responsible marketing and advertising: the Group's Communications Charter was signed in 2008.

### Memberships of national and international associations and organisations G4-16

The Group is a member of several organisations promoting sustainable development in France: Comité 21, the *Observatoire de la Responsabilité Sociétale des Entreprises* (ORSE), the UDA, the *Collège des Directeurs de Développement Durable engagés* (C3D) and *Entreprises pour l'Environnement* (EpE). The Group participates in a variety of working groups within these organisations and currently chairs EpE's Climate Change Committee.

It also takes part in the work carried out by the MEDEF, the AFEP, the CCFA and the ACEA for the deployment of CSR. For example, the Group is a member of MEDEF's CSR Committee and takes part in the "ESG Performance" and "CSR Practices" working groups.

The Group became a member of the China Business Council for Sustainable Development (CBCSD) in March 2006.

All three Group brands also work closely with various bodies who are advocates of CSR. In particular, they are signatories of the CNPA's Challenge for the Environment (a French association of automotive professionals) since 2004, adherents to Recyvalor (whose aim is to collect and recycle abandoned stockpiles of tyres), and founding members of Ecofolio, the state-accredited non-profit organisation responsible for paper collection and recycling on behalf of municipalities throughout France.

On 21 May 2015, PSA Group signed the "Business Proposals for COP21", presented at the 2015 Paris Climate Conference.

## 8.2. FORUMS FOR DIALOGUE WITH STAKEHOLDERS INTRODUCED BY PSA GROUP

G4-24

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G4-26

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G4-45

PRESENTATION OF THE MAIN FORUMS FOR DIALOGUE BASED ON THREE LEVELS:  
INFORMATION, DIALOGUE AND PARTNERSHIP

STAKEHOLDER	MAIN TOPICS	INFORMATION – COMMUNICATION	DIALOGUE – CONSULTATION AND FREQUENCY OF EXCHANGES	AGREEMENTS – PARTNERSHIPS
<b>Employees</b>	Strategy, results, company news.	Daily internal communication processes (newsletters, websites, events, etc.). Annual awareness campaigns on sustainable development (sustainable development week, diversity, disability, eco-driving, driver safety, etc.).	<ul style="list-style-type: none"> <li>■ Dialogue implemented on a daily basis by the management structure, platforms and discussions among employees within basic work units (UEs).</li> <li>■ Suggestion boxes.</li> <li>■ Periodic satisfaction surveys.</li> </ul>	Training.
<b>Employee and labour union representatives</b>	Strategy, results, company news. Workforce and skills planning. Occupational health and safety.	Literature related to employee relations.	<ul style="list-style-type: none"> <li>Dialogue with employee representatives in line with employee relations objectives and via various bodies, including:</li> <li>■ the European Works Council expanded to a Global Council (at least once a year);</li> <li>■ the Joint Union-Management Strategy Committee (at least once a year);</li> <li>■ informal sessions at sites.</li> </ul>	<ul style="list-style-type: none"> <li>■ The Group's Global Framework Agreement on Social Responsibility.</li> <li>■ Collective bargaining agreements and employee relations agreements with labour unions.</li> <li>■ New Social Contract in 2013.</li> <li>■ Agreement on the Jobs and Skills Matching System signed in 2014.</li> </ul>
<b>Customers and consumer organisations, road user organisations</b>	Quality of products and services, environmental performance of vehicles, road safety, sustainable mobility.	<ul style="list-style-type: none"> <li>■ Brand websites.</li> <li>■ Responsible Communication Charter.</li> <li>■ Information on road safety features when a vehicle is delivered.</li> </ul>	<ul style="list-style-type: none"> <li>■ Dealership network and their Customer Relations Departments over the course of the year.</li> <li>■ Consultation with consumer panels over the course of the year.</li> <li>■ Consumer relations teams on a daily basis.</li> <li>■ Group blogs and social network presence.</li> <li>■ CITROËN Advisor customer forum.</li> </ul>	Sales or repair contracts.
<b>Dealership networks</b>	<ul style="list-style-type: none"> <li>■ Financial and strategic performance.</li> <li>■ Quality of products and services and customer satisfaction.</li> <li>■ Environmental performance of vehicles and manufacturing facilities.</li> <li>■ Sustainable mobility.</li> </ul>	<ul style="list-style-type: none"> <li>■ Literature accessible to everyone.</li> <li>■ Training of sales and marketing employees.</li> </ul>	<ul style="list-style-type: none"> <li>■ Analysis of periodic customer satisfaction surveys.</li> <li>■ Monitoring of financial performance and prospects.</li> </ul>	<ul style="list-style-type: none"> <li>■ Analysis of all types of risk (including ethical) before a dealership contract is signed.</li> <li>■ Distribution and/or repair service contract including clauses related to sustainable development.</li> </ul>
<b>Shareholders and other investors</b>	Financial performance and CSR, impact on results and prospects.	<ul style="list-style-type: none"> <li>■ Letter to shareholders.</li> <li>■ CSR Report and Registration Document published annually.</li> <li>■ Corporate website.</li> <li>■ Annual and interim financial results.</li> </ul>	<ul style="list-style-type: none"> <li>■ Consultation Committee.</li> <li>■ Shareholders' Meeting.</li> <li>■ Investor meetings.</li> <li>■ Conferences presenting the Group's strategy to financial analysts (<i>road shows</i>).</li> </ul>	

STAKEHOLDER	MAIN TOPICS	INFORMATION - COMMUNICATION	DIALOGUE - CONSULTATION AND FREQUENCY OF EXCHANGES	AGREEMENTS - PARTNERSHIPS
<b>Financial and SRI rating agencies</b> CSR experts and dedicated entities	Financial performance and CSR, impact on results and prospects.	Annual publication of the CSR Report.	<ul style="list-style-type: none"> <li>■ Responses to recurring questionnaires and one-off requests.</li> <li>■ Discussion sessions.</li> </ul>	
<b>Suppliers</b>	CSR performance in supply chain, innovation, financial performance and measures to support the Group's strategy.	<ul style="list-style-type: none"> <li>■ Monthly information meetings.</li> <li>■ Innovation days.</li> <li>■ Annual supplier trophies.</li> </ul>	<ul style="list-style-type: none"> <li>■ Suppliers' Convention (attended by the Chairman and CEO of the 300 largest suppliers) and products/projects meeting.</li> <li>■ Presence of PSA Group's French regional delegates in automotive industry bodies.</li> <li>■ Supplier relations teams.</li> <li>■ Self-assessment questionnaires.</li> </ul>	<ul style="list-style-type: none"> <li>■ Social and Environmental Guidelines for PSA Group Suppliers.</li> <li>■ Sustainability clauses in sales contracts and terms and conditions of sale.</li> <li>■ Involvement in France's PFA, a platform set up to foster ongoing discussion and exchange among automotive industry stakeholders, and in the ARIAs, regional professional associations for the automotive industry.</li> </ul>
<b>Partners in cooperation projects and joint ventures</b>	Group projects for products and industrial initiatives.			Joint development and production of vehicle components and bases, notably for electric vehicles, hybrid components and Euro 6 compliant engines.
<b>Industry institutions and professional associations</b>	Existing or upcoming regulations relating to the Group's business activities.		<ul style="list-style-type: none"> <li>■ Regular contacts with European and international institutions, as well as with French authorities.</li> <li>■ Local contacts with consulates.</li> <li>■ Member of French and European trade associations (like CCFA in France and ACEA and EUCAR for Europe).</li> <li>■ Member of national trade associations in all host countries.</li> </ul>	
<b>NGOs and associations</b>	CSR topics such as sustainable mobility, the circular economy and road safety.	<ul style="list-style-type: none"> <li>■ Annual publication of the CSR Report.</li> <li>■ Group blogs and social network presence.</li> </ul>	<ul style="list-style-type: none"> <li>■ Responses to requests.</li> <li>■ Meetings with NGOs, frequent formal discussions, held directly or through institutions of which the Group is a member (EPE, C3D, etc.).</li> <li>■ Joint publications.</li> </ul>	Participation in the local community (infrastructure, support of local associations, etc.) Support from the Foundation for projects and charities.
<b>Host communities and site neighbours</b>	Economic and social development in host communities, environmental issues at sites.	Events on road safety, environmental issues, sustainable mobility and other topics.	<ul style="list-style-type: none"> <li>■ Discussions with local officials.</li> <li>■ Open days and site visits.</li> </ul>	Group commitment to local supplier integration and the development of clusters around its sites.
<b>Teaching and research</b>	CSR topics such as sustainable mobility, the circular economy and road safety and product innovation.	<ul style="list-style-type: none"> <li>■ Forum for France's leading business and engineering schools.</li> <li>■ Awareness campaigns with local schools, participation in industry week.</li> </ul>	<ul style="list-style-type: none"> <li>■ Intern and apprenticeship programmes, and laboratory space for doctoral candidates.</li> <li>■ Work on urban and inclusive mobility within the City on the Move Institute (IVM).</li> </ul>	<ul style="list-style-type: none"> <li>■ Agreements to create Open Labs and endowed chairs at universities, engineering schools and business schools, in France and abroad.</li> <li>■ Partnerships with national educational systems in each host country.</li> <li>■ Visits, vehicle donations and educational events held by Group sites.</li> </ul>

## 8.3. CONCERNING THIS REPORT

Measured by operational indicators, the Group's sustainable development performance is the subject of annual reporting presented in this report and which supplements Chapter 2 of the 2016 Registration Document.

### 8.3.1. Reporting period G4-28

The information and indicators in this report concern the year 2016, and were closed at the end of the period, on 31 December 2016.

The majority of the indicators are presented with the relevant history on the changes in the Group or the calculation method associated

with each indicator. The history is generally for three years whenever possible and may periodically be more when it corresponds to a reference year (for example, before a policy or action plan has been set up).

### 8.3.2. Reporting Cycle G4-30

The CSR Report is published annually.

### 8.3.3. Date of publication G4-29

This CSR Report, covering financial year 2016, was published in April 2017.

The previous report, covering financial year 2015, was published in April 2016.

### 8.3.4. Content of the report G4-18 G4-19 G4-23

The environmental and societal information contained in this report falls within the scope of the provision of Articles L. 225-102-1 para. 5 of the French Commercial Code resulting from law No. 2010-778 of 12 July 2010 on the national environmental commitment (the "Grenelle" law) applicable since 2012 and in line with GRI G4 (Global Reporting Initiative) recommendations.

They are based on the expectations of stakeholders and rating agencies. This report presents the Group's commitments, visions and achievements on all issues, whether very or slightly material.

### 8.3.5. Global Reporting Initiative G4-32

A cross-reference ratio with the GRI G4 indicators may be found at the end of this document, published by the Group, for its Automotive and Banking Divisions. The reported data concern the production plants (PCA), 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.

For the 14<sup>th</sup> consecutive year, the sustainable development reporting reflects the sustained efforts for improving transparency, with the application of the standards of the Global Reporting Initiative (G4 for the 3<sup>rd</sup> year).

An evaluation by an outside third party was conducted based on the evaluation methodology recommended in the application guide and completed on the aspects whose material thresholds are level 1 and 2 in the mapping of the Group's CSR issues (mapping presented in Chapter 1 of this report). The evaluator conducted the verification based on the "Compliance" - Essential Criteria option, selected this year by the Group.

For the aspects whose material threshold is level 3 in the mapping of its CSR issues, the Group has also published information that follows the GRI G4 Guidelines for "In accordance" - Core Criteria.

### 8.3.6. Contact

G4-5

G4-31

For more information, in particular on reporting procedures, you may write to the Sustainable Development Department, PSA, 75, avenue de la Grande Armée 75116 Paris, or contact the department by email at: [sustain.psa@mpsa.com](mailto:sustain.psa@mpsa.com)

## 8.4. REPORTING SCOPE AND METHODOLOGY

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G4-20

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G4-23

### 8.4.1. Reporting scope

G4-13

G4-17

G4-20

This report is based on the economic, social and environmental performance of the fully consolidated companies of PSA Group.

#### ACTIVITIES INCLUDED IN REPORTING AND DEVELOPMENTS

Detailed social, environmental and societal data as well as information on sustainable development initiatives also cover:

- **the Automotive Divisions (production, research and development and tertiary facilities):**

The “automotive” section covers the subsidiaries PCA, AP/AC, Française de Mécanique, Sevel Nord, manufacturing facilities outside France, R&D facilities and office sites in France. For the automobile subsidiaries, only the PCA subsidiary is obligated to publish detailed social responsibility and environmental information. They are available in this report.

Unless otherwise stated, Group policy applies to PCA. This relates in particular to the following topics: workplace health and safety, organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel, and agreements signed with trade 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 the procurement policy.

PCMA Automotiv RUS, located in Kaluga in Russia, a joint operation with Mitsubishi Motors Corp., is also included in the scope for social and environmental reporting, under “Automotive”.

Changes to be noted:

- in 2014, SevelNord changed from a public limited company (S.A.) to a general partnership (SNC). Moreover, this company, previously classified under “Other Businesses” in the social reporting system, is now classified under “Automotive” for all CSR indicators,
- la Française de Mécanique, which was run as a joint operation with Renault up to 19 December 2013, the date on which the Group took control, has been included in the reporting since 2014;

- **automotive trade activities:**

These include the proprietary dealership network, training centres for network personnel, spare parts warehouses, regional offices and import subsidiary registered offices. The “automotive trade” companies are included under the “automotive” 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. The CSR impacts of this which are considered significant for PSA Group will be gradually incorporated into the extra-financial reporting;

- **the equipment subsidiary:**

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 businesses:**

These now comprise the Peugeot S.A. holding company and BANQUE PSA FINANCE (BPF). Changes to be noted:

- PMTC France, PMTC Germany and PMTC Italy were sold off during the period,
- as regards BPF, the social and corporate information published in the Registration Document cover all the entities which were wholly owned by BPF at 31 December 2016. This methodology, brought into line with the BPF consolidation rules, does not include in the scope of the CSR reporting the joint ventures created with Santander in the 2016 financial year and previous years. 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 subsidiaries jointly owned with other car manufacturers or cooperation ventures accounted for by the equity method, due to the lack of exclusive control:

- TPCA, located in Kolin (Czech Republic), a joint operation with Toyota;
- DPCA, located in Wuhan, (Hubei Province, China), a joint venture with DONGFENG MOTOR CORP.;
- CAPSA, located in Shenzhen (China), a joint venture with China CHANGAN PSA AUTOMOBILES;
- Sevelsud, located in Val Di Sangro (Italy), a joint operation with Fiat;
- IKAP (Iran Khodro Automobiles Peugeot), in Tehran in Iran, in joint-venture with Iran Khodro.

In these cooperation ventures, the Group exercises its role as shareholder and industrial partner in a commitment to supporting each venture's long-term development. Therefore it takes its CSR responsibilities just as seriously in these joint ventures as it does in its other operations.

The cooperation 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.

The FAURECIA and PSA BANQUE FRANCE CSR reporting appears in their own publications, available via the links below.

## 8.4.2. Reporting methodology G4-23

### METHOD USED TO PREPARE AND UPDATE THE GROUP'S MATERIALITY MATRIX

To prepare its materiality matrix, PSA Group bases its work on a methodology allowing for the verification of the CSR issues the Group must address.

In the initial phase, the list of important CSR issues is drawn up, supplemented by financial elements and then cross-referenced with expectations expressed by stakeholders, provided by the Group's network of CSR contributors, representing all of its business activities. This list of CSR issues is confirmed by a review of issues reported by industry peers, as well as an analysis of worldwide CSR reference frameworks (including the GRI) and a review of information in the media. Each issue is therefore characterised by its context, the risks and opportunities involved for the Group, and the Group's current initiatives to address the issue.

The issues thus defined are grouped into six categories:

- issues relating to the workforce;
- issues concerning ethics, governance and economic sustainability;
- issues raised by sustainable mobility;
- issues concerning purchasing and supply chain;
- issues relating to industrial ecology;
- issues in society.

In the second phase, all these issues are scored so that they can be positioned on the materiality matrix. A specific working group is formed for each issue category mentioned above, bringing together the CSR correspondent for the area concerned (serving as the working group's coordinator) and experts from operating entities in the subjects to be discussed. Each working group is co-chaired by the Group's Sustainable Development Delegation and its coordinator. These groups use a shared methodology to score the issues in order to guarantee a consistent result. Each issue is evaluated from two perspectives: its impact on the Group's business performance and its importance to stakeholders.

### FOR **more** INFORMATION

**CSR Report of DPCA** ([click on the first statement written in red](http://www.dpca.com.cn/dpca/publish/report.html)): <http://www.dpca.com.cn/dpca/publish/report.html>

**Registration Document of FAURECIA**: <http://www.faurecia.com/en/finance/amf-regulated-information>

**Annual Report of PSA BANQUE FRANCE**: <http://www.psabanche-france.com/en/news.html>

A list of the Group's companies included in the financial reporting is published in section 5.6 of its Registration Document.

#### ■ Method used to score the importance of each CSR issue for PSA Group's business performance

In analysing the importance of each issue for business performance, the working groups take into account the competitive environment and regulatory factors, as well as prevailing practices and standards.

The following factors are used to weight the score:

- **likelihood of the impact** (on a scale of 0 to 4),
- **severity of the impact** (on a scale of 0 to 4),
- **impact on long-term performance** (on a scale of 0 to 2);

#### ■ Method used to score each issue's importance to PSA Group's stakeholders

14 stakeholder categories were identified as significant for Group: employees, research bodies and partners, shareholders and other investors, financial and ESG analysts, suppliers, retail and corporate customers, distribution and after-sales service networks, consumer organisations, communities (residents living near sites, local associations), employee representatives, elected officials/government authorities, partners in cooperation projects and joint ventures, non-governmental organisations.

The following factors are used to weight the score:

- **evaluation** of the legitimacy and level of influence of stakeholders by issue category (on a scale of 0 to 3);
- **weighting of issues** by stakeholder according to its importance to each stakeholder (on a scale of 0 to 4);

#### ■ Classification of issues

Upon completion of this scoring process, the issues are positioned on the materiality matrix. The working group coordinators then meet to define three thresholds, thus distinguishing the most important, strategic issues from those that remain important but are less strategic and those that are only moderately important.

The last step in the methodology consists in the validation of the materiality matrix of CSR issues by the Executive Committee.

In 2016, in line with the Push to Pass plan, the group escalated the "mobility services offering" to the status of strategic issue.

## ENVIRONMENTAL DATA REPORTING

The Group consumes two main resources for the needs of its operations:

- water, for such uses as machining, washing, cooling, sanitary facilities, etc. Depending on local availability, production plants get their water from public water companies, private wells or nearby rivers;
- energy, in the form of fossil fuels, biomass, steam and electricity, to power a certain number of processes, such as heat treatment, casting and paint curing, etc. as well as to provide heat, light and air conditioning in buildings and offices, etc.

The use of water, energy and products in manufacturing processes, such as scrap iron in casting, steel and aluminium sheets in stamping, or surface treatment products, paints, cutting liquids, glues and sealants, generate emissions into the water, air and soil, as well as waste that Group plants are committed to limiting and effectively managing.

The environmental data of BANQUE PSA FINANCE account for a marginal proportion of the Group's emissions and consumption and are therefore no longer consolidated in this reporting.

One of MisterAuto's environmental impacts has been identified as significant for its operations: greenhouse gas emissions linked to logistics. Stocks of MisterAuto parts are located at PSA Group's spare parts warehouses whose energy consumptions are included in the Automotive Trade reporting. However, the transport of Mister Auto parts is not included in PSA Group's upstream or downstream logistics reporting (scope 3) but it accounts for less than 1% of PSA Group's transport costs, which in turn accounts for 1.4% of the PSA Group's global carbon footprint. The impact of the transport of Mister Auto parts on the PSA Group's global carbon footprint is therefore considered to be non-material.

The Aulnay industrial site has been removed from the reporting scope since 2014 due to being shut down in late 2013. Nevertheless, the Group continues to control the site's environmental impact.

In addition, the PCI site in Saint-Étienne is no longer consolidated following its transfer in 2015.

Note:

- some results from previous years have been adjusted to reflect more detailed data reported after the previous Registration Document was published. These amendments have been explained for each discrepancy exceeding 1%;
- the emissions factors taken into account to calculate emissions from fossil fuel energy consumption will now be updated every five years. This means that the parameters used to report the 2014 data are retained until 2018.

### Key

**Automotive:** PEUGEOT CITROËN Automobiles S.A. operations in France (production plants, R&D centres, office facilities). The consolidation of the automotive business relates to 34 sites including PCA France, PCA outside France, Sevel Nord and Française de Mécanique. The industrial site of Française de Mécanique has been consolidated since 2014.

**o/w PCA France:** PEUGEOT CITROËN Automobiles S.A. operations in France (production plants, R&D centres, office facilities). The scope of reporting for PCA France covered 26 sites.

**Automotive trade:** operations of the PEUGEOT, CITROËN and DS dealership networks (headquarters of the retail dealerships, PEUGEOT, CITROËN and DS proprietary networks (PSA Retail), spare parts warehouses, regional training centres and regional offices). The scope of reporting for the automotive trade incorporates sites with at least six months' activity over the period (open before 1 May) but does not incorporate sites closed as at 31 October. The automotive trade thus comprised 315 sites in 2016.

**Other Businesses:** BPF entities wholly owned by the Group (list available in the BPF Management Report).

## REPORTING OF SOCIAL DATA

The Group consolidates and publishes indicators on its human resources management according to three guidelines: to be transparent, exhaustive and to provide high quality information. This social reporting process involves over 300 contributors from all the subsidiaries (24 countries), using interactive applications to compile data, led by a central team dedicated to this process.

The employee-relations indicators published comply with Article R. 225-105-1 of the "Grenelle 2" Act and Global Reporting Initiative recommendations. They were produced for the subsidiaries as defined by Article L. 233-1 of the French Commercial Code and the companies controlled within the meaning of Article L. 233-3 of the French Commercial Code.

As FAURECIA manages its business independently, it prepares and publishes its own indicators and human resources policy in its Registration Document. General information concerns the Group's divisions excluding FAURECIA.

## THIRD-PARTY AUDIT

The process of developing consolidated workforce-related, environmental and societal information of Peugeot S.A. published in this report, fulfilling the requirements of the provisions of articles L. 225-102-1 and R. 225-105 of the French Commercial Code resulting from the "Grenelle 2" law was verified by an independent third-party body (Grant Thornton).

The presence of PEUGEOT CITROËN's CSR information has been certified by the firm.

Financial or corporate governance information taken from the Registration Document has also been verified by an outside third party whose report appears in the Registration Document.

Information on vehicle emissions is taken from the compliance certificates issued by independent third-party bodies in the countries where the vehicles are sold as part of the regulated, standardised process to measure and verify compliance with the standards in force.

The presence and accuracy of Peugeot S.A.'s information was certified by the independent third-party body Grant Thornton and is available in its entirety in section 8.6 of this document.

### 8.4.3. Difficulty in measurement G4-22 G4-23

The calculation procedures, changes in scope, corrections made to the previous data or adjustments are specified in each chapter.

## 8.5. CROSS-REFERENCE TABLES

### 8.5.1. Global Reporting Initiative G4 cross-reference table G4-32

Items in bold are required by Global Reporting Initiative (GRI) G4 Core Level, selected by the Group this year. A specialist extra-financial reporting consultancy firm has confirmed the Group's compliance with the requirements of this Core Level. Thresholds 1 and 2 of the materiality matrix have been taken into account in assessing this level in the Specific Items of Information. Items in italic relate to the Comprehensive Level of GRI G4, which the Group has chosen to publish separately, as an addition.

The items required by GRI G4 are indicated in this report using the following icon: G4-XXX

#### GENERAL INFORMATION ITEMS

General information items	Section of the 2016 CSR Report	Outside verification
<b>STRATEGY AND ANALYSIS</b>		
<b>G4-1</b>	1.1	yes
<i>G4-2</i>	1.2.2	yes
<b>PROFILE OF ORGANISATION</b>		
<b>G4-3</b>	1.1.2	yes
<b>G4-4</b>	1.1.2 / 2.1.1.3 / 2.5	yes
<b>G4-5</b>	8.3.7 / 4 <sup>th</sup> level of cover	yes
<b>G4-6</b>	1.1.2	yes
<b>G4-7</b>	1.1.2	yes
<b>G4-8</b>	2.1.1.3 / 2.5. / 1.1.2	yes
<b>G4-9</b>	1.1.2	yes
<b>G4-10</b>	3.2.1 / 3.5.2	yes
<b>G4-11</b>	3.1.3	yes
<b>G4-12</b>	4.1.1	yes
<b>G4-13</b>	1.4 / 4.1.1 / 4.1.2.3. / 8.4.1	yes
<b>G4-14</b>	1.2.1 / 1.2.1.1 / 1.4.3	yes
<b>G4-15</b>	8.1	yes
<b>G4-16</b>	8.1	yes
<b>G4-17</b>	8.4 / 8.4.1	yes
<b>G4-18</b>	1.2.1.1 / 8.3.4.	yes
<b>G4-19</b>	1.2.1.1 / 8.3.4.	yes
<b>G4-20</b>	1.2.1.1 / 5.7 / 4.3 / 2.6 / 3.6 / 8.4. / 8.4.1	yes
<b>G4-21</b>	1.2.1.1	yes
<b>G4-22</b>	5.7 / 4.3 / 2.6 / 3.6 / 8.4 / 8.4.3	yes
<b>G4-23</b>	1.2.2 / 5.7 / 4.3 / 2.6 / 3.6 / 8.3.4 / 8.4 / 8.4.2 / 8.4.3	yes



## APPENDICES

### 8.5. Cross-reference tables

General information items	Section of the 2016 CSR Report	Outside verification
<b>INVOLVEMENT OF STAKEHOLDERS</b>		
<b>G4-24</b>	1.2.1.3.1 / 8.2	yes
<b>G4-25</b>	1.2.1.3.1 / 8.2	yes
<b>G4-26</b>	1.2.1.3.1 / 8.2	yes
<b>G4-27</b>	1.2.1.3.1 / 8.2	yes
<b>PROFILE OF THE REPORT</b>		
<b>G4-28</b>	8.3.1	yes
<b>G4-29</b>	8.3.3	yes
<b>G4-30</b>	8.3.2	yes
<b>G4-31</b>	8.3.7	yes
<b>G4-32</b>	8.3.5 / 8.5.1 / 8.6	yes
<b>G4-33</b>	8.6	yes
<b>GOVERNANCE</b>		
<b>G4-34</b>	1.4 / 1.4.1 / 6.5.1	yes
G4-35	1.4.1.2	yes
G4-36	1.4.1	yes
G4-37	1.4.1	yes
G4-38	1.4	yes
G4-39	1.4	yes
G4-40	1.4 / 6.4.2	yes
G4-41	6.4.3	yes
G4-42	1.4.1	yes
G4-43	1.4.1	yes
G4-44	1.4.1	yes
G4-45	1.2.1.3.1 / 1.2.2 / 1.4.1 / 8.2	yes
G4-46	1.2.2	yes
G4-47	1.2.2 / 1.4	yes
G4-48	1.2.2	yes
G4-49	6.4.4	yes
G4-50	6.4.4	yes
G4-51	6.2.3	yes
G4-52	1.4	yes
G4-53	6.2.3	yes
G4-54	<i>Data not available</i>	
G4-55	<i>Data not available</i>	
<b>ETHICS AND INTEGRITY</b>		
<b>G4-56</b>	6.1	yes
G4-57	6.1.2	yes
G4-58	6.1.2	yes

## SPECIFIC ITEMS

GRI G4 aspects: DMA and associated indicators	Section of the 2016 CSR Report	Omissions	Outside verification
<b>ECONOMY</b>			
<b>Direct economic value created and distributed</b> (Threshold 3: Distribution of added value)			
G4-DMA	6.2.1		yes
G4-EC1	6.2.1		yes
G4-EC2	1.2.2 / 2.1.1		yes
G4-EC3	3.3.7.2		yes
G4-EC4	6.2.1		yes
<b>Market presence</b> (Threshold 2: Attracting, developing and retaining talent)			
G4-EC5	3.3.7.1		yes
G4-EC6	3.2.5		yes
<b>Indirect economic impact</b> (Threshold 1: Involvement in the life of the territories)			
G4-EC7	7.1		yes
G4-EC8	1.2.2 / 7.1		yes
<b>Purchasing practices</b> (Threshold 1: Purchasing practices)			
G4-DMA	4.2.2.2		yes
G4-EC9	4.1.2.3		yes
<b>ENVIRONMENT</b>			
<b>Materials</b> (Threshold 1: Environmental impact of materials and end of life)			
G4-DMA	2.4 / 2.4.1		yes
G4-EN1	2.4.11		yes
G4-EN2	2.4.1.2 / 5.4.3		yes
<b>Energy</b> (Threshold 2: Energy/industrial carbon footprint)			
G4-DMA	5.1.3.1 / 5.1.3.4 / 5.2		yes
G4-EN3	5.2.1.1		yes
G4-EN4	2.4.4 / 5.2.2.1 / 5.2.5 / 5.2.5.2		yes
G4-EN5	5.2.1.2		yes
G4-EN6	5.2.1.2		yes
G4-EN7	2.1 / 2.5		yes
<b>Water</b> (Threshold 2: Water)			
G4-DMA	5.5		yes
G4-EN8	5.5.1.1		yes
G4-EN9	5.5.1		yes
G4-EN10	5.5.1.3		yes
<b>Biodiversity</b> (Threshold 3: Biodiversity)			
G4-EN11	5.6.1		yes
G4-EN12	1.2.2 / 5.6.2		yes
G4-EN13	5.6.1		yes
G4-EN14	5.6.1		yes
<b>Emissions</b> (Threshold 1: CO <sub>2</sub> emissions from vehicles/Fuel consumption)			
G4-DMA	2.1		yes
G4-EN15	5.2.2.1		yes
G4-EN16	5.2.2.1		yes
G4-EN17	2.1 / 2.4.4.2 / 2.5 / 5.2.5.1 / 5.2.5.2		yes
G4-EN18	5.2.2.2		yes
G4-EN19	5.2.2.2		yes
G4-EN20	5.3.1.2		yes
G4-EN21	2.2.1 / 5.3.1.1		yes

GRI G4 aspects: DMA and associated indicators	Section of the 2016 CSR Report	Omissions	Outside verification
<b>Discharge and waste</b> (Threshold 2: Waste and materials cycle)			
G4-DMA	5.4 / 5.6		yes
G4-EN22	5.5.21		yes
G4-EN23	5.4.3		yes
G4-EN24	5.3.2.4		yes
G4-EN25	5.4.3		yes
G4-EN26	5.6.2.1		yes
<b>Products and services</b> (Threshold 1: Environmental impact of materials and end of life)			
G4-DMA	2.1 / 2.2		yes
G4-EN27	2.1 / 2.2 / 2.4 / 2.5		yes
G4-EN28	2.4.2		yes
<b>Compliance</b> (Threshold 2: Industrial waste and pollutants)			
G4-DMA	5.1.3.1		yes
G4-EN29	5.3.2.4		yes
<b>Transport</b> (Threshold 3: Environmental optimisation/logistics)			
G4-EN30	5.2.5		yes
<b>General considerations</b> (Threshold 2: industrial waste and pollutants)			
G4-DMA	5.1.3.4		yes
G4-EN31	5.1.3.4		yes
<b>Environmental assessment of suppliers</b> (Threshold 1: social and environmental standards for purchasing)			
G4-DMA	4.2.1.1 / 4.2.2.2.2		yes
G4-EN32	4.2.1.1 / 4.2.2.2.2		yes
G4-EN33	4.2.1.1 / 4.2.2.1 / 4.2.2.2.2		yes
<b>Mechanism for settling environmental grievances</b> (Threshold 2: industrial waste and pollutants)			
G4-DMA	5.1.3.1		yes
G4-EN34	5.3.2.4		yes
<b>WORKFORCE-RELATED</b>			
<b>Employment</b> (Threshold 1: Social dialogue and responsible management of jobs and skills)			
G4-DMA	3.3		yes
G4-LA1	3.2.2		yes
G4-LA2	3.3.7.2		yes
G4-LA3	3.4.2.2		yes
<b>Employer/employee relations</b> (Threshold 1: Social dialogue and responsible management of jobs and skills)			
G4-DMA	3.1.4 / 3.2.1		yes
G4-LA4	3.1.3		yes
<b>Workplace health and safety</b> (Threshold 1: Health, safety and working conditions)			
G4-DMA	3.4.1		yes
G4-LA5	3.4.1.5		yes
G4-LA6	3.4.1.2 / 3.4.1.3		yes
G4-LA7	3.4.1.3		yes
G4-LA8	3.4.1.5		yes
<b>Training and education</b> (Threshold 2: attracting, developing and retaining talent)			
G4-DMA	3.3 / 3.3.4		yes
G4-LA9	3.3.4		yes
G4-LA10	3.3.3 / 3.5.3 / 3.3.4		yes
G4-LA11	3.3.6		yes

**GRI G4 aspects: DMA and associated indicators**
**Section of the 2016 CSR Report**
**Omissions**
**Outside verification**
**Diversity and equal opportunity** (Threshold 2: Diversity and equal opportunity)

G4-DMA	3.5.1		yes
G4-LA12	3.2.1 / 3.5.1 / 3.5.2 / 3.5.3 / 3.5.4 / 6.4.2		yes

**Equal pay for men and women** (Threshold 2: Diversity and equal opportunity)

G4-DMA	3.3.7.1		yes
G4-LA13	3.3.7.1		yes

**Assessing suppliers' employment practices** (Threshold 1: social and environmental standards for purchasing)

G4-DMA	4.2.1.1 / 4.2.2.2.2		yes
G4-LA14	4.2.1.1 / 4.2.2.2.2		yes
G4-LA15	4.2.1.1 / 4.2.2.1 / 4.2.2.2.2		yes

**Mechanisms for settling employment grievances** (Threshold 1: Social dialogue and responsible management of jobs and skills)

G4-DMA	3.1.1		yes
G4-LA16		Data not available	

**HUMAN RIGHTS**
**Investments** (Threshold 2: Human rights and union rights)

G4-HR1	4.2.1.1		yes
G4-HR2	3.1.1.3		yes

**Non-discrimination** (Threshold 2: Diversity and equal opportunity)

G4-DMA	3.1.1.3		yes
G4-HR3	3.5.1		yes

**Union rights and right to collective bargaining** (Threshold 2: Human rights and union rights)

G4-DMA	3.1.1.1		yes
G4-HR4	4.2.2.2.2		yes

**Child labour** (Threshold 2: Human rights and union rights)

G4-DMA	3.1.1		yes
G4-HR5	4.2.2.2.2		yes

**Forced or obligatory labour** (Threshold 2: Human rights and union rights)

G4-DMA	3.1.1.1		yes
G4-HR6	4.2.2.2.2		yes

**Safety practices** (Threshold 2: Human rights and union rights)

G4-DMA	3.4.1		yes
G4-HR7		Data not available	

**Rights of indigenous peoples** (Threshold 1: Involvement in the life of the territories)

G4-HR8		Not applicable	
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**Evaluation** (Threshold 2: Human rights and union rights)

G4-DMA		Data not available	
G4-HR9		Data not available	

**Evaluation of suppliers' compliance with human rights** (Threshold 1: social and environmental standards for purchasing)

G4-DMA	4.2.2.2.2		yes
G4-HR10	4.2.1.1 / 4.2.2.2.2		yes
G4-HR11	4.2.1.1 / 4.2.2.2.2 / 4.2.2.1		yes

**Mechanisms for settling grievances concerning human rights** (Threshold 2: Human rights and union rights)

G4-DMA	4.2.2.2.2		yes
G4-HR12	4.2.2.2.2		yes

GRI G4 aspects: DMA and associated indicators	Section of the 2016 CSR Report	Omissions	Outside verification
<b>COMPANY</b>			yes
<b>Local communities</b> (Threshold 3: Donations and philanthropy)			
G4-SO1	7.1		yes
G4-SO2		Not applicable	
<b>Anti-corruption</b> (Threshold 2: Ethical practices in business relations)			
G4-DMA	6.1.1		yes
G4-SO3	6.1.1		yes
G4-SO4	6.1.1		yes
G4-SO5	6.1.4		yes
<b>Public policies</b> (Threshold 3: Transparency and integrity of influence practices)			
G4-SO6	6.3.1.3		yes
<b>Anti-competitive behaviour</b> (Threshold 2: Ethical practices in business relationships)			
G4-DMA	6.1.1		yes
G4-SO7	6.1.4		yes
<b>Compliance</b> (Threshold 2: Ethical practices in business relationships)			
G4-SO8	2.3.3 / 5.3.2.4 / 6.1.4 / 7.5.1.1		yes
<b>Evaluation of suppliers' impacts on Society</b> (Threshold 1: Supplier relations and purchasing practices)			
G4-DMA	4.2.1.1		yes
G4-SO9	4.2.1.1 / 4.2.2.2.2		yes
G4-SO10	4.2.1.1 / 4.2.2.1 / 4.2.2.2.2		yes
<b>Mechanisms for settling grievances concerning the impact on the Company</b> (Threshold 1: Vehicle quality and safety)			
G4-SO11	6.1.4 / 7.5 / 5.3.2.4		yes
<b>LIABILITY ASSOCIATED WITH THE PRODUCT</b>			
<b>Consumer health and safety</b> (Threshold 1: Vehicle quality and safety)			
G4-DMA	2.3		yes
G4-PR1	2.3.3		yes
G4-PR2	2.3.3		yes
<b>Labelling of products and services</b> (Threshold 1: Vehicle quality and safety)			
G4-DMA	7.5.2.2		yes
G4-PR3	7.5.2.2		yes
G4-PR4	7.5.2.2		yes
G4-PR5	2.31.6		yes
<b>Marketing communication</b> (Threshold 3: Responsible marketing)			
G4-PR6	7.5.2.3		yes
G4-PR7	7.5.2.2		yes
<b>Clients' private lives</b> (Threshold 3: Management of customers' personal data)			
G4-PR8	7.5.1.1		yes
<b>Compliance</b> (Threshold 1: Vehicle quality and safety)			
G4-DMA	2.3.3		yes
G4-PR9	2.3.3		yes

Selected information has been validated by the firm Grant Thornton (see their detailed report in section 8.6).

## 8.5.2. Cross-reference table Article 225 of the “Grenelle 2” law

The items required by Article 225 of the Grenelle 2 Law are indicated in this report using the following icon: 

Expected by the decree	PSA Group codification of the 43 topics of Grenelle 2	2016 CSR Report (relevant sections)	Degree of response*
<b>1° Personnel information</b>			
<b>a) Employment</b>			
Total workforce	G.1a	3.2.2	
Employees by gender	G.1b	3.5.2	
Employees by age	G.1c	3.5.2	
Employees by geographical segment	G.1d	3.2.2	
Hirings	G.2a	3.2.2	
Dismissals	G.2b	3.2.2	
Compensation and changes therein	G.3	3.3.7	
<b>b) Work arrangements</b>			
Organisation of working hours	G.4	3.2.4	
Absenteeism	G.5	3.2.4	
<b>c) Industrial relations</b>			
Organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel	G.6	3.1.1	
Summary of labour agreements	G.7	3.1.1 / 3.1.3	
<b>d) Health and safety</b>			
Health and safety conditions in the workplace	G.8	3.4.1 / 3.4.2	
Summary of agreements signed with unions or employee representatives regarding workplace health and safety	G.9	3.4.1.5	
Workplace accidents, particularly their frequency and severity, along with occupational illnesses	G.10	3.4.1.2 / 3.4.1.3	
<b>e) Training</b>			
Training policies put into practice	G.11	3.3 / 3.3.4 / 3.3.6	
Total number of hours of training	G.12	3.3.4	
<b>f) Non-discrimination</b>			
Measures taken to ensure gender equality	G.13	3.5.2	
Measures taken to ensure the hiring and integration of persons with disabilities	G.14	3.5.4	
Anti-discrimination policy	G.15	3.1.1 / 3.5 / 3.5.2 / 3.5.3	
<b>g) Promotion and observance of the core conventions of the International Labour Organisation relative</b>			
With respect for freedom of association and the right to collective bargaining	G.16	3.1.1	
Eliminating discrimination in terms of hiring and occupation	G.17	3.5 / 3.1.1	
Eliminating forced or obligatory labour	G.18	3.1.1 / 3.5.2	
The effective abolition of child labour	G.19	3.1.1	

Expected by the decree	PSA Group codification of the 43 topics of Grenelle 2	2016 CSR Report (relevant sections)	Degree of response*
<b>2° Environmental information</b>			
<b>a) General environmental policy</b>			
The organisation of the Company with respect to environmental matters	G.20	1.2.1.3 / 2.0.1	
Environmental assessment or certification initiatives	G.20	5.1.1 / 5.1.3.1 / 5.1.3.2 / 5.1.3.3 / 5.2.3 / 5.2.4 / 5.3.2	
Actions taken to train and inform employees about environment protection	G.21	5.1.3.2	
Resources committed to preventing environmental risks and pollution	G.22	2.0.1.3 / 2.1 / 2.1.2 / 2.1.2.1 / 2.1.2.2 / 2.1.2.4 / 2.1.3 / 2.1.4 / 2.1.5 / 2.2 / 2.4 / 5.1.3.3 / 5.3.2.4 / 5.4.2 / 5.5.1.3	
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	G.23	5.3.2.4	
<b>b) Pollution</b>			
Measures to prevent, reduce or repair emissions into the air, water or ground that seriously affect the environment	G.24	2.2 / 2.4.1.3 / 5.3.1 / 5.3.2.2 / 5.4.2 / 5.4.3 / 5.5.1.3	
Handling sound pollution or any other form of pollution specific to an activity	G.25	5.3.2.3 / 5.6.2	
<b>c) The circular economy</b>			
I- Waste prevention and management:			
Measures to prevent, recycle, re-use and recover or eliminate waste	G.26	2.4.2 / 5.4.2 / 5.4.3 / 5.5.2.2	
Actions to combat food waste	G.27		Not applicable
II- Sustainable use of resources:			
Water consumption and sourcing in light of local constraints	G.28	5.5.1.1	
Consumption of raw materials and measures taken to use them more efficiently	G.29	2.4 / 2.4.1 / 5.4.1	
Consumption of energy, measures taken to improve energy efficiency and use of renewable energy	G.30	2.1.2 / 2.1.2.1 / 2.1.2.2 / 2.1.2.4 / 2.1.3 / 5.2.1	
Use of land	G.31	5.3.2.2 / 5.6.1	
<b>d) Climate change</b>			
Greenhouse gas emissions	G.32	5.2 / 5.2.2.1 / 5.2.3 / 5.2.4 / 5.2.5	
Adapting to the consequences of climate change	G.33	2.1 / 2.1.2 / 2.1.2.1 / 2.1.2.2 / 2.1.2.4 / 2.1.3 / 2.1.5 / 2.5 / 5.2 / 5.5.1.1 / 5.2.2.2 / 5.2.5	
<b>e) Protection of biodiversity</b>			
Measures taken to preserve or develop biodiversity	G.34	5.6.2	
<b>3° Information relating to corporate sustainability efforts</b>			
<b>a) Local, economic and social Impact of the Company's business</b>			
On employment and regional development	G.35	4.1.2.3 / 4.2.2.1 / 7.1 / 3.2 / 3.3.7.1	
On neighbouring or local residents	G.36	7.1 / 7.2 / 7.3 / 7.4	

Expected by the decree	PSA Group codification of the 43 topics of Grenelle 2	2016 CSR Report (relevant sections)	Degree of response*
<b>b) Relationships maintained with equal employment opportunity groups, educational institutions, environmental protection groups, consumer groups and neighbouring communities</b>			
How the Company communicates with these persons or groups	G.37	1.2.1.3	
Support, partnerships and philanthropy provided	G.38	7.2 / 7.3 / 7.4 / 4.2.1.2	
<b>c) Subcontractors and suppliers</b>			
Consideration given to social and environmental issues in procurement policies	G.39	4.1.2.3 / 4.2.1.1	
The importance of subcontracting and the inclusion of social and environmental responsibility in subcontractor and supplier relationships	G.40	4.1.1 / 4.2.1.1	
<b>d) Fair operating practices</b>			
Actions undertaken to prevent corruption	G.41	6.1.2 / 6.1.3.3 / 3.11 / 3.11.3	
Measures taken benefiting the health and safety of consumers	G.42	2.2 / 2.4.1.3 / 6.3 / 7.5.1.2	
<b>e) Other actions undertaken relating to this Article for Human rights</b>			
	G.43	3.1.1 / 4.2.1.1	

\* The reporting status indicates a response by the Group to each of the 43 Grenelle topics and the coverage rate for this response among the relevant subsidiaries.

= the Group has responded to the Grenelle topic and the response covers 100% of subsidiaries required to publish detailed information.

= the Group has responded but it does not cover the entire scope subject to this requirement.

= the Group has not responded to the Grenelle topic and has explained why not (n/a).

### 8.5.3. Global compact cross-reference table

Areas	Principle	GRI G4 Code
<b>1. Human rights</b>	1. Businesses are asked to promote and respect the protection of the national rights concerning human rights in their sphere of influence.	G4-HR2, G4-HR7/G4-HR8, G4-HR9, G4-HR12, G4-SO1, G4-SO2
	2. To ensure that their own companies are not complicit in human rights violations.	G4-HR1, G4-HR10, G4-HR11
	3. Businesses are asked to respect freedom of association and to recognise the right to collective bargaining.	G4-11, G4-HR4, G4-LA4
<b>2. Labour standards</b>	4. Eliminating all forms of forced labour.	G4-HR6
	5. Effectively abolishing child labour.	G4-HR5
	6. Eliminating discrimination in terms of hiring and occupation.	G4-10, G4-EC5, G4-EC6, G4-LA1, G4-LA3, G4-LA11, G4-LA12, G4-LA13, G4-HR3
	7. Businesses are asked to apply the precautionary approach for problems concerning the environment.	G4-EC2, G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN20, G4-EN21, G4-EN27, G4-EN31
<b>3. Environment</b>	8. To undertake initiatives to promote greater responsibility towards the environment.	G4-EN1, G4-EN2, G4-EN3, G4-EN4, G4-EN5, G5-EN6, G4-EN7, G4-EN8, G4-EN9, G4-EN10, G4-EN11, G4-EN12, G4-EN13, G4-EN14, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21, G4-EN22, G4-EN23, G4-EN24, G4-EN25, G4-EN26, G4-EN27, G4-EN28, G4-EN29, G4-EN30, G4-EN31, G4-EN32, G4-EN33, G4-EN34
	9. To promote the development and distribution of environmentally-friendly technologies.	G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN31
<b>4. Fight against corruption</b>	10. Businesses are asked to act against all forms of corruption, including extortion and kickbacks.	G4-56, G4-57, G4-58, G4-SO2, G4-SO4, G4-SO5, G4-SO6

## 8.5.4. Cross-reference table of Sustainable Development Objectives

Target	2016 CSR Report (relevant sections)
1. Eliminate all forms of poverty everywhere	4.1.2.3 / 7.3.2
2. Eliminate famine, guarantee food security, improve nutrition and promote sustainable agriculture	Not applicable
3. Ensure everyone can live in good health and promote the well-being of all at any age	3.4.1.4 / 5.3.1 / 5.3.2.1
4. Guarantee a good education and lifelong learning opportunities for all	3.3 / 7.3.2.3 / 7.2
5. Achieve gender equality and emancipate all women and young girls	3.5.1
6. Guarantee access to water and sanitation for all and manage water resources sustainably	5.5
7. Guarantee access for all to reliable, sustainable, modern and affordable energy services	Not applicable
8. Promote sustained economic growth, full productive employment and decent work for all	3.4.2 / 3.5.1 / 3.5.4 / 3.1.1.2 / 3.5.3 / 4.2.1.1 / 4.2.1.2 / 4.1.2.3 / 4.2.2.2 / 4.2.2.2.2 / 3.1 / 1.1.2.1.2
9. Build a resilient infrastructure, promote sustainable industrialisation and encourage innovation	2.0 / 5.1.2.1
10. Reduce inequality between countries	3.5.3 / 7.3.2.3
11. Take steps to ensure that cities and human settlements are secure, resilient, sustainable and open to all	2.0.1 / 2.3 / 7.3.2.3
12. Establish sustainable consumption and production methods	2.0 / 2.1 / 2.4 / 2.5 / 5
13. Take urgent measures to combat climate change and its repercussions	2.1 / 2.4 / 2.5 / 4.1.2.3 / 5.2 / 5.6.2.2
14. Preserve the oceans, seas and marine resources and exploit them in a sustainable fashion	Not applicable
15. Preserve, restore and ensure the sustainable exploitation of the land ecosystems	2.4 / 5.6
16. Promote the attainment of peaceful societies and access to justice and effective institutions for all	3.1.1.1 / 6.1.2 / 6.3
17. Strengthen and boost global partnership means for sustainable development	2.0.2.2 / 3.1

## 8.5.5. ISO 26000 cross-reference table

<b>Key central questions and areas of action</b>		<b>2016 CSR Report (relevant sections)</b>
<b>Key question</b>	<b>Governance of the organisation</b>	1.4 / 1.4.1 / 6.4
<b>Key question</b>	<b>Human rights</b>	
Area of action 1	Duty of vigilance	4.2.2.2
Area of action 2	Situations that present a risk to human rights	4.2.2.2
Area of action 3	Avoiding complicity	4.2.2.2 / 6.1
Area of action 4	Remedying infringements on human rights	4.2.2.2
Area of action 5	Discrimination and vulnerable groups	3.5
Area of action 6	Civil and political rights	4.2.2.2
Area of action 7	Economic, social and cultural rights	4.2.2.2
Area of action 8	Basic workplace principles and rights	4.2.2.2
<b>Key question</b>	<b>Working relations and conditions</b>	
Area of action 1	Employment and employer/employee relations	3.1 / 3.2
Area of action 2	Working conditions and social protection	3.2 / 3.4
Area of action 3	Social dialogue	3.1
Area of action 4	Occupational health and safety	3.4
Area of action 5	Development of human capital	3.3
<b>Key question</b>	<b>The environment</b>	
Area of action 1	Preventing pollution	2.2 / 5.1 / 5.3 / 5.5
Area of action 2	Sustainable use of resources	2.4 / 5.4 / 5.5
Area of action 3	Reducing and adapting to climate change	2.1 / 2.5 / 5.2
Area of action 4	Preserving the environment, biodiversity and restoring natural habitats	5.6
<b>Key question</b>	<b>Fair operating practices</b>	
Area of action 1	Anti-corruption	6.1.3.3
Area of action 2	Responsible policy commitment	6.3
Area of action 3	Loyal competition	6.1.3.3
Area of action 4	Promoting corporate responsibility in the value chain	1
Area of action 5	Respecting property rights	6.1.3.3
<b>Key question</b>	<b>Matters concerning consumers</b>	
Area of action 1	Loyal marketing, information and contracts practices	7.5
Area of action 2	Protecting consumer health and safety	2.3
Area of action 3	Sustainable consumption	2.5
Area of action 4	Customer service, assistance and consumer claims and disputes resolution	2.3 / 7.5
Area of action 5	Protecting consumers' data and private lives	6
Area of action 6	Access to basic services	7.3
Area of action 7	Education and awareness	2.5 / 7.3 / 7.5
<b>Key question</b>	<b>Communities and local development</b>	
Area of action 1	Involvement with communities	4.2 / 7.4
Area of action 2	Education and culture	7.2
Area of action 3	Creating jobs and developing skills	7.1
Area of action 4	Developing technologies and access to technology	7.3
Area of action 5	Creating wealth and revenue	4.1 / 4.2 / 7.1
Area of action 6	Health	2.3
Area of action 7	Investment in the Company	7.1

## 8.6. AUDITOR'S EXAMINATION REPORT

G4-32

The Company decided to obtain an independent auditor's opinion on the truthfulness of the consolidated social, societal and environmental information presented in the CSR Report. The firm Grant Thornton was appointed as independent auditor. The conclusions of this report are presented below.

### Report by the independent third-party body on a selection of consolidated social, environmental and societal information included in the CSR report

G4-33

*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.*

#### For the year ended 31 December 2016

To the Shareholders,

As requested and in our capacity as the independent third-party body of Peugeot S.A, and as professional accountants, we hereby report to you on the consolidated social, environmental and societal information for the year ended 31 December 2016, included in the CSR report (hereinafter named «CSR Information»).

#### Company's responsibility

The CSR Information has been prepared under the responsibility of the executive board, as required by the company's internal reporting guidelines (hereinafter named the "Guidelines"), available on request at the company's head office.

#### Independence and quality control

Our independence is defined by regulatory requirements and by the Code of Ethics of our profession inserted in the 30 March 2012 decree specific to the activity of accountants. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

#### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- 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 (Limited assurance report);
- express, at the request of the company, a reasonable assurance conclusion that the information, selected by the company and listed at the appendix of this report, has been established, in all material aspects, in compliance with the Guidelines (Reasonable assurance report).

We called upon our CSR experts in order to be assisted in the achievement of our work.

We conducted our work in accordance with professional standards able to be applied in France and with the International Standard on Assurance Engagement ISAE 3000<sup>(1)</sup> and with the professional guidelines that can be used for specific attestations.

### 1. LIMITED ASSURANCE REPORT ON A SELECTION OF SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION OF WHICH A LIST IS FIGURING IN APPENDIX OF THIS REPORT

#### 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 understanding, 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.

<sup>(1)</sup> ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

Regarding the consolidated selected CSR Information:

- 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>(2)</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 28% and 100% of quantitative environmental data disclosed.

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, selected by the company and listed at the appendix of this report, taken as a whole, is not presented fairly in accordance with the Guidelines.

## 2. REASONABLE ASSURANCE REPORT ON A SELECTION OF SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION OF WHICH A LIST IS FIGURING IN APPENDIX OF THIS REPORT

### Nature and scope of work

Regarding the information selected by the company, listed at the end of this report, 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>(3)</sup> represents 25% of headcount and between 34% and 47% 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 and listed at the end of this report, has been established, in all material aspects, in compliance with the Guidelines.

Paris, March 25, 2016

Independent third-party body

**Grant Thornton**

**Membre français de Grant Thornton International**

Alban Audrain  
Partner

Gilles Hengoat  
Partner

(2) **For social and environmental information:** Charleville; Madrid; Sochaux; Trémery; Trnava; Vesoul.

**For environmental information only:** Peugeot CRC Agrelo; Peugeot Ituzaingo; Peugeot SCA Mulhouse Illzach; Peugeot SCC Mulhouse Illzach.

(3) **For social and environmental information:** Charleville; Madrid; Sochaux; Trémery; Trnava; Vesoul; Palomar.

**For environmental information only:** Peugeot CRC Agrelo; Peugeot Ituzaingo; Peugeot SCA. Mulhouse Illzach; Peugeot SCC Mulhouse Illzach.

## Appendix 1/2

### LIST OF THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION SELECTED BY THE COMPANY AND COVERED BY THE LIMITED ASSURANCE

#### Social quantitative information:

- Number of employees under permanent or fixed-term contract by region
- Gender and age group
- Hiring for open-end contract
- Breakdown of leavers under permanent contracts and dismissals
- Total management lost-time accident frequency rate (TF1 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 of the following chapters:

- 2.1. Greenhouse Gas Emissions
- 2.2.1. Reduction of vehicle atmospheric pollutants
- 2.3.3. Vehicle safety
- 2.4. Environmental impact of materials and end of life: sustainable management of materials at every stage of the life cycle
- 2.5. Mobility solutions
- 4.1. Sustainable purchasing as a key element of group performance
- 4.2. Supplier relationship and purchasing practices
- 4.3. Social and environmental standards for purchasing
- 6.1. Ethical practices in business relationships
- 7. The group's commitment to society (excluding paragraph 7.5)

## Appendix 2/2

### LIST OF THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION SELECTED BY THE COMPANY AND COVERED BY THE REASONABLE ASSURANCE

**Social information:**

- Number of employees under permanent or fixed-term contract
- Total management lost-time accident frequency rate (TF1 Management)
- Severity rate

**Environmental 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).

**Societal information:**

- Supplier self-assessment results
- Number of suppliers evaluated by an external body (ECOVADIS)
- CSR supplier performance evaluated by an external body (ECOVADIS)

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