



2017

CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT



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# **Exploring our sustainable development actions...**

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## MESSAGE OF THE CHAIRMAN OF THE MANAGING BOARD

G4-1



Faced with the challenges of automotive industry, we must be more Darwinian than ever, agile and strong of our 3 identity markers: performance, responsibility and transparency.

CARLOS TAVARES

The automotive industry is facing a number of challenges that we have identified through major trends. Groupe PSA integrates them already in everyday life: the fragmentation of the markets that requires being both global and local, the global awareness of climate change and the economy of sharing that write a right for all to Sustainable and affordable mobility, the connectivity and the autonomy of objects that open up an immense field of possibilities without compromising on security, the digitalization that revolutionizes our ways of thinking, the behavior of consumers that drives the development of our offers.

Faced with these challenges, we must be more Darwinian than ever, agile and strong of our 3 identity markers:

### PERFORMANCE

*Only the performance can protect us...*

In a record time (2014-2016), Groupe PSA went from a situation of near bankruptcy to one of the most efficient economic players in its sector, both financially and socially. With a Group recurring operating margin of 6.1%, it also became the industry leader in the Dow Jones Sustainability Index in

***"We are confident in the momentum that our leadership can create, for the benefit of our customers and employees, and more broadly for our stakeholders."***

September 2017 and remains included in the world's leading SRI<sup>(1)</sup> indexes. Financial and extra-financial performances feed each other and have enabled the PEUGEOT, CITROËN and DS AUTOMOBILES brands to meet the expectations of their customers by offering products that benefit from the strengths of our Core Technology Strategy, hailed for their environmental performance. In June 2017, the EB Turbo PureTech engine received, for the third year in a row, the "Engine of the year" award in the 1.1 to 1.4 l category and contributed to the commercial success of the new PEUGEOT 3008, elected "Car of the Year 2017" and the new CITROËN C3, named "Best Buy Car of Europe 2018" by the Autobest Jury.

In addition, our Core Mobility Services Strategy, mould of our new brand Free2Move that revolutionizes the access to mobility services, our equity investments in many startups, our new locations including Africa, Asia and the United States, our new partnerships have given the Group the momentum and confidence it needed to expand. To consolidate this double economic and societal performance, best protection against the vagaries of the markets, it was essential that we maintain our European foundation, as the basis of

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

# Responsibility is to take each day engaging decisions which we will be accountable for in the future.

our global development. The acquisition of OPEL / VAUXHALL in 2017 is a value creation opportunity that will allow the Group to accelerate its international development. Groupe PSA will put all its experience at the service of the recovery of OPEL / VAUXHALL whose action plan *PACE!* has set clear objectives, both economically and socially: OPEL will generate an operating margin of 2% by 2020 and will offer electrified versions for 100% of its models in 2024.

Our products and services offer is our way to defend the freedom of movement, this fundamental right for humanity. It is not only a matter of economic performance. It is also a requirement of responsibility.

## RESPONSIBILITY

*Responsibility is to take each day engaging decisions which we will be accountable for in the future.*

Our Group has been committed for a long time to a socially responsible approach. It has always renewed its commitment to the ILO principles and to the Global Compact. It has a long-standing awareness of its responsibilities to society and the environment. They are deeply incorporated into its culture and values. Groupe PSA supports the 17 Global Sustainable Development Goals published in September 2015 by the UN Member States, a roadmap for common good. In this context, in 2017, we have formalized, with our major stakeholders, 7 challenges for which it is our duty, as a global automotive group, to provide effective solutions: fight against climate change, reduce the drain on natural resources, reduce inequalities in development between territories, respect and uphold human rights, enable the development of all talents, support societal changes in mobility, meet security and cybersecurity needs.

So let's step collectively into responsibility, let's rid ourselves of simplifying approaches.

For sustainable and affordable mobility, only a global approach is really effective. That's why, Groupe PSA teams relentlessly question all models and ways of working by considering all the stages of the life cycle of our products and services: what are the social conditions of extraction of raw materials, which sources of energy will make the internal combustion and electric engines work, what are the end-of-life recycling capabilities?

Innovation is in our DNA; it imposes the rigor of a scientific approach in the search for the most efficient solutions to serve the greatest number. They are the only means to secure a significant societal and environmental impact.

***"We are not afraid to push boundaries in order to achieve environmental and social innovation, by entering into partnerships with exacting stakeholders who question our role and practices and enable us to progress."***

## TRANSPARENCY

*Responsibility comes with transparency.*

Our role as a company is to create sustainable value for our stakeholders: our customers, our employees, our investors, our suppliers, the civil society, the environment expect us to make a positive contribution to the economy, society and the environment.

To push forward environmental and societal innovation, we do not hesitate to shake the codes by engaging partnerships with demanding players who question our practices and our missions and help us advance:

- **p**with the two NGOs, Transport and Environment and France Nature Environnement: after measuring and publishing on our brand websites the fuel consumption in real driving conditions, we continue our unique commitment in the automotive industry to publish in 2018 the emissions of nitrogen oxides from our vehicles in actual use;
- **p**through our Foundation, we build philanthropic projects serving the most vulnerable publics jointly with the most operational associations and NGOs;
- **p**with the federation of IndustriAll trade unions, we deploy our global framework agreement on social responsibility renewed in March 2016 and share the actions and results achieved.

Groupe PSA greatly values the clarity and the quality of the information it publishes. Our transparency feeds the public debate, for the benefit of the general interest.

Our duty is to provide all our stakeholders with the most sincere, the most complete and the most relevant elements so that their purchasing, collaboration and investment decisions are the most enlightened.

Our annual CSR report shows you how we put our values and skills at the service of a responsible business model that creates shared and sustainable value.

Faced with each of our challenges, the 23 commitments made by the members of Groupe PSA Executive Committee, which you will discover in this CSR report, are part of a proactive trajectory that I am personally monitoring. All of the Group's employees are engaging with me to implement our CSR roadmap, which now reflects our ambitions for 2035 or even 2050.

I wish you an interesting reading,

CARLOS TAVARES

# GROUPE PSA'S CONTRIBUTION TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Groupe PSA takes into account the impact of its activities on the 17 Sustainable Development Goals (SDGs) set by the United Nations for 2030. It makes a positive contribution to 14 of them, and takes steps not to hinder three others.



- |   |   |
|---|---|
| <b>1</b> End poverty in all its forms everywhere<br>(see § 4.1.2.2 / 4.2.1.1 / 7.2.2)   | <b>10</b> Reduce income inequality within and among countries<br>(see § 3.5 / 7.2 / 7.3)  |
| <b>3</b> Ensure healthy lives and promote well-being for all ages<br>(see § 3.4.1.4 / 3.4.2 / 5.3.1 / 5.3.2 / 7.2)  | <b>11</b> Make cities and human settlements inclusive, safe, resilient and sustainable<br>(see § 2.1.1 / 2.4 / 2.5.1 / 7.2.2.2)   |
| <b>4</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all<br>(see § 3.3 / 7.2 / 7.2.2.2)  | <b>12</b> Ensure sustainable consumption and production patterns<br>(see § 2.0 / 2.1 / 2.4 / 2.5 / 5.1.3.6 / 5.2.5 / 5.4.2 / 5.4.3 / 5.6 / 7.4.2)   |
| <b>5</b> Achieve gender equality and empower all women and girls<br>(see § 3.5.1)   | <b>13</b> Take urgent action to combat climate change and its impact by regulating emissions and promoting developments in renewable energy<br>(see § 2.1.0 / 2.1.2 / 2.1.3 / 2.1.5 / 2.4 / 4.1.2.2 / 5.2 / 5.6 / 7.4.2.1)  |
| <b>6</b> Ensure availability and sustainable management of water and sanitation for all<br>(see § 5.5)  | <b>15</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss<br>(see § 2.4 / 5.6) |
| <b>8</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all<br>(see § 3.1.1 / 3.1.1.2 / 3.4.2 / 3.5.1 / 3.5.3 / 4.1.2.3 / 4.2.1 / 4.2.2.2)                        | <b>16</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels<br>(see § 3.1.1 / 6.1.3 / 6.3)  |
| <b>9</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation<br>(see § 2.0 / 2.1 / 2.2.0 / 2.2.3 / 2.3.2 / 3.0 / 3.4.2.2 / 4.0 / 4.2.2.3 / 5.1.3.5 / 6.3.0 / 7.1.2 / 7.4.2.0) | <b>17</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development<br>(see § 2.0 / 2.4.1.2 / 2.4.3.2 / 3.1.1)   |

\* Targets to which Groupe PSA cannot contribute due to the nature of its business activities:

- |  |   |
|--|---|
| <b>2</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture    | <b>7</b> Ensure access to affordable, reliable, sustainable and modern energy for all |
| <b>14</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development |   |



# 1

## CREATING SHARED AND LASTING VALUE

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## 1.1. A CSR programme fully integrated into the Group strategy

### 1.1.1. Groupe PSA: a global car manufacturer pioneering efficiency and a leading mobility services provider

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#### 1.1.1.1. AUTOMOTIVE DIVISION, CENTRAL TO THE GROUP'S RESULTS

##### CONSOLIDATED REVENUE BY BUSINESS

(in million euros)	Automotive Division	Automotive Equipment	Other businesses and eliminations*	Total
<b>2017 NET REVENUE</b>	<b>47,973</b>	<b>20,182</b>	<b>(2,945)</b>	<b>65,210</b>
2016 net revenue	37,066	18,710	(1,746)	54,030

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

The OPEL and VAUXHALL brands joined Groupe PSA on 1<sup>st</sup> August 2017. The new expanded Group positions Groupe PSA in second rank in Europe with a market share of 17% in the first half of 2017. Building on this transaction and now with five complementary, well-positioned car brands, Groupe PSA is strengthening its presence in the major European markets and this will serve as a foundation for profitable growth worldwide.

Since their addition, OPEL and VAUXHALL have committed to building a strategic plan with the support of Groupe PSA, with the purpose of re-establishing basic economic foundations. OPEL and VAUXHALL teams are now focusing on implementing the plan, which will also build on the synergies generated by the new Group with an estimated long-term value of nearly €1.7 billion per year.

**Given their acquisition date, this 2017 report does not cover the OPEL and VAUXHALL brands.** The action plans implemented by our teams include the alignment of reporting processes for CSR issues.

#### 1.1.1.2. MOBILITY: GROUPE PSA IDENTITY AND STRATEGY

##### 1.1.1.2.1. An identity built on complementary brands

G4-4

The Group is structured around four main segments:

■ **the Automotive Division** covering:

- the design and engineering, manufacture and sale of passenger cars and light commercial vehicles under three brands:
- PEUGEOT, "Motion & Emotion", whose ambition is to become the best premium volume car manufacturer,
- CITROËN, "Inspired by you", inspired first and foremost by our customers and their lifestyles,
- DS AUTOMOBILES, "Spirit of Avant-Garde", the ultimate in French luxury,

■ used vehicle sales:

- marketed as "PEUGEOT OCCASIONS", "CITROËN SELECT" and "DS CERTIFIED",
- via the "CARDAYZ BY PSA RETAIL" platform (a network owned by Groupe PSA), dedicated to used vehicle sales online or through dealerships,
- through a strategic alliance with ARAMISAUTO.COM in 2016, the leading online used car sales website for all brands, and the first platform to offer used vehicles reconditioned by a specialised plant, with a "satisfied or your money back" guarantee,
- via the CARVENTURA.COM platform, a start-up formed by Groupe PSA, which provides easy and secure online peer-to-peer used vehicle sales;
- mobility services under the umbrella of the FREE2MOVE brand (leasing, car-sharing and more);
- spare parts and other after-sales services offered by the Group:
  - DISTRIGO, a multi-brand spare parts service,
  - EUROREPAR, a multi-brand spare parts service for wear and maintenance,
  - EURO REPAR CAR SERVICE, the Group's multi-brand vehicle repair service,
  - FORWELT, a consumables brand for bodywork professionals,
  - AUTOBUTLER.FR, a web platform for creating automotive maintenance and repair quotations online,
  - MISTER AUTO, which specialises in online sales of automotive parts, and has been part of Groupe PSA since 2015,
- **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 AUTOMOBILES 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 Groupe PSA's brands, improving their penetration of the car financing market;

■ **the Group's 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 2017.

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

##### Groupe PSA: 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 Groupe PSA's structural performance by targeting:

- **p** average recurring operating margin of 4% for the Automotive Division for 2016-2018, with a target of 6% by 2021;
- **p** 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 digitalisation and its multi-brand offering of after-sales, leasing, used vehicle, mobility and fleet management services. Carefully targeted venture capital investments broaden the portfolio of mobility solutions.

Brand development is based on:

- **p** a core 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;
- **p** best-in-class product and service quality, underpinning the pricing power of the brands;
- **p** a core model strategy with 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;
- **p** a mobility services plan that meets customers' expectations (with the launch of its new FREE2MOVE brand).

**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 Groupe PSA's ambition to be a global car manufacturer pioneering efficiency and the leading mobility services provider.

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

1.1. A CSR programme fully integrated into the Group strategy

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

SASB-A

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

The Groupe PSA 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 partnership
  -  in the planning stage
-  **Components factory, casting**
  -  in partnership
  -  in the planning stage
-  **Automotive assembly plant**
  -  in partnership
  -  in the planning stage

### OTHER LOCATIONS

-  **R&D centre**

### SALES LOCATIONS

-  Countries where the Group operates with a subsidiary that sells vehicles and/or mobility services
-  Countries where only Group mobility services are offered

### Industrial partners (see Section 2.0.3.3.1)

- (1) STAFIM
- (2) Iran Khodro
- (3) SAIPA
- (4) Condor Electronics, Palpa Pro and l'Entreprise Nationale de Production de Machines-Outils
- (5) CK Birla
- (6) URYSIA
- (7) EASA et Nordex
- (8) SC Uzavtosanoat
- (9) THACO
- (10) Naza Automotive Manufacturing SDN BHD
- (11) PAN Nigeria Ltd
- (12) Allur Distribution et Saryarka AvtoProm LLP
- (13) PC Auto et Unison
- (14) MIE (Mesfin Industrial Engineering's)
- (15) FIAT
- (16) Mitsubishi Motors Corp
- (17) Toyota
- (18) TOFAS et FIAT
- (19) Dongfeng Motor Corp
- (20) Changan PSA Automobiles



Items included in or excluded from the CSR reporting scope are listed in Section 8.4.1



1.1. A CSR programme fully integrated into the Group strategy

## 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 Head of Department, 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

Manufacturing region	2006	2015	2016	2017	% of total production 2017
Latin America	189,302	127,451	144,712	144,089	4%
China and Southeast Asia	201,862	710,791	606,157	382,150	10%
Eurasia		4,909	3,795	1,744	0.05%
Europe	2,993,844	2,079,304	2,130,716	2,600,698	71%
Of which France	1,900,759	995,161	1,008,351	1,138,048	31%
India-Pacific		22,678	16,789	55,160	2%
Middle East-Africa	3,123	36,902	250,618	464,445	13%
North America				1,456	0.04%
<b>TOTAL</b>	<b>3,388,131</b>	<b>2,982,035</b>	<b>3,152,787</b>	<b>3,649,742</b>	<b>100%</b>

These volumes cover the production:

- p of Groupe PSA brand vehicles (including OPEL and VAUXHALL), manufactured in the Group's plants and those of its joint ventures;
- p vehicles of other brands which are assembled in the Group's plants and in those of its joint ventures.

## 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

(PCD<sup>①</sup> scope, excluding FAURECIA, at 31 December)

Permanent and temporary workforce	Group's direct workforce (controlled and consolidated companies)	Distribution of total workforce by region (%)
China and Southeast Asia	791	0.9%
Eurasia	1,837	2.1%
Europe	77,443	89.4%
India-Pacific	120	0.1%
Latin America	5,818	6.7%
Middle East-Africa	599	0.7%
<b>TOTAL</b>	<b>86,608</b>	<b>100.0%</b>

① Historic scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands.

Workforce of joint ventures (JV) non-consolidated at 31 December:

- p TPCA = 2,321 in Kolín, in JV with Toyota;
- p DPCA = 10,786 in Wuhan, Chengdu and Xiangyang in JV with Dongfeng Motor Corp.;
- p CAPSA = 1,128 in Shenzhen, in JV with Changan Automobiles;
- p SevelSud = 5,924 in Val Di Sangro, in JV with Fiat;
- p KAP = 282 in Tehran, in JV with Iran Khodro;
- p SSCO = 3,964 in Kashan, in JV with Saipa Kashan;
- p UPCA = 17 in Jizzakh, in JV with SC Uzavtosanoat.

## 1.1.4.

PRESENT IN ALL THE MAJOR MOBILITY MARKETS WORLDWIDE SASB-B

## VEHICLES SOLD IN 2017

**2,119,845****1,055,676****52,860**

**Groupe PSA sold 3,632,300<sup>(1)</sup> vehicles worldwide in 2017**, compared with 3,146,000 in 2016, representing an increase of 15.4%. This is the forth year running of increased sales for the Group. The five Sport Utility Vehicles launched over the past few months have

been increasingly popular and at end 2017, Sport Utility Vehicles accounted for 23% of the Group's sales. The Group has also boosted its leading position on the European light commercial vehicles (LCV) market with its 20.2% market share.

Region	Vehicles sold in 2016	% of total sales 2016	Vehicles sold in 2017	% of total sales 2017	Change from 2016
Europe	1,930,200	61.4%	2,378,600 <sup>(1)</sup>	65.5%	+23.2%
China and Southeast Asia	618,300	19.7%	387,000	10.7%	-37.4%
Middle East-Africa	383,400	12.2%	618,800 <sup>(2)</sup>	17.0%	+61.4%
Latin America	183,900	5.8%	206,300	5.7%	+12.2%
India-Pacific	19,800	0.6%	26,100	0.7%	+31.0%
Eurasia	10,400	0.3%	15,200	0.4%	+45%
<b>TOTAL</b>	<b>3,146,000</b>	<b>100.0%</b>	<b>3,632,300</b>	<b>100.0%</b>	<b>+15.4%</b>

(1) O/w 376,400 vehicles sold by the OPEL and VAUXHALL brands.

(2) O/w 26,800 units for the OPEL brand.

Groupe PSA recorded revenue of €65.2 billion in 2017, versus €54 billion in 2016.

## CONSOLIDATED REVENUE BY REGION

(in million euros)	Europe	Eurasia	China and Southeast Asia	India-Pacific	Latin America	Middle East-Africa	North America	Total
<b>2017 REVENUE</b>	47,762	481	3,439	1,287	4,719	2,985	4,537	65,210
2016 Revenue	38,959	339	3,191	916	3,781	2,323	4,521	54,030

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

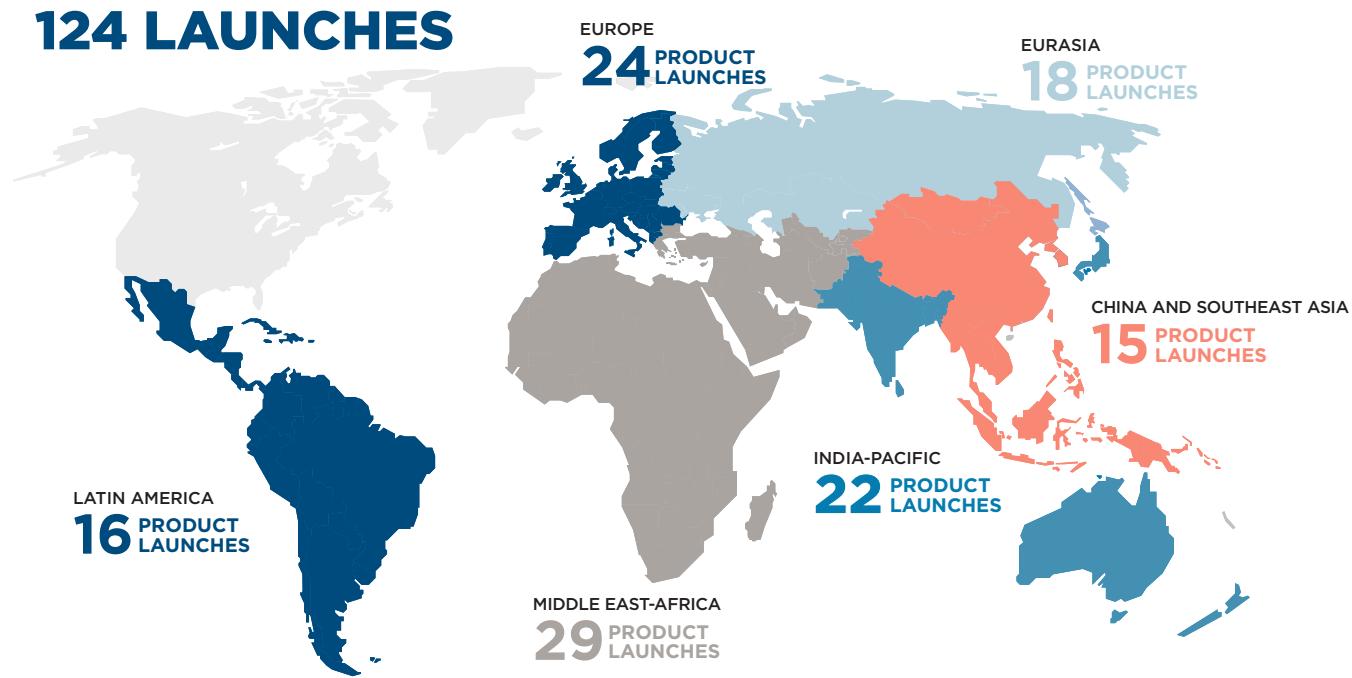
(1) As from 1<sup>st</sup> August 2017, the Group's scope of consolidation includes the sales volumes of OPEL and VAUXHALL, together representing 403,900 units sold between August and December.

## 1.1. A CSR programme fully integrated into the Group strategy

As part of its strategic plan, the Group has committed to launch 124 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 10 years, starting with the marketing of mobility services

from 2017 (primarily Los Angeles), followed by the development of new mobility solutions based on the Group's vehicles, and finally vehicle sales as soon as suitable supply sources become available.

## New product launches to support growth in each region



ONE NEW CAR, PER REGION, PER BRAND AND PER YEAR

#### 1.1.1.5. OPERATIONAL EFFICIENCY: GROUP DNA

**“**

*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.*

**”**

**Carlos Tavares,**

Chairman of the Managing Board of Groupe PSA

#### 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 responsibility in the way in which it runs its business activities. Its purpose 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

1

(in million euros)	Europe	Eurasia	China and Southeast Asia	India-Pacific	Latin America	Middle East-Africa	North America	Total
<b>2017 TANGIBLE ASSETS</b>	<b>11,538</b>	<b>143</b>	<b>478</b>	<b>123</b>	<b>582</b>	<b>73</b>	<b>341</b>	<b>13,278</b>
2016 Tangible assets	9,686	160	407	118	472	62	388	11,293

## LIQUIDITY RESERVES

(in million euros)	31/12/2015	31/12/2016	31/12/2017
Cash and cash equivalents*	10,465	11,576	11,582
Financial investments	352	110	165
Current & non-current financial assets	535	1,088	1,575
<b>TOTAL</b>	<b>11,352</b>	<b>12,774</b>	<b>13,322</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>15,552</b>	<b>16,974</b>	<b>17,522</b>
o/w FAURECIA	2,234	2,840	2,849

\* Including €43 million in Argentina (€12 million at 31 December 2016).

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

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

The Groupe PSA has a four-part technology strategy:

1. **best-in-class powertrains in terms of emissions** (vehicles fitted with SCR technology, PureTech petrol engine voted engine of the year 2015, 2016 and 2017);
2. **electric technology programmes** with the launch of seven plug-in hybrid vehicles and four new electric vehicles by 2021;
3. **technology that allows users to stay** permanently connected while on the move;
4. **the continued deployment of driving assistance systems foreshadowing the autonomous vehicle:** beginning with level 1 functionality (Hands on) technology in 2016, level 2 (Hands off) from 2020, followed by level 3 (Eyes off) after 2020, and finally level 4 (Mind off) from 2025.

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

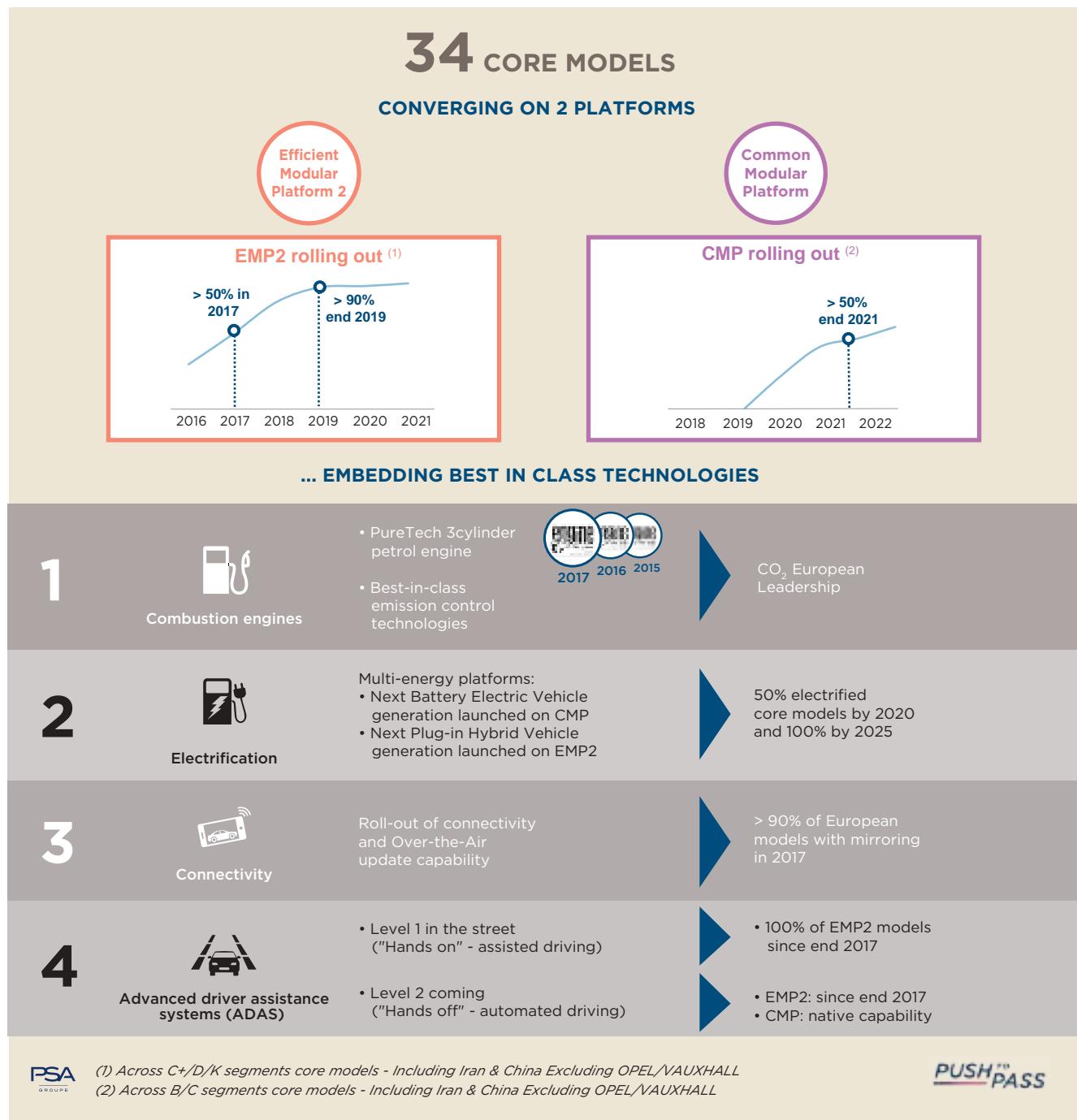
- a market approach segmented by region and by the type of usage, expectations and budget of its customers, to whom it offers the most carbon-neutral solutions;
- with a cross-functional approach based on a portfolio of technologies that can be rolled out on a global scale, to capitalise on R&D investments 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 Groupe PSA has consolidated its European leadership in terms of CO<sub>2</sub> emissions, with an average of 104.7 g/km of CO<sub>2</sub> in 2017.

## THE RIGOROUS DEPLOYMENT OF THE “CORE TECHNOLOGY STRATEGY”



Group vehicle sales by region and by fuel type are shown in § 2.1.2.

## 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

DPEF.B

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 which will be cleaner, safer and more connected, the automotive industry focuses on innovation and each year it invests more than €44.7 billion on research and development. It is the leading R&D investor in Europe (Source: Europe Automotive Division Manufacturers Association – Pocket Guide – 2016/2017).

The automotive sector also has a significant impact on the environment throughout a vehicle's life cycle, from design and engineering to production, use and 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

G4-21

G4-EC2

**The Group has identified macro-risks which it must address in accordance with the UN Sustainable Development Goals.** In the light of the Group's activities, each macro-risk can be broken down into a number of CSR issues. In this report, the Group outlines its response to each of these issues and the strategies that it plans to apply.

#### 7 CSR macro-risks

	23 linked CSR issues
CLIMATE CHANGE 	<p><i>Climate change requires a global response, which includes designing vehicles with lower CO<sub>2</sub> emissions, reducing the carbon impact of manufacturing facilities, logistics and purchasing, and finally putting in place measures to offset carbon.</i></p> <ul style="list-style-type: none"> <li>➤ Vehicle CO<sub>2</sub> emissions (see § 2.1.)</li> <li>➤ Energy/Industrial carbon footprint (see § 5.2)</li> <li>➤ Environmental performance in the supply chain: Purchasing and Logistics (see § 5.2.5. and 4.2.1.1.)</li> </ul>
NATURAL RESOURCES SCARCITY 	<p><i>In an era characterised by a shortage of natural resources, reducing the dependency on water and raw materials is both a question of responsibility towards environment, as well as being crucial to the Company's sustainability.</i></p> <ul style="list-style-type: none"> <li>➤ Wise use of material in the vehicle life cycle (including product recycling) (see § 2.4.)</li> <li>➤ Sustainable water management (see § 5.5.)</li> <li>➤ Optimisation of material cycles in industrial processes (including waste) (see § 5.4.)</li> </ul>
HEALTH/SAFETY: GROWING DEMAND OF CIVIL SOCIETY 	<p><i>In response to increasing concern in society about the effects of products and industrial processes on our health, car manufacturers must demonstrate their ability to reduce the impact of their activities and make their products stand out from the crowd in terms of vehicle safety.</i></p> <ul style="list-style-type: none"> <li>➤ Biodiversity (see § 5.6.)</li> <li>➤ Vehicle safety (see § 2.3)</li> <li>➤ Vehicle impact on air quality (see § 2.2.)</li> <li>➤ Control of industrial discharges and nuisances (see § 5.3.)</li> </ul>
UNBALANCED ECONOMIC DEVELOPMENT OF TERRITORIES 	<p><i>Faced with growing inequality in the economic development of the regions, it is vital to focus on the redistribution the value created by the companies in the local communities in which they operate.</i></p> <ul style="list-style-type: none"> <li>➤ Local sourcing development in host territories (see § 4.1)</li> <li>➤ Balanced governance and distribution of added value (see § 6.2., 6.4. and 6.5.)</li> <li>➤ Philanthropy and Socially responsible mobility (see § 7.1. 7.2., 7.3. and 7.4.)</li> </ul>
HUMAN RIGHTS AND BUSINESS ETHICS VIOLATION 	<p><i>The automotive industry must anticipate the tightening of national and international regulations, for example those related to conflict minerals, the balance and integrity of business relations, the due diligence of major companies as well as consumer's protection.</i></p> <ul style="list-style-type: none"> <li>➤ Responsible information and marketing (see § 7.5.2)</li> <li>➤ Ethics in business practices (see § 6.1. and 6.3.)</li> <li>➤ Human rights in the supply chain (see § 4.2.)</li> </ul>

<b>7 CSR macro-risks</b>		<b>23 linked CSR issues</b>
<b>HUMAN CAPITAL</b> 	<i>In an evolving context for the automotive industry's working framework (automation, the digital transformation etc.) the Company's competitiveness should be based on a wide pool of talents, social dialogue, the well-being of employees and occupational safety.</i>	<ul style="list-style-type: none"> <li>➤ Attracting and developing all talents (see § 3.3.)</li> <li>➤ Management of company transformations and social dialogue (see § 3.1. and 3.2)</li> <li>➤ Health, safety and well-being in the workplace (see § 3.4.)</li> <li>➤ Diversity and equal opportunity (see § 3.5)</li> </ul>
<b>CUSTOMERS' EXPECTATIONS AND MARKET RISKS</b> 	<i>In response to travel policies and urban constraints, car manufacturers must provide fresh ideas by developing new mobility solutions suited to every mobility need, based on high-quality products and services and flawless customer relationship management.</i>	<ul style="list-style-type: none"> <li>➤ Vehicle and service quality - customer satisfaction (see § 2.3.)</li> <li>➤ Responsible management of customer's data and relationship (see § 7.5.1.)</li> <li>➤ Development of new mobility solutions (see § 2.5.)</li> </ul>

### Focus: 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, São 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 risks 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,
  - technological 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 their pricing power, thereby reducing the Company's direct revenue.

The Groupe PSA 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, the “Impact Measurement and Economic Assessment” sections inserted into 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 approach 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, assess and address the most material risks that the Group is exposed to (for details of this approach, see Chapter 1 of the Registration Document). This approach fully covers the major CSR risks, such as emissions-related 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 Chapter 6, purchasing risks in Chapter 4, and so on. A risk overview can be found in Chapter 1 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. GROUPE PSA'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 Groupe PSA 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 Groupe PSA has set up a €100 million investment fund for start-ups, and has already announced partnerships in fields such as mobility and data (see § 2.0);
- **its design and engineering processes:** environmental and social responsibility throughout the entire life cycle requires special vigilance on hazardous materials, pollutant emissions and rare earths. The Groupe PSA 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 § 2.4);
- **its production processes:** The Group is increasing its 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 § 2.3 and 2.5);
- **its work arrangements and talent management:** collaborative working methods, 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 § 2.1 and 2.3);
- **its locations:** to support its sales development in emerging markets such as Africa and the Middle-East, the Group has announced new locations (Morocco, Algeria) as well as a 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 Groupe PSA took the initiative in publishing its real-world vehicle consumption, in association with the environmental NGO Transport & Environment (see § 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 Groupe PSA 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 §1.4.3.).

### 1.2.1.3.

## STAKEHOLDER DIALOGUE TO ANTICIPATE RISKS AND CREATE OPPORTUNITIES

DPEF.15    DPEF.32    G4-24    G4-25    G4-26

G4-27    G4-45

### 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 Groupe PSA 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.

## A policy for ongoing dialogue

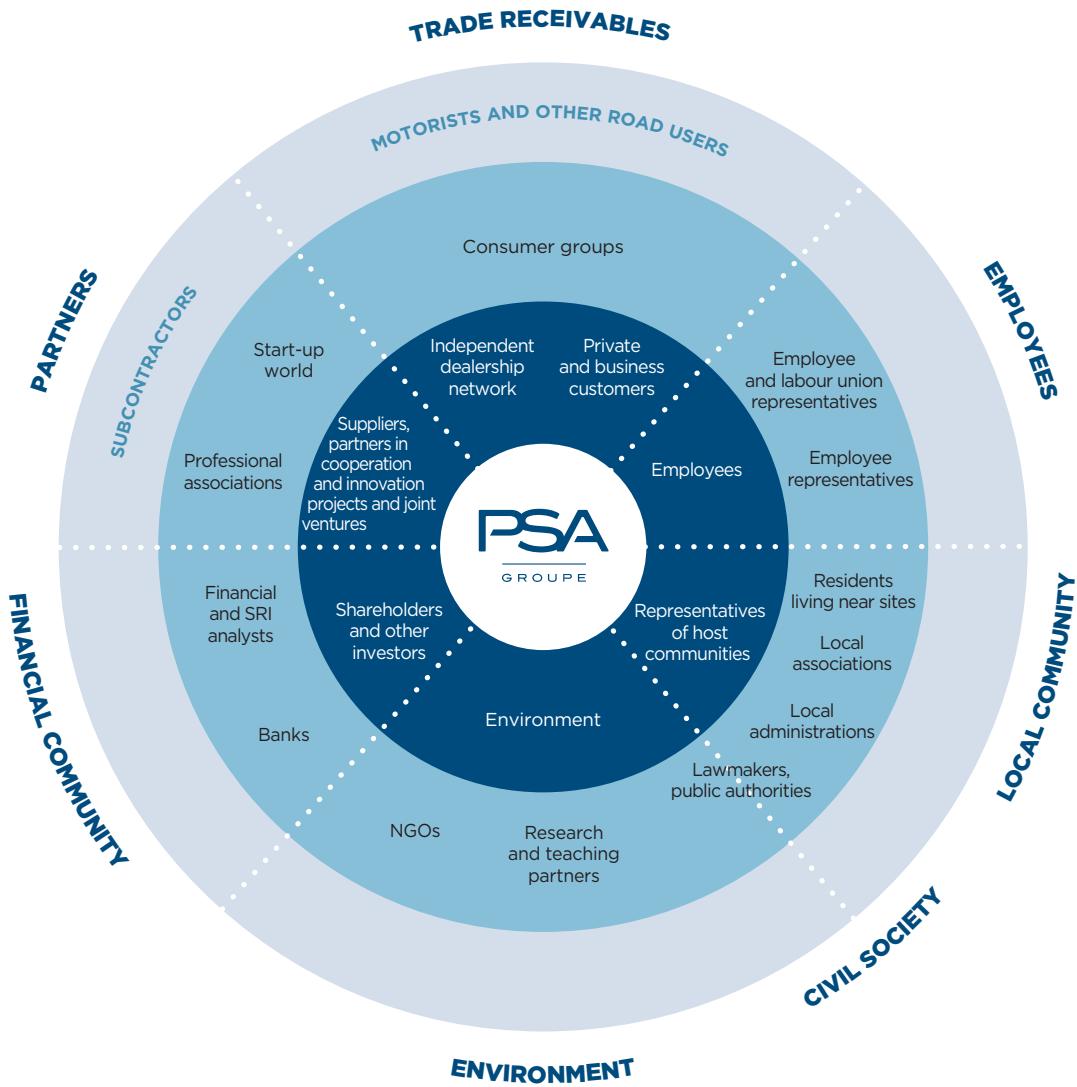
The Group's business activities have an impact on the decisions of a large number of stakeholders, both internal and external. **The Group has identified its main stakeholder categories. They are mapped below by type and the importance of their interactions with the Group. The outermost circle includes 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 GROUPE PSA STAKEHOLDERS



## Tools for dialogue set up by Groupe PSA

The Groupe PSA 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.

**These regular discussions with stakeholders constitute a benchmark for the Group's CSR ambitions. They provide the content for the action plans launched by the Group.** Examples of dialogue can be found throughout this report, and are located in the dedicated boxes.

## 1.2.2. Groupe PSA's CSR issues mapping

G4-2 G4-21 G4-23 G4-24 G4-45 G4-48 G4-EC8 G4-EN12

**23 CSR issues covering seven macro-risks (see § 1.2.1.1) are considered to be material by Groupe PSA 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 which led to CSR issues being assessed according to two main focus areas: the impact of the issue on the Company's financial performance, and the level of stakeholder expectations. The materiality matrix of the issues, presented below, puts in perspective the issues which

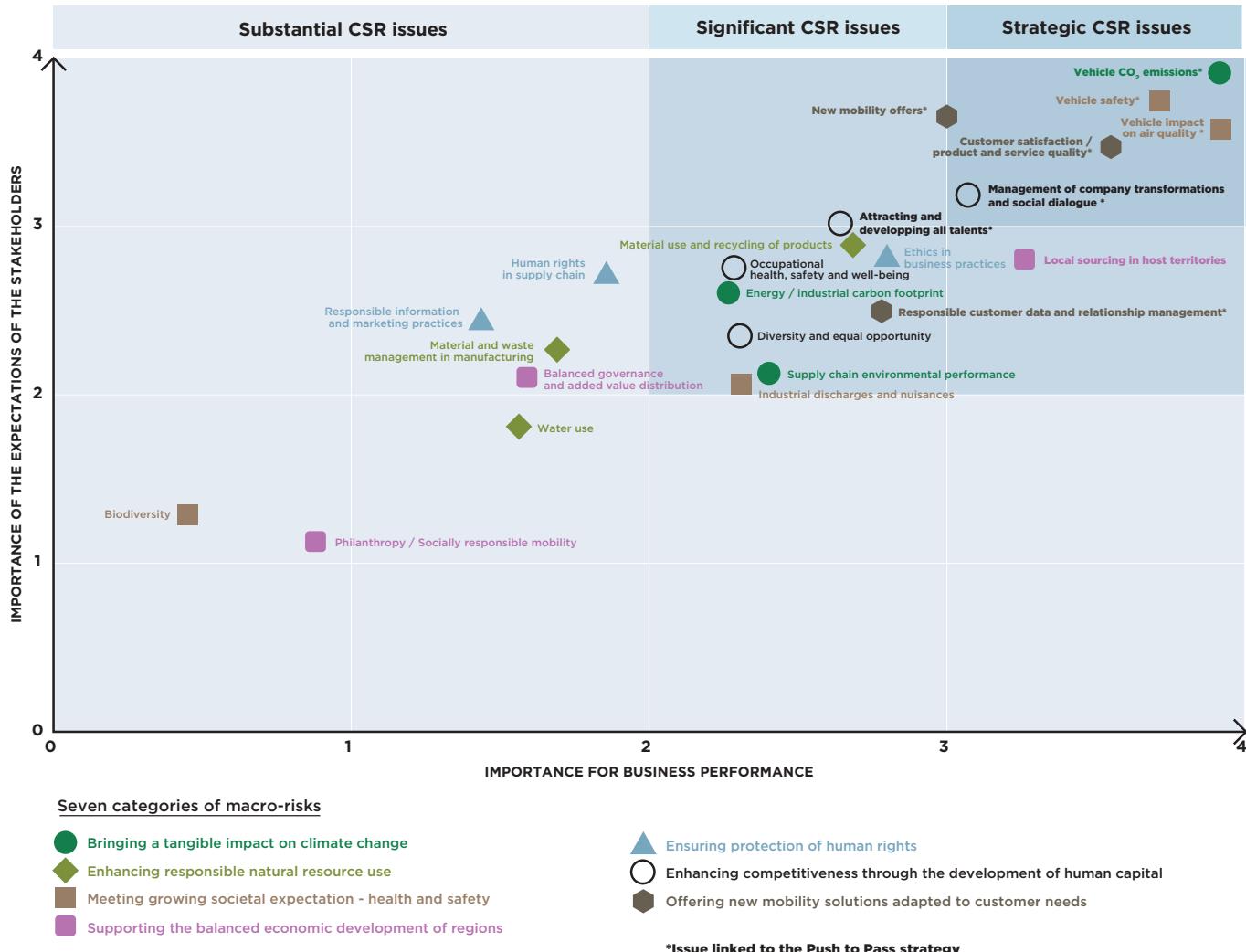
are the most strategic for the Group. For this mapping of its CSR issues, the Group followed the guidelines of the Global Reporting Initiative (GRI).

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.

**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.

### GROUPE PSA MATERIALITY MATRIX



## 1.2.3. Groupe PSA's value creation model DPEFA

### 1.2.3.1. GROUPE PSA'S CHOICE: RESPONSIBLE MANAGEMENT OF 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.

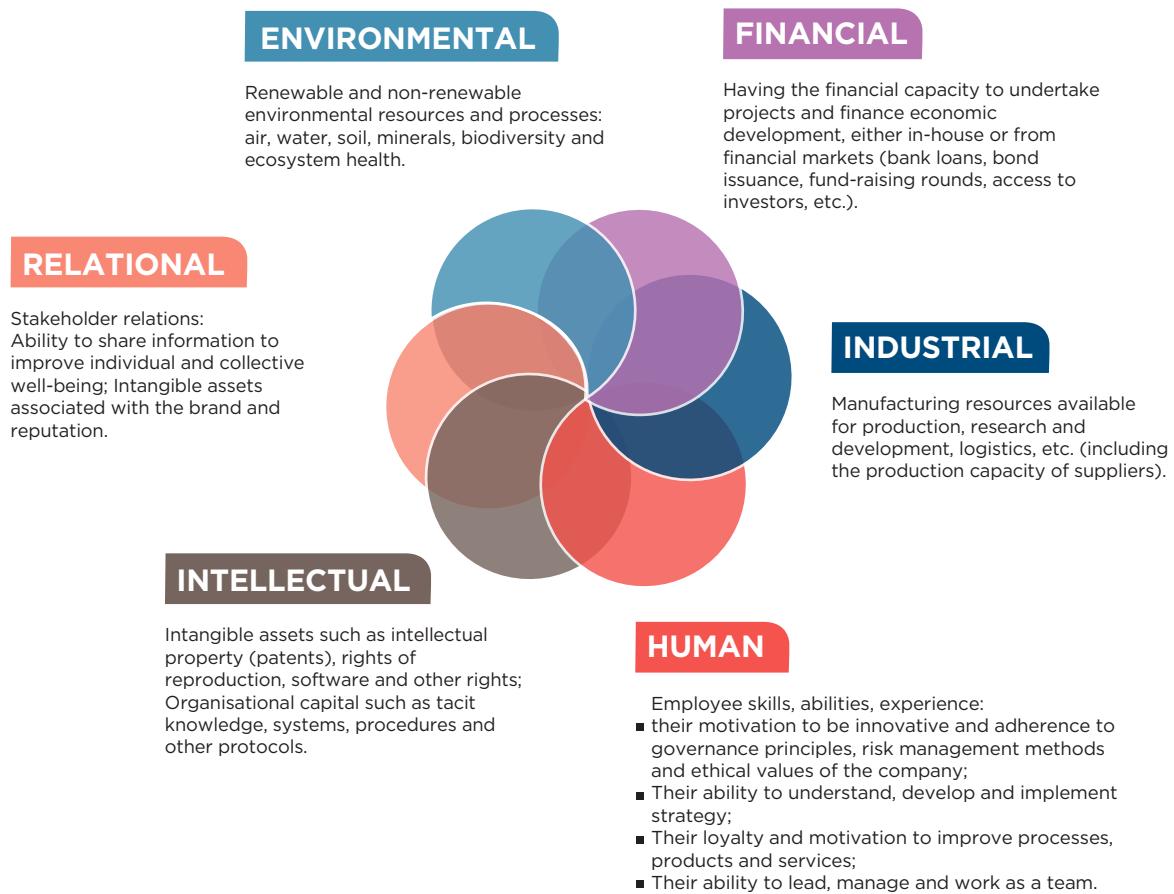
The Group relies on continuous dialogue with its various stakeholders (customers, suppliers, legislators, etc.) to build long-term responses

to a number of economic, environmental, social and societal issues (see "Stakeholder Relations" boxes in the chapters on each topic). 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.

#### TANGIBLE AND INTANGIBLE CAPITAL OF THE GROUPE PSA



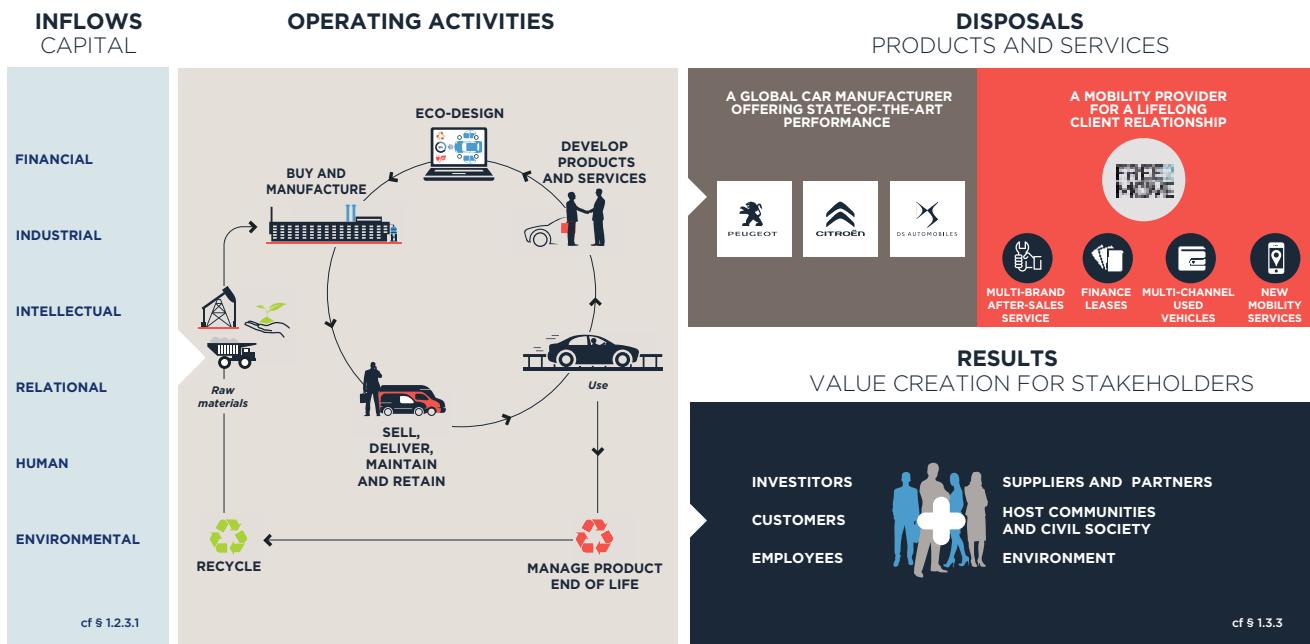
## 1.2. CSR in the value creation model

## 1.2.3.2. RESPONSIBILITY IN THE VALUE CREATION MODEL

The Group's value chain, presented below, embraces a holistic, material and transparent approach to its growth model. Non-financial performance boosts financial performance and allows the Group to create value for stakeholders (see § 1.3.3).

The Group's growth model is illustrated by the "Impact Measurement and Economic Assessments" performed for each strategic CSR issue and published in Chapters 2-7 of this report.

## GROUPE PSA'S VALUE CREATION MODEL



## 1.2.3.3. AN OPEN INNOVATION APPROACH FOCUSED ON CREATING VALUE FOR OUR STAKEHOLDERS

## The Open Innovation approach

In order to expand the scope of opportunities (development expenditure reduction, identification of new trends and acceleration of Time to Market, identification of technological and scientific tips, access to further international markets, finding new business, etc.), Groupe PSA relies on an Open Innovation approach, which brings together a broad range of partners including universities, laboratories, suppliers, institutions, major companies, SMEs, start-ups, employees, customers, etc.

The purpose of the Open Innovation policy is to help the Group to:

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



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 five 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).

For Groupe PSA, Open Innovation aims to build and manage relationships driven by shared value creation with stakeholders from four ecosystems: with people, companies, academia and institutions. Through this initiative of "openness", Groupe PSA aims to expand its ability to innovate. (see § 2.0.3.3.2).

The "individuals" ecosystem incorporates Group employees, customers, and users of mobility services in general. It aims to cement the place of individuals at the core of the innovation process.

The "academic" ecosystem focuses on scientific partnerships with the most advanced universities and laboratories in their respective fields. They are targeted so as to benefit from their expertise and explore ways to branch out into new research.

The “institutions and networks” ecosystem brings together incubators, accelerators, competitiveness clusters, networks dedicated to innovation which facilitate meetings with new potential partners, partnerships with SMEs and start-ups and the setting up of collaborative projects. With the creation of The Business Lab, Groupe PSA has been able to boost its partnerships with these players (Euratechnologies, Paris Région Entreprises, Le Village by CA, Paris & CO., BPI France, BFA, MOV'EO and more).

The “businesses” ecosystem covers start-ups, SMEs, VSEs and major groups, exploring new terrain and working with others to build the solutions of the future.

### The Business Lab

In order to take its Open Innovation strategy even further, particularly the ecosystem for start-ups and to address the rapid emergence of new car uses, Groupe PSA created the Business Lab at the end of 2016, to explore new terrain and transform it into opportunities for the Group.

The Business Lab aligns with the enactment of the Push to Pass strategic plan, which aims to make Groupe PSA 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 proposals 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 growth funding for European companies that holds more than €9 billion in capital.

**In 2017, the Business Lab contributed to improving operating methods, generating over €1 million in recurring savings. Of the 560 start-ups assessed, 32 partnership agreements were signed. 50% of the identified solutions addressed the Group's priority areas, while 50% brought new opportunities.**



PRESS RESOURCES



“Anne Laliron presents The Business Lab” video:  
<https://www.youtube.com/watch?v=Adi6K9f6zfs>

Video of the speech of Anne LALIRON, Director of the Business Lab, in *Les Clés de l'auto* on BFM Business 02/10/2018 : <http://bfmbusiness.bfmtv.com/mediaplayer/video/les-cles-de-l-auto-focus-sur-l-importance-du-business-lab-pour-les-entreprises-1002-1034695.html>

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

### 1.3.1. The Group's CSR policy

For the Groupe PSA, 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 communities and the implementation of innovative, thoughtful social practices focused on the individual.

#### SUSTAINABLE MOBILITY

- As a technological pioneer, the Groupe PSA 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 have a presence on all mobility segments.

- 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 Groupe PSA 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 plants 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;
- plastically, 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 Groupe PSA is mindful of the responsibility this entails. As such:

- It selects **suppliers** that are as close to its production plants 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 Groupe PSA's economic and social performance is 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 the Group's internationalisation and effectively

implement its social commitments, it has relied on a frame of reference: the Global Framework Agreement on Corporate Social Responsibility.

At each of its sites, the Groupe PSA 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 well-being;
- sees **talent development** and expression as the cornerstone of its strategy;
- guarantees **equal opportunity** 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 Groupe PSA 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 Groupe PSA, an “impact player”

The CSR programme reflects the active commitment of the Groupe PSA 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.

In 2017, based on its already public medium term 2020-2025 CSR commitments, Groupe PSA has decided to publish its long term CSR roadmap detailing ambitions for 2035 and further in order to give all stakeholders a clear vision of its strategy.

Indeed, the 23 CSR commitments cover all aspects of the Group's social responsibility, including: management of human resources, social dialogue, equal opportunities and diversity, ethics, manufacturing environment, environmental impact of products, 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.**

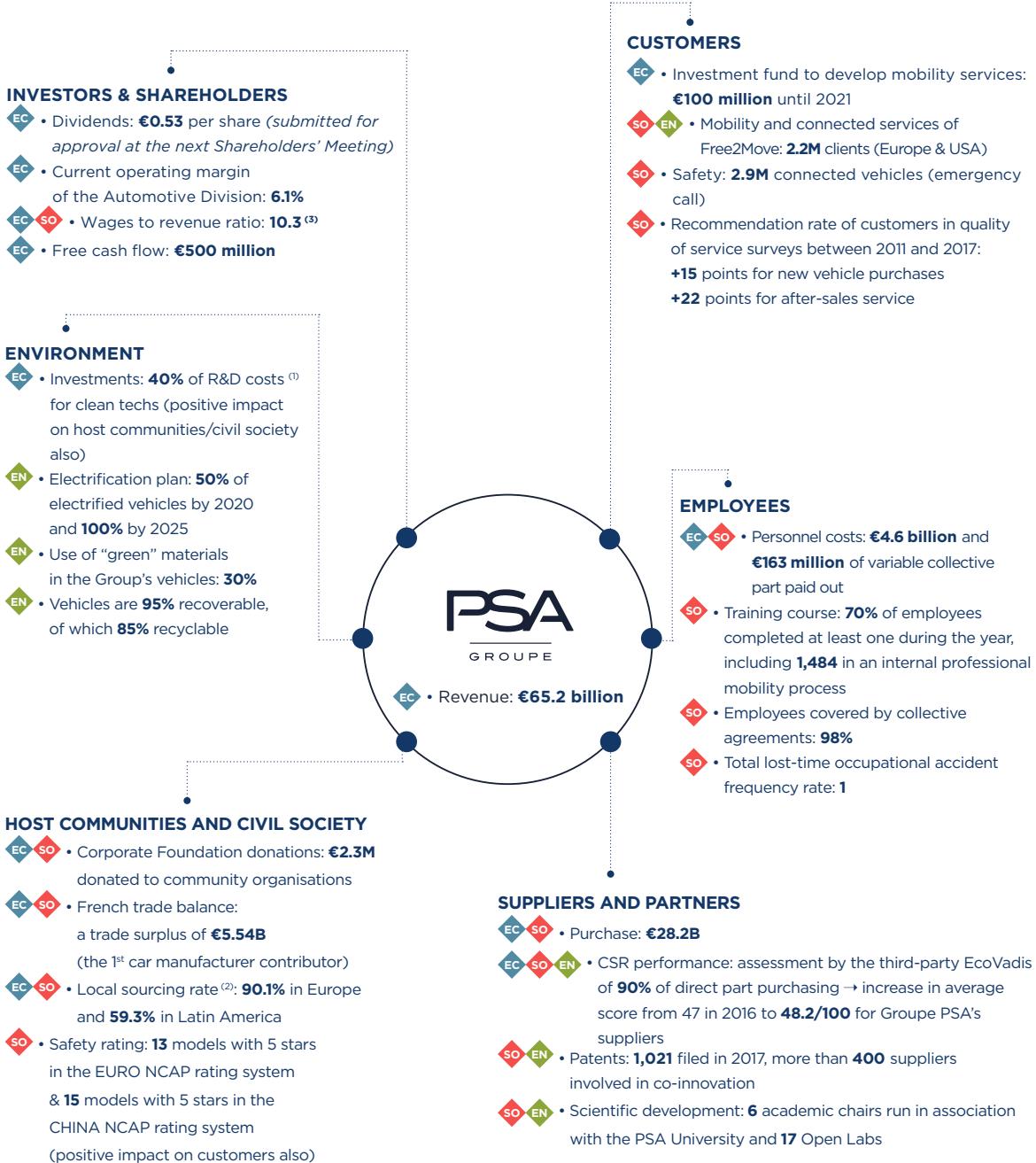
## THE GROUP'S AMBITIONS FOR STRATEGIC CSR ISSUES BY 2035

 MACRO-RISKS	 STRATEGIC CSR ISSUES	 AMBITIONS 2035
<b>CLIMATE CHANGE</b> 	<b>VEHICLE CO<sub>2</sub> EMISSIONS</b> Organiser: Executive Vice-President, Programmes	Reduce average CO <sub>2</sub> emissions of vehicles sold worldwide by 55% compared with 2012 levels, to be achieved with the support of: <ul style="list-style-type: none"> <li>■ p plug-in hybrid petrol-electric powertrain;</li> <li>■ p new range of electric vehicles;</li> <li>■ p range of high-performance engines and lighter vehicle platforms.</li> </ul>
<b>HEALTH AND SAFETY: GROWING DEMAND OF CIVIL SOCIETY</b> 	<b>VEHICLE IMPACT ON AIR QUALITY</b> Organiser: Head of Research and Development	Based on its technological offer and especially its line of vehicles 100% electrified by 2025: <ul style="list-style-type: none"> <li>■ p achieve more than 50% of Group's sales with electric, fuel cells and hybrid vehicles with an emission-free mode;</li> <li>■ p deploy state-of-the-art after-treatment system for internal combustion vehicles in all countries where the Group operates.</li> </ul>
	<b>VEHICLE SAFETY</b> Organiser: Head of Quality & Engineering	Offer customers vehicles fitted with state-of-the-art protection: <ul style="list-style-type: none"> <li>■ p for customers and all road users, especially in autonomous driving mode, with 80% of vehicles offering automatic driving features from 2030 (reduction in the number of reported physical injuries involving a Groupe PSA vehicle);</li> <li>■ p for customers' property by controlling the inviolability of the vehicles (90% of models with the highest Thatcham rating);</li> <li>■ p for vehicle/customer data and the vehicle itself against cyberattacks (all hardware protected against cyberattacks/all alerts processed).</li> </ul>
<b>CUSTOMERS' EXPECTATIONS AND MARKET RISKS</b> 	<b>VEHICLE/SERVICE QUALITY - CUSTOMER SATISFACTION</b> Organiser: Head of Quality & Engineering	To be customers' preferred car manufacturer and mobility provider: <ul style="list-style-type: none"> <li>■ p satisfy each and every customer by offering them the mobility solutions that meet their expectations, around the world and for all usages (product's global satisfaction rate in comparison with the TOP3);</li> <li>■ p contribute, with the best level of reliability of the mobility objects, to maximise their resale value and minimise repair costs (warranty claim rates at 0 at the 3-month mark, and warranty costs quartered in relation to the Push to Pass benchmark);</li> <li>■ p provide the same level of excellent service to all customers anywhere, anytime (recommendation rate of 109 in sales and 118 in after-sales compared to 100 in 2014).</li> </ul>
	<b>DEVELOPMENT OF NEW MOBILITY SOLUTIONS</b> Organiser: Head of Mobility Services	Free2Move, Groupe PSA's new mobility brand, will be customers' preferred mobility services provider.
<b>HUMAN CAPITAL</b> 	<b>MANAGEMENT OF COMPANY'S TRANSFORMATIONS AND SOCIAL DIALOGUE</b> Organiser: Head of Human Resources	Engage in agile co-construction for the company's future with the employee representatives and unions to: <ul style="list-style-type: none"> <li>■ pable its rapid technological and economic changes;</li> <li>■ promote the professional development of employees and their employability;</li> <li>■ allow all employees to be covered by a collective bargaining agreements or company agreement.</li> </ul> Conduct this dialogue within the Global Framework Agreement, which notably ensures respect for Human Rights.

### 1.3.3. Tangible results for Groupe PSA stakeholders G4-EC1

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 2017



The INVESTORS & SHAREHOLDERS indicators (except the "wages to revenue" ratio) refer to the PEUGEOT, CITROËN, DS AUTOMOBILES, OPEL and VAUXHALL brands.  
The other indicators only refer to the PEUGEOT, CITROËN and DS AUTOMOBILES brands.

EC Economic and financial value    SO Social value    EN Environmental value

(1) Total R&D costs: €2.9B (Automotive division and Faurecia)

(2) Purchase of parts manufactured in the region for local production

(3) Automotive Division excluding own dealer network

### 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 Groupe PSA'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 2017 annual results were announced. They are as follows:

- **p**average recurring operating margin of more than 4.5% for the Automotive Division for 2016-2018, with a target of 6% by 2021;
- **p**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:

- **p****long-term performance**, as recognised by credit rating agencies. In July 2017, the rating agency Moody's Investors Service awarded Groupe PSA a rating of Ba1/outlook stable.

This performance is essentially based on:

- **p****a stable and balanced capital structure supporting the roll-out of strategic projects,**

- **p****a robust strategic plan designed to meet the mobility needs of all of the Group's customers.** The Push to Pass Plan has set clear targets for operational excellence and profitable organic growth. This plan is essentially based on:

- **p**an unprecedented product offensive based on the deployment of the "core model" strategy and "core technologies" strategy,
- **p**international expansion of the Group's activities,
- **p**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,

- **p****rigorous execution:** with its 2017 financial results, the Group confirmed its ability to sustain its performance for the fourth consecutive year. In 2017, the Group reported:

- **p**growth in recurring operating margin of the Automotive Division, which stood at 7.3% in 2017 versus 6% in 2016 for PEUGEOT CITROËN DS AUTOMOBILES,
- **p**15.4% growth in volumes at 3.6 million vehicles in 2017,
- **p**a net financial position of nearly €6.2 billion, compared with €6.8 billion in 2016 and €4.6 billion in 2015, due to a positive free cash flow of €500 million,

- **p****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 billion in assets). In September 2016, the Groupe PSA 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,

■ **p****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 February 2018, Institutional Shareholder Services Inc. (ISS) published Groupe PSA's Environmental & Social QualityScore; Environment = 1, Social/Societal = 1 (scale: 1 = low risk, 10 = high risk),

■ **p****a robust compliance and ethics system**, supported by an Ethics Committee and five Compliance Officers, ensures that compliance programmes are effective in the most vital areas (Competition; Anti-corruption; Export control; Data privacy; Type approval). 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 Groupe PSA and prevents ethical abuses liable to damage the Group's financial position and reputation;

■ **p****a performance shared equally among all stakeholders** through:

■ **p****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,

■ **p****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 within 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,

■ **p****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,

■ **p****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 online voting has been in place since the 2016 Shareholders' General Meeting,

■ **p****guaranteed fair access to information to allow informed decision-making:** for the Groupe PSA, exercising its responsibility towards its investors and shareholders 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 to all relevant parties (presentation of the Push to Pass Plan which has been published on the Group's website), financial data and CSR commitments and performance, which show that the long-term risks have been properly considered,

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

■ **a sustainable dividend policy:** in its Push to Pass strategic plan, Groupe PSA 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 2017, a dividend of €0.53 per share will be put to the vote of the next Shareholders' General 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 Groupe PSA
 <b>FTSE4Good</b>	<b>FTSE RUSSELL:</b> The FTSE4Good index is designed to measure the performance of companies with solid ESG practices.	Groupe PSA has <b>remained in the FTSE4Good index</b> (in the "Automobiles & Parts" category).
 <b>Low Carbon Europe 100</b>	<b>VIGEO-EIRIS:</b> The Vigeo-Eiris indices group together companies with the best ESG ratings. It includes four indices: Vigeo World 120 (the 120 most advanced companies in the world); Vigeo Eurozone 120 (the 120 most advanced companies in the eurozone); Vigeo Europe 120 (the 120 most advanced companies in Europe); Vigeo France 20 (the 20 most advanced companies in France).	Groupe PSA continues to <b>feature in the four indices World 120, Eurozone 120, Europe 120 and France 20.</b> Groupe PSA was the <b>only car manufacturer in the Vigeo World 120</b> in December 2017.
 <b>2017 Climate A-</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.  <b>CARBON DISCLOSURE PROJECT:</b> The CDP assigns companies a rating for their action on climate change based on a publicly disclosed methodology updated each year.	Groupe PSA continues to <b>feature in the Low Carbon Europe 100 index.</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 at the forefront of CSR in their industry.	Groupe PSA continues to <b>feature in the Ethibel Sustainability Index (ESI) Excellence Europe.</b>
	<b>ROBECOSAM/STANDARD &amp; POOR'S:</b> RobecoSAM and S&P jointly compile the Dow Jones Sustainability Index (DJSI) for the New York Stock Exchange. This index selects 10% of the most successful companies in each sector on the basis of economic, environmental and social criteria.	Groupe PSA is <b>listed in the DJSI and is moving towards the leading position for the automotive industry.</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: STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders.	Groupe PSA continues to <b>feature in the STOXX Global ESG Leaders index.</b>
	<b>OEKOM RESEARCH</b> , a German sustainable development rating agency, awards Prime status to those companies that, according to the Oekom corporate rating, are among the leaders in their industry and that meet industry-specific minimum requirements.	Groupe PSA has retained <b>Prime status</b> in the rating compiled by Oekom Research, making it <b>leader for the automotive industry.</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 2016 CSR Report was awarded "**Advanced**" level, which is the highest assessment for the Global Compact.

### 1.3.3.2. VALUE CREATED FOR CUSTOMERS

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

#### A RELATIONSHIP OF TRUST BUILD ON TRANSPARENCY

With a view to keeping its customers better-informed, in November 2015 Groupe PSA announced a **unique initiative**, providing customer with access to an **independent and certified measurement 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 which is certified by Bureau Veritas.

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



In October 2017 the initiative was awarded the **ECOBEST prize** by an AUTOBEST panel of 28 representatives from the European media. The vote was unanimous. The Groupe PSA **project impressed** all members of the panel, who **judged** it to be enterprising, in particular its **scientific approach** to real world consumption and emissions.

On the back of this success, the experiment was reproduced to measure NO<sub>x</sub> and particulate emissions. In early March 2018 Groupe PSA published the first results of these tests. This new step contributes to further **increasing the reliability of automotive tests and measurements**.

#### 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. In December 2017, PEUGEOT France was awarded the "**Lead of the Year**" prize by French magazine Auto Infos. This award recognises the **quality and response time** of the PEUGEOT France network to online prospective customers through dealership websites. PEUGEOT was also recognised in the "**After-sales Leads**" category (**third prize**), which cited the brand's efforts to **digitalise the customer after-sales experience**, with specific reference to the online appointment facility through the MyPEUGEOT app.

**... 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 AUTOMOBILES 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. Roll-out to Europe and China was completed in 2017, and will continue in 2018 to the rest of the world.

#### EASY, SAFE AND SHARED MOBILITY

With its Free2Move brand launched in September 2016, the Group has pooled all of its mobility services to **facilitate customer travel**, including peer-to-peer car-sharing, public urban car-sharing, short- or long-term leasing, management and sharing of company fleets, etc.

By the end of 2017, Free2Move had over 2,200,000 customers in Europe and the United States of America.

#### TRAVEL IN VEHICLES WHICH MEET THE HIGHEST QUALITY AND SAFETY STANDARDS ON 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 is introducing operating safety measures and is simultaneously improving three types of safety devices: 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**.

#### MYPEUGEOT



#### ONLYYOU

#### FREE2MOVE

Recommendation rate of customers in quality of service surveys between 2011 and 2017:

- +15 points for new vehicle purchases;
- +22 points for after-sales service;
- 12 five-star models rated by EURO NCAP;
- 15 five-star models rated by China NCAP.
- E-call (emergency call system): Groupe PSA has 2.9 million connected vehicles, helping to improve road safety.

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

**SPARE PARTS FOR ALL BUDGETS**

Groupe PSA's spare parts service is available for all market segments. New vehicle owners tend to source brand new parts produced by car manufacturers. For customers with older vehicles of all brands, the Group now offers a service which is unprecedented for a car manufacturer, based on the Eurorepar range and equipment manufacturer parts.

Under the "Échange Standard" offer, customers also have the option to order equipment manufacturer spare parts forming part of the circular economy. Groupe PSA also offers "parts for reuse" through its own network. This scheme is open to private approved repair centres.

Customers can also buy low-cost basic parts from the Bölk range (Bottom of Pyramid offer) on the Mister Auto website.

**This range of offers allows the Group to meet the needs of all of its customers, regardless of budget.**

Clients typology	Channels	
	Authorized and independant repairers	e-commerce
Reinsurance	- Groupe PSA's Original parts	
Smart Buy	- Eurorepar parts - Suppliers' parts - Standard replacement of Groupe PSA's original parts	- Suppliers' parts
Best Cost	- Parts for reuse	- BÖLK parts

**SPARE PARTS VERIFIED TO BOOST SAFETY**

Due to their strong visual resemblance to branded parts, customers can be led to believe that counterfeit parts are the real thing. The mediocre quality of counterfeit parts can endanger consumer safety. In the automotive field in particular, counterfeit products do not offer the same guarantees in terms of safety, environmental protection and regulatory requirements. The **safety labels** which Groupe PSA uses for its parts and accessories enable customers to identify parts originating from PEUGEOT, CITROËN or DS AUTOMOBILES and Eurorepar parts.

As part of the World Anti-Counterfeiting Day on 7 June 2017, the Global Anti-Counterfeiting Network rewarded Groupe PSA with the **Best Technology Award**, in recognition of the Group's innovative customer protection technologies.

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

EcoVadis, an independent rating agency specialising in responsible purchasing, awarded the Groupe PSA the **gold medal** as a **responsible supplier** for the third consecutive year in 2017. With a score of 77/100, the Groupe PSA belongs to the select group of 2% of companies whose commitment to CSR is rated **Advanced**. The Groupe PSA's business customers can therefore demonstrate their own commitment to responsible purchasing.

**BENEFICIAL TOTAL COST OF OWNERSHIP (TCO)**

In June 2017, the new **PEUGEOT 3008 received the prize for best Sport Utility Vehicle** at the 13<sup>th</sup> **MAAF Auto Environment Awards** (most compliant with environmental standards). All award-winning vehicles qualify for the MAAF bonus, which allows MAAF policyholders to receive a €100 discount on their first insurance premium.



In December 2017, the Autobest panel named the new compact SUV **CITROËN C3 Aircross** SUV the "**Best Buy Car of Europe**" for 2018. Each year, Autobest rewards the car with the most votes from a panel of 31 specialist journalists hailing from 31 European countries, on the basis of 13 criteria, which include: value for money, design, comfort, technology, service quality, spare part availability through dealership networks, etc.



In July 2017, the magazine *L'Automobile et l'Entreprise*, specialising in company fleet management, recognised the **Free2Move Fleet Sharing solution**, by awarding it the "**New mobility services prize**", for the simplicity and flexibility of its multi-brand service, combining lower-cost business travel with more effective fleet management.



### 1.3.3.3. VALUE CREATED FOR EMPLOYEES

The Groupe PSA 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:

1

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

**98%** of employees are covered by collective agreements.

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

In 2017, **84%** of employees had an **annual appraisal**. **70%** of employees completed at least one training course during the year. Since 2012, over **3,700** employees have used the Group's internal **retraining programme** known as "Top Compétences".

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

In 2017, for the first time, the Group achieved a worldwide lost-time **incident frequency rate of 1**. The **number of lost-time incidents is nine times lower** than it was seven years ago. On 26 April 2017, Groupe PSA was awarded the **Healthy Workplaces Good Practices Award** for actions taken in the workplace that help promote individual and collective health. **3,788 employees** worldwide have already taken up teleworking. 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. It enforces its gender equality policy worldwide. The Groupe PSA 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 company to receive "**Professional equality**" certification 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 Corporate Social Responsibility commitments.
- The Group is also committed to **hiring and retaining employees with disabilities**.

**2,525 trainees** on work-study placements (including apprentices) in 2017.

**33.2%** of the Group's workforce are **older employees**.

The Group has **5,136 employees with disabilities** worldwide.

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

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

The Groupe PSA 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 policy, which Groupe PSA 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.

**1,021** patents filed by the Group in 2017 (930 in 2016).

The Group works with **more than 400 suppliers** on **joint innovation** projects to develop future technologies.

#### BOOST EFFICIENCY

The CSR commitments that the Group asks its suppliers to take enables them to **reduce their own operational risks**. Suppliers are well-informed of best practices and regulatory changes, and can therefore benchmark themselves by comparing their CSR performance against the industry average, build on their strengths and implement action plans to work on any weaknesses. The Groupe PSA 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**.

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

#### BOOST ECONOMIC PERFORMANCE

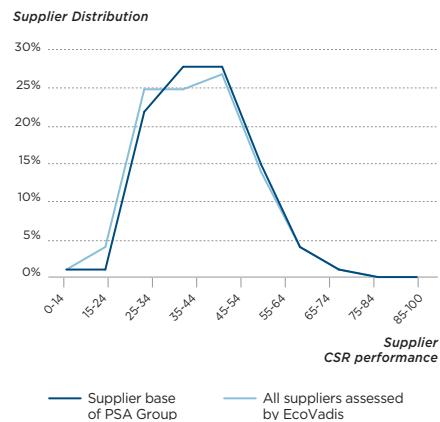
In view of the demanding supplier selection process, being a strategic or core supplier of the Groupe PSA demonstrates a high level of economic and CSR performance. Through innovation partnerships with the Groupe PSA, suppliers are developing a **competitive edge** in state-of-the-art technical expertise. This distinguishes them from their competitors when bidding for contracts in other markets. They can create **commercial opportunities** with customers who, like the Groupe PSA, 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 Groupe PSA on international projects, companies are boosting their prospects by increasing their **visibility in new markets**.

Morocco's 26 new plants are boosting the automotive industry's ecosystem in this country.

**13 of these projects form part of the Groupe PSA ecosystem**, which is driving development for the sector as a whole and helping to create an Industrial Division known for its excellence in Kenitra.

Groupe PSA'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.

Breakdown of CSR assessments of Groupe PSA suppliers compared with all suppliers assessed by EcoVadis:



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

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

The PSA 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.

The Group is also the number one buyer from companies that only employ people with disabilities in France, and has extended its action in Spain.

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

The Groupe PSA 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 AUTOMOBILES 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.

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.

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

##### 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.

A trendsetting partnership was created between Groupe PSA and a number of temporary employment agencies, to increase the use of temporary permanent work contracts. Permanent employment contracts guarantee permanent employability within Groupe PSA as well as in the employment region through regional mobility platforms.

**Consolidation of the automotive business in France.** The Group is taking action in two key areas:

- Strengthening 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, OpenLabs and academic chairs in the same areas. For example, an OpenLab known as Sustainable Mobility for Africa has opened in Rabat, Morocco, while another – OpenLabs Human Machine Interface and Accidentology – is located in Shanghai.

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:** Groupe PSA 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.

561 schemes previously sponsored by the Foundation

€12.7 million donated to community organisations, including €7.5 million for employment schemes and €3.7 million for educational or cultural initiatives In 2017, the PSA Foundation provided financial support for 15 solidarity garages in France (creation or development of existing garages).

The services bought from companies that only employ people with disabilities have generated €45.4 million in added value for these companies.

E-call (emergency call system): Groupe PSA has 2.9 million connected vehicles, helping to improve road safety

Groupe PSA's autonomous vehicles had already driven 150,000 km on Europe's roads by the end of 2017

■ The Vigo plant in Spain created jobs in Galicia a number of years ago.

■ 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%. Once it is fully operational, the future plant is set to provide 4,500 direct jobs and 20,000 indirect jobs, primarily for equipment manufacturers.

■ Of the Group's temporary employees, 560 have a temporary permanent work contract.

■ Groupe PSA is France's leading car manufacturer with 1,138,048 vehicles produced in 2017, representing a 12.9% rise on 2016.

■ 350 SMEs have already received individual support from the PFA.

■ Thanks to its deep manufacturing roots in France, Groupe PSA makes positive contribution to France's trade balance: in 2017, the Group remained the number one car manufacturer in terms of contributions, with a trade surplus of €5.54 billion, representing a rise of 15% on 2016, and an import/export surplus of 397,000 vehicles, a 21% rise on 2016.

■ The Group's Stellab network includes 6 academic chairs run in association with the PSA University and 17 OpenLabs.



### 1.3.3.6. VALUE CREATED FOR THE ENVIRONMENT

Given the nature of its business and its international presence, the Groupe PSA 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);
  - Five electric vehicles will be launched in Europe and China from 2019;
  - With average approved CO<sub>2</sub> emissions of 104.7 g/km in 2017, Groupe PSA is, however, still better placed than its competitors, as the market average is 118.5 g/km.
- Air quality at the forefront of research and development programmes:** As a participant in discussions about the public health and environmental issues that relate to mobility, Groupe PSA 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 its particulate and nitrogen oxide 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 Groupe PSA 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 PUBLIC DEBATE

The **measurement protocol for real-world consumption** developed with Transport & Environment, France Nature Environnement and Bureau Veritas is open source. The Group encourages all car manufacturers to use it so that customers can make informed vehicle purchase decisions.

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. In June 2017, this engine won the **2017 Engine of the Year Award** (18<sup>th</sup> edition of the International Engine of the Year Awards) in the 1.1 to 1.4 l category. This is the **third consecutive time** the engine has won the award.

The 1.2 PureTech engine in 110 hp and 130 hp versions is used in Groupe PSA's multipurpose and mid-range vehicles. Launched in March 2014 on the CITROËN C4 Picasso and PEUGEOT 308, the PureTech engine today has **more than 90 applications in almost 70 countries**. In 2017, it contributed to the commercial success of the Group's new vehicles: The **new PEUGEOT 3008 was voted "Car of the Year" 2017**, while the **new CITROËN C3, was named "Best Buy Car of Europe" 2018** by the Autobest panel.

In Brazil, at the "2017 Car of the Year" ceremony organised by the magazine Autoesporte, Groupe PSA was named "**Green brand of the Year**" in recognition of the Company's commitment to the environment and its results in the Nota Verde (a system of the Ministry for the Environment and the Brazilian Institute for the Environment and Renewable Resources which rates Brazilian cars according to their emissions).

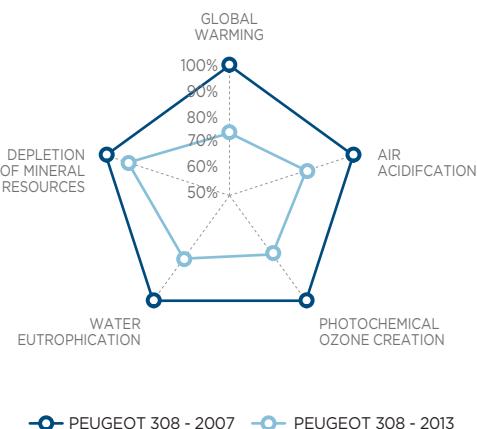
**Open-source** measurement protocol:

[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 work tirelessly to ensure that its circular economy commitments are met. Materials are selected for their end-of-life recyclability, and priority is given to green materials. This active policy of influencing the selection of materials also extends to suppliers. The Groupe PSA'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.
- The new DS7 has **wood fibres** in its front and rear floor mats
- **Reduction of the environmental footprint** of the new PEUGEOT 308 in 2013, compared with the old version in 2007.



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

Similarly, Groupe PSA has rolled out two spare parts offers based on **the circular economy** throughout the life of each vehicle: The "Échange Standard" offer (refurbishment of parts and components with high value) and the parts for reuse service (recovery of parts from end-of-life vehicles). The Group is also involved in collecting and **processing end-of-life vehicles** from its dealership networks through partnerships with specialist operators. The Groupe PSA has introduced a collection and **recycling** process for **traction batteries** covering the whole of the European market.

## A PROACTIVE INITIATIVE FOR CARBON OFFSETTING AND BIODIVERSITY

The PEUGEOT brand, in partnership with France's National Forestry Office (ONF), has contributed to the **Peugeot-ONF carbon sink project it has sponsored in the Amazon** since 1998. The project involves reforesting vast areas of degraded land and restoring biodiversity, while studying the relationship between reforestation and the absorption of atmospheric carbon dioxide.

## HIGH-PERFORMANCE PLANTS FOR REDUCED ENVIRONMENTAL IMPACT

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.

- In 20 years, **waste production** per manufactured vehicle has **halved**.
- **100% of metal waste is recycled**
- **103,320 tonnes of casting sand was regenerated** in 2017, an increase of 7.7% on 2016.
- Launched more than 30 years ago, the "Échange Standard" offer now covers **492,000 reconditioned parts each year**.
- More than **838,000 end-of-life vehicles were processed** through the Group's dealer networks between 2009 and 2017 in France, equating to nearly 958,000 tonnes.
- **Traction battery recycling** rate in 2015:
  - 68% for electric vehicle Li-ion batteries;
  - 84% for hybrid vehicle Ni-MH batteries.

- An area of **1,800 hectares** of virgin forest with high biodiversity value has been devoted to scientific research since 2009.
- At the end of 2015, when the carbon sink had already existed for 17 years, the **total estimated carbon sequestration** through biomass and soil was calculated at **702,974 tonnes of CO<sub>2</sub> eq.**
- **2 million trees reintroduced**.
- **More than 50 local species planted**.
- **Two new species identified** in 2016

### 100% of plants with ISO 14001 certification

In November 2017, the **Kaluga plant came second in the "Eco-organisation 2017" competition**, supported by the Ministry of Natural Resources and Ecology of the Kaluga region, for introducing the most resource-efficient technologies.

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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.

- p The Peugeot S.A. Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with Groupe PSA's long-term vision. It reviews the medium-term strategic plan and the capital expenditure plan as well as the budget as presented to it by the Managing Board.
- p The Supervisory Board, which currently has 14 members, oversees four smaller committees, the Finance and Audit Committee, the Strategic Committee, the Appointments, Compensation and Governance Committee and the Asia Business Development Committee.

■ p The Managing Board is appointed by the Supervisory Board and is re-appointed every four years. They may be removed from office by the Supervisory Board, or by the Shareholders' General Meeting, in accordance with French company law.

In accordance with the rules on the separation of functions, the Chairman of the Supervisory Board cannot be a member of the Managing Board. Conversely the Chairman of the Managing Board cannot be a member of the Supervisory Board.

Chapter 3.1 of the Group's Registration Document provides details of the membership, skills and work of these managing bodies and the committees, together with information on the skills of each of their members.

## PEUGEOT SA OWNERSHIP STRUCTURE

The Group's ownership structure as at 31 December 2017 is presented in Chapter 7 of the Registration Document.

### 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.

The Group's CSR policy and management system form an integral part of its strategy, and take into account all societal, social and environmental issues. 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: Executive Committee members assume direct responsibility with respect to these issues and all operational action plans incorporate CSR criteria.

Some examples:

Governing body	Examples of CSR issues handled
› Supervisory Board	Any topics linked to the strategic Medium-Term Plan, including CSR issues (which comprises climate change risks)
› The Finance and Audit Committee	All high-level CSR issues and risks linked to business ethics and economic consequences
› The Strategic Committee	Environmental issues, including those relating to climate change and air quality
› The Appointments, Compensation and Governance Committee	Company issues, including issues relating to diversity and corporate governance

The Supervisory Board's Finance and Audit Committee monitors the efficiency of internal control and risk management systems, reviews risk mapping including CSR risks, and ensures that these systems are properly developed and managed. The Committee also

#### 1.4.1.1. CSR IN SUPERVISORY BODIES

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The Group's strategic CSR commitments, their implementation 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 dedicated committee established for the areas of social and environmental responsibility. Each Supervisory Board committee, and where applicable the Board itself depending on the issue involved, handles these issues within its area of expertise.

examines the means used to implement these procedures and the remedial actions applied to correct any material weaknesses or deficiencies identified.

## 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 § 3.1 of the Registration Document 2017). This seeks to ensure that skills 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.

Current members of the Supervisory Board with specific CSR skills include:

- Louis Gallois, member and Chairman of the Supervisory Board of Peugeot S.A. since 2014, is Chairman of the French Federation of Solidarity Actors. He is also member of the Board of the French national association of technical research (ANRT), co-chair of the think-tank *La Fabrique de l'Industrie* and Chairman of *Fonds d'Expérimentation Territoires Zéro Chomeur Longue Durée*;
- Geoffroy Roux de Bézieux, a Supervisory Board member since 2007, Vice-Chairman of the Board, and Chairman of the Appointments, Compensation and Governance Committee, is the Delegated Vice-Chairman, Treasurer and Member of the Office of MEDEF;
- Marie-Hélène Peugeot-Roncoroni, a Supervisory Board member, is Vice-Chair of the Groupe PSA Foundation;
- Jean-François Kondratuk, Member of the Supervisory Board representing employees, is an administrator of the Groupe PSA Foundation.

## Consultation of stakeholders

### Employees are represented on the Supervisory Board,

- A member representing employees sits on the Peugeot S.A. Supervisory Board, in accordance with Article 10-1 B of the Company by-laws. This member is appointed by the Groupe PSA European Group Works Council. Please note that the term of office of Mr Kondratuk, Member representing employees since 2014, will expire in June 2018. The European Group Works Council will then meet to appoint a new member of the Board representing employees.
- A member representing employee shareholders sits on the Peugeot S.A. Supervisory Board, in accordance with Article 10-1 C of the Company by-laws. This member is voted in by the Shareholders' General Meeting, from the candidates put forward by the Supervisory Boards of the corporate mutual funds (FCPEs) which hold shares in the Company. Although, based on the current shareholding status, Peugeot S.A. is no longer required to have an employee shareholder representative, as it wishes employee shareholders to be involved in the Company's governance it has therefore decided to retain this position. Bénédicte JUYAUX has been appointed as the new member representing employee shareholders.
- In many countries, the Groupe PSA offers a variety of savings schemes. At end December 2017, employee profit sharing came out at 2.03%, representing nearly 59,200 of the Group's current or former employees.

## Minority shareholders are represented on the Supervisory Board

In April 2014 the Supervisory Board appointed, from the independent members of the Board, a Senior Independent Member, Geoffroy Roux de Bézieux. Since July 2017 Mr Roux de Bézieux has been Vice-Chairman of the Board, his primary duties being to inform the Chairman of the Supervisory Board of any conflict of interest he has identified that might affect the deliberations of the Board, and to factor in any major governance concerns of shareholders not represented on the Supervisory Board and ensure that their concerns are addressed.

In accordance with the law, shareholders may ask the Supervisory Board to include points in the agenda for the Shareholders' General Meeting. All draft resolutions are published on the Group's website. Electronic online voting has been in place since the 2016 Shareholders' 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.

The Managing Board delegates a number of powers to carry out CSR-related legal formalities to specific executive managers. For example:

- The Group's Head of Human Resources, who is a member of the Executive Committee, in the context of their powers "ensures compliance with the rules applying to non-discrimination in the workplace", "ensures that the prevention policy and the various regulations relating to health, safety and working conditions are properly applied", "monitors all aspects of collective working relations", etc.;
- All Production centre 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 four, and reports directly to the VP of Corporate Communications, who in turn reports to the Chairman of the Managing Board. The role of the Sustainable Development Delegation 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.);
- to 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; to keep the Supervisory Board informed of CSR issues;

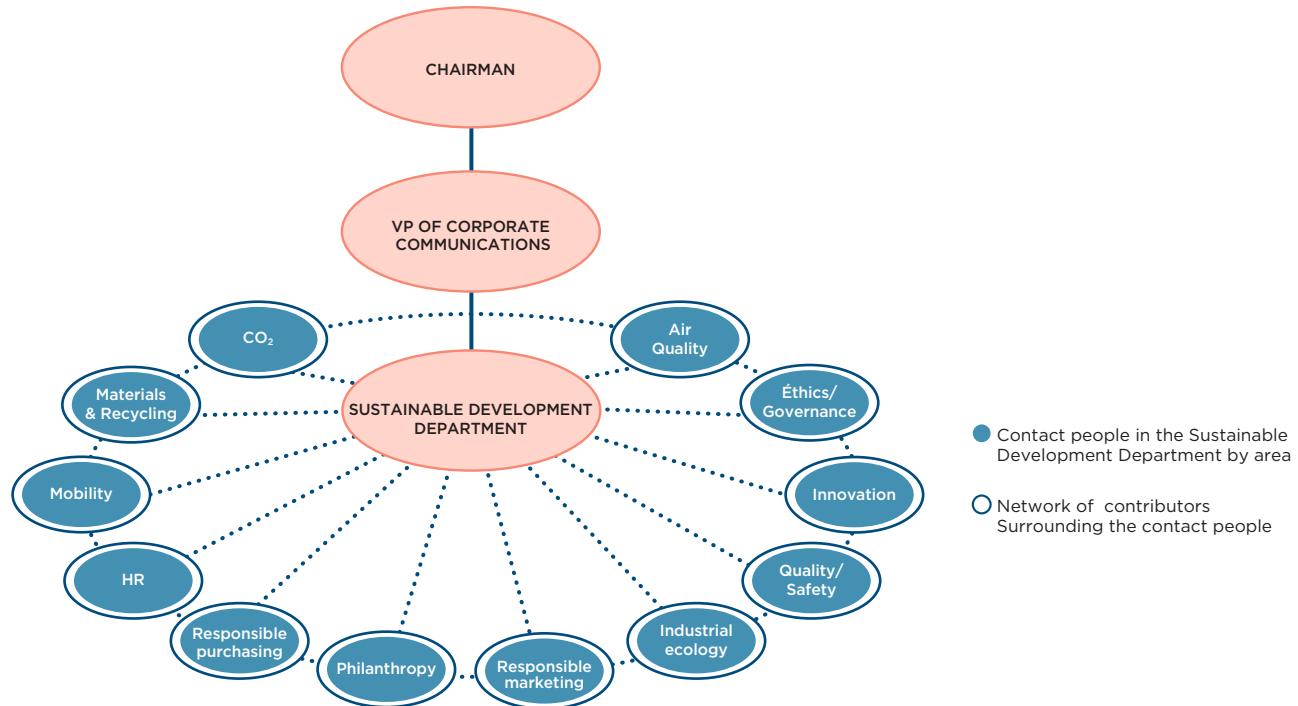
- to represent the Group's interests before various external bodies specialising in CSR;
- to be a proponent of actions serving to underscore the Group's CSR commitments.

### 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 Heads of department who serve among its members play a key role in the Group's CSR policy: the Executive Committee validates the medium- and long-term CSR directions and ambitions, while the Heads of department are responsible for following the courses adopted and are the guarantors 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 2017

- p Continuing relations with stakeholders in the French automotive industry via the PFA.
- p Continuing dialogue with France Nature Environnement in line with the partnership with NGO Transport & Environment which led to the publication of real-world fuel consumption of the Group's vehicles.
- p Contribution to proposals put forward by MEDEF and AFEP upstream of working sessions on the CSR platform, continuing efforts to identify best practices within the MEDEF working group on "Non-financial performance".
- p Participation in the materiality work of the French Observatory for Social Responsibility (ORSE) to publish teaching materials to help companies better understand this concept; publication of articles on the concept of materiality in the accounting journal.

### 1.4.3. Internal control system G4-14

#### 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:

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

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 [French Financial Markets Authority (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.

- p Participation in workshops held by the *Union des Annonceurs* (French Union of Advertisers) on the topic of responsible communication.
- p Participation in the Paris Europlace Working Group on integrated reporting, bringing together issuers, investors and the French Financial Markets Authority (AMF).
- p In 2017 the Group worked on updating its materiality matrix, with the new version approved by members of the Executive Committee in September 2017. The CSR issues and macro-risks were identified on the basis of business line expertise from the Group's network of CSR contributors, and were submitted for assessment by the Group's stakeholders through meetings selected according to a representative sample.
- p The members of the Sustainable Development Delegation regularly meet BtoB customers to discuss the Group's CSR issues.

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:

- p isks 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;
- p thics 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;
- p isks 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;
- p egal risks: the Legal Affairs Department, which reports to the General Secretary, 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;
- p conomic and financial risks: the Management Control Department, which reports to the Chief Financial Officer, is responsible for overseeing the Group's business and financial performance and proposes annual and medium-term targets for growth, operating margin and return on capital employed to Executive Management. It manages the process of preparing the Medium-Term Plan and the budget framework. It controls the results of the operating departments and the Group's projects, and produces summary reports. It also carries out other finance-related tasks, particularly for the automotive business, such as product

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;

- pRisks related to climate changes: 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 reduce mitigate them are detailed in part 1.2.1.; under Chapters 2, 4 and 5 of this document. They are also presented in Chapter 1 and Chapter 2 of the Registration Document.

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

- pThe 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.

- pThe 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:

- pOn annual review at a meeting of the Executive Committee, when the results of the self-assessment are presented;
- pOn 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;
- pOn 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:

- pPreparation and development of internal control reference guides, working closely with the operating units to reinforce the Group's policy;
- pFeedback from the different business lines, which is then used to streamline and enhance internal control procedures;
- pAdaptation 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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For Groupe PSA, 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.

Groupe PSA 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.

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. The true value of mobility objects will be measured against the uses and life experience that these objects can offer consumers.

Groupe PSA has identified six significant issues concerning sustainable mobility:

#### ■ **Issue "Vehicle CO<sub>2</sub> emissions" – 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%; industry: 21%), 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.

These elements are detailed in this chapter, section 2.1.

#### ■ **Issue "Vehicle impact on 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. The emissions permitted by successive Euro X regulations have been tightened considerably, for example, particle emissions have gone from 140 to 4.5 mg/km since they first came into application in 1993, a reduction of around 97%. There are also a growing number of cities with restricted traffic areas which 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. Manufacturing facilities must also be adapted to meet customer expectations (in France, diesel's market share fell from 77% in 2008 to 47% in 2017).

These elements are detailed in this Chapter, section 2.2.

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

Customer satisfaction, a fundamental factor in the continued existence of any company, relies on quality products and services. Customer satisfaction hinges on two factors: product quality and service quality. The regulatory context defines obligations to provide information, a legal warranty, repair and replace, international quality standards (e.g. IATF16949 specific to the automotive industry), and the socio-economic context includes increasingly complex value chains and constantly changing customer expectations in terms of mobility and vehicles. Good quality is the forerunner to economic efficiency and customer loyalty. Poor quality costs money and can lead to a fall in revenue and damage to reputation.

These elements are detailed in this chapter, section 2.3.1.

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

Safety is governed by laws and regulations but is also addressed by voluntary codes of practice, such as the OECD Guidelines for Multinational Enterprises. Vehicle safety affects all road users (cyclists, pedestrians, other motorists, etc.). Government departments (NHTSA in the US, MLIT in Japan, KBA in Germany, DVSA in the UK, MOLIT in South Korea, etc.) are bringing in increasingly stringent safety measures. Safety is one of the most important factors in customers' choices. Civil society has high expectations in terms of vehicle safety and car manufacturers' efforts right from the design stage and these expectations will rise with the arrival on the market of autonomous and connected cars. The challenge for car manufacturers is to continually improve vehicle safety without any impact on selling prices.

These elements are detailed in this chapter, section 2.3.2.

#### ■ **Issue "Wise use of material in the vehicle life cycle (including product recycling)" – 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;
- Use of materials from a responsible supply chain (respecting human rights and the environment, ethics);
- Processing end-of-life products (specifically the vehicles and batteries from electric vehicles) in a responsible manner to meet growing regulatory pressure worldwide.

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.

These elements are detailed in this chapter, section 2.4.

#### **Issue "Development of new mobility solutions"- internal and external impacts**

Traditionally perceived as a tangible asset, the car is now more likely to be perceived as an object of mobility, especially by new generations. Social, environmental and technical changes impact customer behaviour and expectations in mobility matters. Analysts foresee a market of 300,000 vehicles for car-sharing fleets by 2018. The number of users of car-sharing services worldwide is set to increase from 8 to 36 million between 2015 and 2025. The Group's longevity is therefore dependent on mobility product and service developments.

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.

Free2Move, Groupe PSA's new mobility brand, aims to provide customers with the mobility solutions they need to make their lives easier. It has invested €100 million in developing an ecosystem with partners operating in different car-sharing niches, bringing them all together in one platform which offers customers a one-click transport solution to suit their situation.

These elements are detailed in this chapter, section 2.5.

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.



**Awareness raising on environmental issues:** During the Shareholders' Meetings reporting on the enforcement of the Groupe PSA's Global Framework Agreement on social responsibility, at the plenary meeting of the Group's European Works Council which was expanded to include 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.

## COMMITMENTS SCOREBOARD

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018 <sup>(1)</sup>
<b>CLIMATE CHANGE</b> 	<b>VEHICLE CO<sub>2</sub> EMISSIONS*</b> Organiser: Executive Vice-President, Programmes	<b>BY 2035</b> Reduce average CO <sub>2</sub> emissions of vehicles sold worldwide by 55% compared with 2012 levels, to be achieved with the support of: ■  plug-in hybrid petrol-electric powertrain; ■  new range of electric vehicles; ■  range of high-performance engines and lighter vehicle platforms.	■  launch of a new generation of engines (Euro 6 step 2) and manual six-speed gearboxes (MB6). ■  Continuing to downsize petrol engines in China (three-cylinder engines). ■  launch of new models on the EMP2 platform. ■  Expansion of new PEUGEOT Expert and CITROËN Jumpy commercial vehicles. ■  Reduction of CO <sub>2</sub> emissions in Brazil.	Target met: ■  Maintaining the Group's worldwide trend for lower average CO <sub>2</sub> emissions on all vehicles (passenger and commercial) despite a slight deterioration of the situation for passenger vehicles in Europe due to a fall in the diesel market share and the upscaling of vehicles. ■  New generation of engines (Euro 6 step 2) and 2 new gearboxes launched in 2017. ■  Launch of the DS7 Crossback on the EMP2 energy efficient platform. ■  Continued development of the new light commercial vehicles PEUGEOT Expert and CITROËN Jumpy, which contribute to reduce average emissions by 8% compared to 2016 on European light commercial vehicles perimeter. ■  Reduction of the CO <sub>2</sub> emissions by 7,6% in Brazil and 2,6% in China.	■  Integration of OV with faster roll-out of technologies in line with the PACE! plan: launch of joint projects stepped up on the Group's EMP2 and CMP platforms with earlier market launch of CO <sub>2</sub> efficient OV models and the electrified versions (electric or hybrid plug-in petrol). ■  Continued launch of new EMP2 models (ranges of high-performance commercial vehicles and top-of-the-range passenger vehicles) and 1st vehicle launch on the CMP platform (small, fuel-efficient lightweight vehicles).

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

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

 <b>MACRO-RISKS</b>	 <b>CSR ISSUES</b>	 <b>AMBITIONS<sup>(1)</sup></b>	 <b>TARGETS 2017</b>	 <b>RESULTS 2017</b>	 <b>TARGETS 2018<sup>(1)</sup></b>
<b>HEALTH/SAFETY: GROWING DEMAND OF CIVIL SOCIETY</b> 	<b>VEHICLE IMPACT ON AIR QUALITY*</b> Organiser: Quality & Engineering Department	<b>BY 2035</b> Based on its technological offer, specifically its range of 100% electrified vehicles by 2025: ■ Achieve more than 50% of Group sales to be electric, fuel cells and hybrid vehicles with an emission-free mode; ■ Deployment of state-of-the-art after-treatment systems for internal combustion vehicles in all countries in which the Group operates.	<b>Nitrogen oxide emissions:</b> ■ Identify Euro 6 2 <sup>nd</sup> step diesel vehicles to test (representative of sales); ■ Test NO <sub>x</sub> emissions of Euro 6 2 <sup>nd</sup> step diesel vehicles using the Real Driving Emissions (RDE) procedure. <b>Particulate emissions:</b> Introduce direct-injection petrol-powered vehicles with particulate filters.	Target met: ■ Euro 6 2 <sup>nd</sup> step vehicles identified. ■ As per our commitment, the NO <sub>x</sub> emissions measured on these vehicles are less than 120 mg/km. ■ Introduction of the first direct-injection petrol-powered vehicles with particulate filters in October 2017.	■ For PCD, publish the results of the work carried out with T&E, FNE and Bureau Veritas to measure NO <sub>x</sub> emissions and particles in real driving conditions ■ By the end of 2018, all new direct-injection petrol-powered vehicles sold by Groupe PSA in Europe will be fitted with particulate filters.
	<b>VEHICLE SAFETY*</b> Organiser: Quality & Engineering Department	<b>BY 2035</b> Offer customers vehicles fitted with state-of-the-art protection: ■ For customers and all road users, especially in autonomous driving mode, with 80% of vehicles offering automatic control functions from 2030 (reduction in number of reported physical injuries involving a Groupe PSA vehicle); ■ For customers' property by controlling the inviolability of the vehicles (90% of vehicles with the highest Thatcham rating); ■ For vehicle/customer data and the vehicle itself against cyberattacks (all hardware protected against cyberattacks / all alerts processed).	Issue previously grouped with "VEHICLE QUALITY AND CUSTOMER SATISFACTION SERVICES", will be handled independently from 2018.	N/A	■ Creation of a single indicator to monitor changes in injury accidents involving a Groupe PSA vehicle. ■ Groupe PSA scope: Of the vehicles in production since 2011 rated by Thatcham, 90% are rated "Exceed". ■ Implementation of a system to monitor alerts fed back by vehicles in the Cloud platform managed by PSA.

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

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE ! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018 <sup>(1)</sup>
<b>NATURAL RESOURCE SCARCITY</b> 	<b>WISE USE OF MATERIAL IN THE VEHICLE LIFE CYCLE (INCLUDING PRODUCT RECYCLING)</b> Organiser: Quality & Engineering Department	<b>BY 2035</b> 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; ■ by ensuring that all electric vehicle batteries can be used as second-hand energy storage devices before being recycled; ■ by eco-designing our vehicles to ensure all new materials can be recycled in the circular economy circuits (95% vehicle recovery rate by weight with a minimum recyclability rate of 85%).	Continue integrating recycled and natural materials into new vehicle projects that have begun. ■ Europe: Publish a report on the 2017 average Group vehicle. ■ Rest of the world: - 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.	Target met: ■ Europe: share of green material in Group's average vehicle 2017 > 30%. ■ Rest of the world: - in Latin America: introduce a recycled metals reference guide specific to Latin America and continue integrating recycled polymers which contain natural fibers; - in China: some categories of recycled polymer materials identified but not validated technically and economically, research ongoing.	Continue integrating recycled and natural materials into new vehicle projects that have begun. ■ Europe: - PCD: publish a report on the 2018 average PCD vehicle; - OV: introduce the process for calculating the average integration rate of green materials in vehicles sold. ■ Rest of the world: - in Latin America: continue integrating green materials into polymers, consolidate the metals reference guide and evaluation on one vehicle; - in China: continuation of work to identify green materials, approved in technical and economic terms, according to PSA's materials policy. Continuation of R&D programme to develop a second life for electric vehicle batteries.

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE ! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

 <b>MACRO-RISKS</b>	 <b>CSR ISSUES</b>	 <b>AMBITIONS<sup>(1)</sup></b>	 <b>TARGETS 2017</b>	 <b>RESULTS 2017</b>	 <b>TARGETS 2018<sup>(1)</sup></b>
<b>CUSTOMERS' EXPECTATIONS AND MARKET RISKS</b>  	<b>VEHICLE AND SERVICE QUALITY - CUSTOMER SATISFACTION*</b> Organiser: Quality & Engineering Department	<b>BY 2035</b> Be, and remain, customers' preferred car manufacturer and mobility supplier: ■ <b>p</b> atisfy each and every customer by offering mobility solutions that meet their expectations around the world and for all usage (overall product satisfaction rate, in comparison with the TOP3); ■ <b>p</b> contribute, with the best level of reliability of the mobility objects, to maximize their resale value, and minimize the repair costs in the long run (three-month warranty claim rates at 0 and warranty cost cut by 75% in comparison to the Push to Pass benchmark); ■ <b>p</b> rovide the same level of excellent service to all customers anywhere, anytime (recommendation rate: 109 in sales and 118 in after-sales - base 100 2014).	Application of the Quality Management System at its highest maturity level to achieve these goals:  Three-month warranty claim rates: ■ <b>p</b> target of 50 vs. 57 in 2016 (scope world: Europe, China, Latin America, Eurasia, India-Pacific and Middle East-Africa/ Base 100 2011);  Recommendation rate: ■ <b>p</b> sales target of 114 (vs. 112 in 2016), after-sales target of 120 (vs. 117 in 2016) (scope: world excluding China: Europe, Latin America, Eurasia, India-Pacific and Middle East-Africa - base 100 2011); ■ <b>p</b> in China: 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).	Target partially met:  Three-month warranty claim rates: ■ <b>p</b> result 54 (scope World -base 100 2011)  Recommendation rate: ■ <b>p</b> sales result 115 and after-sales 122 (scope excluding China - base 100 2011);  ■ <b>p</b> in China: CITROËN 6 <sup>th</sup> of 42 brands in JD Power SSI.	Satisfaction: ■ <b>p</b> 30% of models in the Q1 of their competitive segment for satisfaction vs. 25% in 2017 (PSA satisfaction index all regions).  Three-month warranty claim rates: ■ <b>p</b> target 61 vs. 76 in 2017 (scope World - base 100 2014) <sup>(2)</sup> ; ■ <b>p</b> Change in the per-vehicle warranty expense: target of -18% vs. 2015 (Scope PCD world).  Recommendation rate: ■ <b>p</b> Sales target of 105 (vs. 103 in 2017), after-sales target of 109 (vs. 106 in 2017) (scope PCD world - base 100 2014); ■ <b>p</b> Sales target of 101.4, after-sales target of 101.3 (scope OV - base 100 2017).

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

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

(2) The references have been adjusted to a base 100 2014 PSA World to take account of the inclusion of China and OV in a comparable reference guide wherever possible.

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018 <sup>(1)</sup>
<b>CUSTOMERS' EXPECTATIONS AND MARKET RISKS</b>  	<b>DEVELOPMENT OF NEW MOBILITY SOLUTIONS*</b> Organiser: Head of Mobility Services	<b>BY 2035</b> Free2Move, Groupe PSA's new mobility brand, will be customers' preferred mobility services provider.	<ul style="list-style-type: none"> <li>■ <b>Hire through the network (Rent):</b> 5 operational countries in Europe for PEUGEOT, CITROËN and DS AUTOMOBILES.</li> <li>■ <b>Urban car-sharing:</b> by 2017 year-end, Free2Move will be offering services in more than 10 cities.</li> <li>■ <b>Connect Fleet Management:</b> by 2017 year-end, 60,000 cars will be fitted.</li> </ul>	<p>Target met:</p> <ul style="list-style-type: none"> <li>■ <b>Rental through the network:</b> 5 operating countries in Europe for PEUGEOT, and 4 for CITROËN and DS AUTOMOBILES.</li> <li>■ <b>Groupe PSA offers car-sharing services, through different financial participation levels, in 11 cities.</b></li> <li>■ <b>Connect Fleet Management:</b> 95,000 cars fitted by 2017 year-end.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Rental through the network:</b> 7 operational countries in Europe for PEUGEOT, and 6 for CITROËN and DS AUTOMOBILES;</li> <li>■ <b>Groupe PSA offers car-sharing services, via a membership scheme, in 2 new continents: America and Asia;</b></li> <li>■ <b>The Free2Move app has over 1 million customers;</b></li> <li>■ <b>B2B services:</b> <ul style="list-style-type: none"> <li>- By year-end 2018, 180,000 PCD cars fitted with Connect Fleet Management and 1,000 with Connect Fleet Sharing;</li> <li>- Create a B2B offer for OV.</li> </ul> </li> <li>■ <b>Set out the strategy and schedule for the OV connected services offer in the Groupe PSA's service plan.</b></li> <li>■ <b>Satisfaction with PCD rental, car-sharing and B2B services is 8.4 compared to 8 in 2017.</b></li> </ul>

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

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

(2) The references have been adjusted to a base 100 2014 PSA World to take account of the inclusion of China and OV in a comparable reference guide wherever possible.

## 2.0. Designing the mobility of the future: sustainable, intelligent, safe and shared

DPEF.15

Groupe PSA is evolving in an environment in which safety and regulatory issues are growing (convergence of the CO<sub>2</sub> targets in all major markets, tightening up of anti-pollution standards), there is strong pressure from other market players (wakening up to environmental issues) and customer needs are changing with the advent of new technologies.

Innovation, research and development are therefore priorities for Groupe PSA. They are a powerful lever that can be used to tackle the crucial issues facing the automotive industry and develop the competitive advantages which are vital for growth.

Through the Push to Pass Plan, which was unveiled on 5 April 2016, **Groupe PSA has outlined its vision for 2030: to be the most efficient car manufacturer and the preferred global supplier of mobility services. To do this, the Group relies particularly on a core model and technology strategy, and it has articulated a performance plan.** During the Mobility Days event in

September 2016, the Group shared its vision of mobility: sustainable, intelligent, safe and shared. At the Mobility Talks event held on 14 November 2017, Groupe PSA gave tangible illustrations of the latest mobility services it has developed.



Push to Pass Plan: <https://www.groupe-psa.com/en/publication/push-to-pass/>

Mobility Days press kit: <https://www.groupe-psa.com/en/document/mobility-days-2016-dossier-de-presse/>

Mobility Talks press release: <http://media.groupe-psa.com/en/groupe-psa-ever-expanding-range-services-facilitate-day-day-mobility>

## 2.0.1. Innovation for differentiation on the automotive market

Innovation guarantees a genuine potential for differentiation on a market which is demanding and constantly changing. It enables the Group to set itself apart from the competition and to invent the vehicle of tomorrow. **Groupe PSA has consolidated a high-value portfolio, which is protected by industrial property rights, including a large number of patents.**

In April 2018, the French Patent and Trademark Office (*Institut National de la Propriété Industrielle – INPI*) awards singled out Groupe PSA for having 1,021 patents published in 2017 in France and 1,044 worldwide in 2017. 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.



## 2.0.2. The R&D strategy supporting the Group's ambitions

### 2.0.2.1. THE “CORE MODEL STRATEGY”

Through its Push To Pass strategic plan, the Group has decided to launch a product offensive that is focused on its customers and on the world's leading profit pools by releasing one new car per region, per brand and per year from 2018. The aim is to have a **target range of 26 passenger cars and 8 light commercial vehicles**.

To roll out this ambitious product plan and ensure its efficiency, the Group's R&D Department develops its vehicles through multi-brand and multi-region programmes, serving the interest of six regions and three brands, based on multi-energy modular platforms that enable it to maximise the reuse of parts.

**These body designs are created over two lighter, multi-energy platforms, and offer greater modularity in terms of length, height and wheel diameter, to address the environmental challenges faced:**

- the mid- and high-end multi-use body designs of all the Group's brands (sedans, coupés, MPVs, SUVs and LCVs) are developed on EMP2 (the "Efficient Modular Platform"), first launched three years ago. In addition to petrol and diesel engines, this platform will be fitted with a plug-in full hybrid petrol-electric powertrain from 2019;

This policy has been significantly modified in order to more strongly protect the technological developments that the Group considers strategic, the on-board innovations on vehicle projects, and the improvements to processes implemented in the plants. These changes help to optimise the economic performance of the patent operations.

**IMPACT MEASUREMENT AND ECONOMIC ASSESSMENT**

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

- generate revenue: €255 million in 2017 from patents from the Automotive Division;
- attract and retain talents – “inventors” and potential partners;
- consolidate its reputation for technology and raise the status of its inventions with customers and other stakeholders: over 13 patents filed by PSA for the lightweight electrified vehicle from the European consortium EU-LIVE, half of which for the tilting mechanism which makes it extremely manoeuvrable and similar to drive to a 3-wheel scooter.

■ the segment B city car models, up to the compact SUVs, as well as the new segment C sedans, will be developed on the Common Modular Platform (CMP), established in collaboration with DONGFENG MOTOR CORPORATION. By 2019, this platform will be available with an electric powertrain variant.

**IMPACT MEASUREMENT AND ECONOMIC ASSESSMENT**

This modular approach, coupled with programme-based organisation, will enable the reuse of basic parts and modules but also body parts, generating a **20% saving on R&D costs and a 30% saving on capital expenditure (CAPEX)** compared to an entirely new model.

### 2.0.2.2. THE “CORE TECHNOLOGY STRATEGY”

Groupe PSA offers a targeted range of technologies that aims to provide its customers with a **diverse selection of technological options to meet all of their sustainable mobility needs**, thus reflecting the social changes that have a direct impact on the automotive industry: the energy transition; increased urbanisation; digital advances and hyper-connectivity; globalisation; mobility and changes in habits.

Groupe PSA has therefore identified **three R&D strategic focus areas** through which it will offer all its customers new types of automotive experience, tailored to the individual trends around the world:

- 1 clean technologies:** marketing a car which addresses environmental and health issues (cf. § 2.1.1.0.);
- 2 the autonomous connected vehicle:** to assist drivers during the most monotonous moments of driving, offer ever increasing levels of safety and pave the way for the car of the future (cf. § 2.3.2.0.);
- 3 appeal:** to offer customers wellness functions and enhance the Group's brand DNA.

These technological innovations enable the Group to provide concrete responses to some of its CSR issues.

R&D strategic focus area	Related strategic CSR issue
Clean technologies	<ul style="list-style-type: none"> <li>› <b>“Vehicle CO<sub>2</sub> emissions” and “Vehicle impact on air quality”</b>            In 2017, Groupe PSA introduced new, increasingly high-performance, environmentally-friendly engines and gearboxes. (cf. § 2.1.1.0.2).            The 1.2 litre 3-cylinder Turbo PureTech petrol engine was voted Engine of the Year for a 3rd year running in 2017. This engine is fitted in all of Groupe PSA's multipurpose and mid-range vehicles, equating to 90 applications in almost 70 countries. (cf. § 2.1.1.0.2).            In October 2017, the real-world fuel consumption test protocol, developed by Groupe PSA, Transport &amp; Environment and France Nature Environnement, received the ECOBEST prize awarded to environmental preservation programmes. (cf. § 2.1.0.3).            In November 2017, as part of the European consortium EU-LIVE, Groupe PSA announced the design and engineering of a light electrified vehicle with a “zero emission” mode for driving in cities and outlying urban areas. (cf. § 2.0.3.3.2).</li> </ul>
The autonomous connected vehicle	<ul style="list-style-type: none"> <li>› <b>“Vehicle safety”</b>            Groupe PSA is the first car manufacturer to have conducted experiments with “non-experts” behind the wheel since March 2017. During Innovation Days in June 2017, Groupe PSA hosted more than 200 visitors, including journalists, bloggers, investors, institutions and the general public, to test its level 3 (Eyes off) and level 4 (Mind off) autonomous demonstrators in real-world driving conditions. (cf. § 2.3.2.0.2).            In November 2017 the Group announced its partnership with Huawei to develop a new platform, known as the Connected Vehicle Modular Platform (CVMP), which will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality. (cf. § 2.3.2.1).            Groupe PSA is working on a new electronic architecture (NEA) – in short, the car's central nervous system – that guarantees safe operation in all situations, passenger safety and data security. (cf. § 2.3.2.0.2).  <li>› <b>“Development of new mobility solutions”</b>            In May 2017, Groupe PSA and nuTonomy entered a strategic partnership aimed at testing new, fully-autonomous vehicles in Singapore. Thanks to this partnership, it will be able to analyse the performance of the autonomous vehicle system at the same time as the customer experience of an on-demand autonomous mobility service in an urban environment. (cf. § 2.5.0).</li> </li></ul>
Appeal	<ul style="list-style-type: none"> <li>› <b>“Vehicle safety”</b>            In 2017, DS AUTOMOBILES brought out new safety features under the umbrella name “DS SAFETY”, for its DS7 Crossback model. (cf. § 2.3.2.0.2).  <li>› <b>“Vehicle/service quality – customer satisfaction”</b>            Since November 2016, Groupe PSA has had an UXCT (User eXperience Cockpit Team) workspace: a space dedicated entirely to the user experience, allowing one to imagine life on board the cars of tomorrow. (cf. § 2.0.3.2.).</li> </li></ul>

## 2.0.3. R&D effectiveness: optimised resources DPEF.16

Key figures	2015	2016	2017
R&D expenses* (total expenses invested)	€2.2 billion	€2.4 billion	€2.9 billion
Number of employees assigned to R&D	13,500	13,000	20,300**
Number of R&D centres	7	7	9**
Number of patents published	1,012	930	1,021
Number of academic chairs	7	6	6
Number of OpenLabs	16	18	18
Proportion of Group scientific research conducted in the OpenLabs (excluding China)	10%	15%	between 15 and 20%

\* Automotive Division PCD + OV + FAURECIA.

\*\* including OPEL and VAUXHALL

Within the Automotive Division, the Research & Development Department (RDD) is responsible for research & development and is part of the Executive Committee. The QED manages and carries out eco-design, in particular, life cycle analyses and monitoring of the use of green or recycled materials: it collects the required data from the engineering business lines and suppliers for each vehicle project.

As these projects develop, the Programmes Department keeps track of the solutions implemented, measuring their efficiency based on the proportion of green materials used and CO<sub>2</sub> emissions, 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.

**With the takeover of OPEL/VAUXHALL, Groupe PSA can take full advantage of the assets of the PEUGEOT, CITROËN, DS AUTOMOBILES, OPEL and VAUXHALL teams to implement its Core Model Strategy and Core Technology Strategy:**

- p<sub>re</sub>cognised expertise in the engineering industry: "Car of the Year": PEUGEOT 308 (2014), OPEL Astra (2016) and PEUGEOT 3008 (2017);
- p<sub>re</sub>teams which have already worked together on several joint projects: OPEL Crossland X, CITROËN C3 Aircross, OPEL Grandland X, segment B commercial vehicles (CITROËN Berlingo and PEUGEOT Partner) and the next OPEL Corsa generation;
- p<sub>re</sub>50% increase in R&D capacity thanks to a stable R&D expenditure/Group automotive revenue ratio of between 7% and 8%.

### 2.0.3.1. THE R&D BUDGET



As part of the Push to Pass Plan that was introduced in 2016, the Group committed to keeping annual R&D and CAPEX budgets between 7% and 8% of the revenue of the Automotive Division to enable it to develop structuring projects.

Total R&D spending was up in 2017 compared to 2016, thus reinforcing the Group's ability to innovate for the future (see the financial statements of the Registration Document).

To meet these strategic ambitions, R&D must become more efficient and expenditure must be thoroughly optimised throughout the R&D value chain, from the innovation phases right through to manufacture and the vehicle lifetime. **Management of the DRIVE (Development Research Innovation & Value Enhancement) performance plan has led to a saving of €1.5 billion over the five years of the Medium-Term Plan (2014-2018)**, i.e., on average €300 million per year.

The key factors identified to achieve this objective are:

- p<sub>re</sub>the business transformation project, which aims to change our engineering structure in order to simplify our processes, and bring our development plan more in line with the technological complexities we face. It could lead to an average saving of 20% in development expenditure and of ten weeks in the development of a vehicle;
- p<sub>re</sub>PLM (Product Lifecycle Management), used to collate, manage and share all data for each product throughout its life cycle. It drives all the operating processes and working methods set out in the business transformation project. PLM uses the 3DEXPERIENCE platform developed by Dassault Systèmes. This is helping Groupe PSA 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;



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

■ p<sub>re</sub>Digital Validation Booster, a project which aims to boost digital validation and thereby reduce the number of material resources (prototypes) and, in turn, reduce R&D costs and time to market. The approach was used for the new 1.5 BlueHDi diesel engines and new 6-speed gearboxes launched in 2017 which were developed without prototypes;

- p<sub>re</sub>arranging R&D subcontracting around core suppliers of engineering services and undertaking cost improvement measures with each of them, with a goal of reducing subcontracting costs by 20%.

The Group has defined levers that will improve R&D efficiency: **streamline diversity with the core model strategy** (shift from 45 to 26 models by 2022) targeting annual cost reductions of €300 million over the duration of the plan.

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 2017, 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.

The Group also has virtual reality systems at several of its French sites. At Vélizy, the virtual reality centre has three systems, including the CAVE TM (Cave Automatic Virtual Environment) which has 5D immersion. Sochaux and Rennes have stereoscopic screens for work on the perceived quality of the vehicles. Thanks to investment in 2017, these resources were kept at the highest level.

Virtual reality is used to:

- evaluate services or manufacturing situations, from preliminary design until the end of the design phase. It is thus used by many business lines and gives users an immediate impression;
- reduce the number of physical devices and, more importantly, produce a large number of design approximations in a shorter time. This makes the teams more efficient and speeds up convergence time.

"Virtual Reality Centre, future of car - Groupe PSA" video: <https://www.youtube.com/watch?v=24kbEPwx294&index=92&list=PL6CC-D8AAB157C61E8>

■ **an R&D cluster in China**, with three R&D centres: two sites with our partner DONGFENG MOTORS: Shanghai (the Group's China Tech Centre) and Wuhan (in charge of developing new prototype vehicles, modifying engines and fostering local integration) and one site with our partner Changan Automobiles in Shenzhen (responsible for local sourcing and manufacturing), with a workforce of 2,650 (of which 2,000 in the joint ventures at the 2017 year-end);

■ **an R&D cluster in Latin America** (São Paulo), dedicated to local sourcing and manufacturing, which had a workforce of 500 at the 2017 year-end;

■ **an R&D centre opened in Morocco** in July 2017, which will support Groupe PSA's expansion in the Middle East-Africa region, with a workforce of 202 at the 2017 year-end.

With the takeover of OPEL/VAUXHALL, Groupe PSA has a **new R&D centre in Germany**: the ITDC (International Technical Development Center) in Rüsselsheim, which becomes the 2<sup>nd</sup> Groupe PSA centre of expertise in the world. It will become the home to global skill centres which will be responsible for the international technical reference guides and their upgrades; identification and maintenance of the tools to be deployed; efficient operational implementation for all Group brands. These skill centres will benefit from the recognised expertise of the OPEL VAUXHALL teams in areas such as compliance with American standards and regulations (vehicles and powertrains); fuel cells; alternative fuels (LPG, CNG); the development of certain driver assistance systems; automation of the electricity/electronics tests; software configuration management.

The R&D "jobs and skills" strategy aims to **focus available resources on the most strategic areas for the business**:

- by subcontracting a percentage of standard operations to core suppliers of engineering services;
- via its expertise network established in 2010, which today includes 21 senior experts, 161 experts and 521 specialists who provide the Group with key competencies;
- via internal reconversions: 1,850 career paths were designed by the Quality and Engineering Department (DQI) as part of the internal reconversion programme called "Top Compétences", enabling employees to focus on and acquire skills that are highly valuable for the Group's R&D;
- through targeted recruitment: numbering 170 in 2017 for the DQI.

Since November 2016, Groupe PSA has had an UXCT (User eXperience Cockpit Team) workspace staffed by more than 230 employees: a space dedicated entirely to the user experience (the largest in Europe with a multidisciplinary team, one branch in San Francisco and another in Shanghai), which offers a specific, cross-functional, multi-business line implementation mode to allow users to experience life on board the cars of tomorrow. It can be used for all Group projects (research, concept-cars, preliminary design, series production).

## ALMOST 20,300 EMPLOYEES DEVOTED TO R&D (INCLUDING OPEL AND VAUXHALL)

Groupe PSA's R&D has a global reach and is built around four clusters that support the Group's international development:

■ **an R&D cluster in France**, its main base, in charge of the early phase, the design and engineering of vehicles and subassemblies: It is divided among three R&D centres and their three validation and testing sites: (Vélizy/La Ferté-Vidame, Sochaux/Belchamp and La Garenne-Colombes/Carrières sous Poissy), handling three-quarters of the Group's R&D activity, with a staff of 9,425 at the 2017 year-end;

"UXCT Taking a fresh Approach to Imagining Life on board the Cars of the Future" page: <https://www.groupe-psa.com/en/newsroom/automotive-innovation/psa-group-imagines-the-car-cockpits-of-the-future/>

"UXCT, 230 people to shape the future of UX and HMI for Groupe PSA" article, page: <http://www.inmvt.com/en/behind-the-scenes/uxct-future-ux-design-hmi/>

### 2.0.3.3. PARTNERSHIPS

#### 2.0.3.3.1. Development, production and marketing partnerships

**Groupe PSA is developing internationally while curbing its R&D expenses thanks to its network of local partnerships**

- for joint developments in terms of technologies and vehicles:
  - the CMP platform and its electronic version eCMP in Wuhan (China), as part of its DCPA joint venture with Dongfeng Motor Corp.,
  - pdiesel engines with Ford,
  - gearbox components with Renault,
  - psegment A vehicles (PEUGEOT 108 and CITROËN C1), as part of its TPCA joint venture with Toyota at Kolin in the Czech Republic,
  - pcommercial vehicles, as part of a contractual partnership with Toyota Motor Europe,
  - pcommercial vehicles, as part of the Sevelsud joint venture with Fiat at Val Di Sangro (Italy),
  - pa one-tonne pickup in collaboration with Changan Automobiles;
- for the production and marketing of its vehicles:
  - in Rennes (France) with Bolloré, to expand the range of electric vehicles with the CITROËN E-MEHARI,
  - at Minsk in Belarus, in partnership with PC Auto and Unison, for the assembly of the 301, 3008, 508, Partner, C-Elysée and CITROËN Berlingo,
  - in Iran, the IKAP joint venture in Tehran with Iran Khodro, for the manufacture and sale of PEUGEOT 2008 Iran and 301 vehicles from 2018, and in Kashan, the SCCO joint venture with SAIPA, for the manufacture of CITROËN C3 vehicles from 2018,
  - at Konstanai in Kazakhstan with Allur Distribution and Saryarka AvtoProm LLP, for the assembly of the 301, 3008, 508 and Partner,
  - at Jizzakh in Uzbekistan, as part of the Uzbekistan Peugeot Citroën Automotive joint venture with SC Uzavtosanoat, for the assembly and manufacture of light commercial vehicles (PEUGEOT Expert and Boxer; CITROËN Jumpy and Jumper),
  - at Kaluga in Russia, as part of the PCMA joint venture with Mitsubishi Motors Corp, consolidated in the CSR reports, for the PEUGEOT 408 and CITROËN C4 Sedan,
  - at Tunis in Tunisia, with STAFIM, for the assembly and marketing of a PEUGEOT Pick-up from 2018,
  - at Oran in Algeria, with Condor Electronics, Palpa Pro and the Entreprise Nationale de Production de Machines-Outils (PMO), for manufacturing which will be operational in 2019,
  - at Bursa (Turkey), with TOFAS and FIAT, for the manufacture of the PEUGEOT Bipper and CITROËN Nemo,
  - at Kaduna in Nigeria, with PAN Nigeria Ltd, for the manufacture of the PEUGEOT 301 and 508,
  - at Wukro in Ethiopia, with MIE (Mesfin Industrial Engineering's), for the assembly and marketing of the PEUGEOT 301, 208 and 2008,
  - at Thika in Kenya, with URSIA, for the PEUGEOT 308 SW, 508, 2008 and 3008,
  - in the Tamil Nadu region in India, with CK Birla (production to start in 2020),

■ in China as part of the DPCA joint venture with Dongfeng Motor Corp. for the manufacture in Wuhan of DONGFENG PEUGEOT (301, 308, 408, 508, 208 and 3008) and DONGFENG CITROËN vehicles (C-Elysée, C4 and C4L, C5 and C6, C3-XR) and in Chengdu for the DONGFENG PEUGEOT 4008, DONGFENG CITROËN C5 Aircross and DONGFENG PEUGEOT 5008,

■ at Shenzhen in China, as part of the CAPSA joint venture with Changan Automobiles, for the assembly of high-end DS AUTOMOBILES vehicles,

■ at Gurun in Malaysia, with Naza Automotive Manufacturing SDN BHD, for the assembly of the PEUGEOT 408,

■ at Chu Lai in Vietnam, with the Vietnamese group THACO, for the assembly of the 3008, 5008 and SUV-C,

■ in Japan, with Mitsubishi, for the manufacture of the C4 Air Cross and 4008 in Okasaki, and for the production of the electric vehicles Czero and ION in Mizushima,

■ at Montevideo in Uruguay, with EASA and Nordex for the manufacture of the new PEUGEOT Expert and CITROËN Jumpy, from the second half of 2017.

#### 2.0.3.3.2. Innovation partnerships

**For Groupe PSA, Open Innovation aims to build and manage relationships driven by shared value creation with stakeholders** from four ecosystems: with people, companies, academia and institutions. Through this initiative of "openness", Groupe PSA aims to expand its ability to innovate. (cf. § 1.2.3.3)

##### The "individuals" ecosystem

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 was expanded outside of France in 2016 with the opening of an incubator in Latin America. By 2017, 455 applications had been received and 19 projects launched.

##### The "business" ecosystem

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, Groupe PSA created an SME partner portal called "Innovating with Groupe PSA", that can be accessed from its website. The portal lists the Group's needs with respect to technological innovations and services. SMEs, VSEs and start-ups can use it to submit their proposals which may lead to a partnership.



"Innovating with Groupe PSA" portal: <https://www.groupe-psa.com/en/automotive-group/innovation/innovating-with-psa/>

In January 2017, Ericsson, Orange and Groupe PSA signed a technical experimentation partnership agreement focussing on 5G to assess its potential automotive applications. (cf. § 2.3.2.0.1)

## The “academic” ecosystem

In 2010, Groupe PSA creates the StelLab (Science & Technologies Exploratory Lean LABoratory) network which 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 17 OpenLabs and 6 academic chairs managed in close collaboration with PSA University.

- **p**the OpenLabs: Automotive Motion Lab in Marseille, Electronics and Systems for Automotive in Bordeaux, Energetics in Orleans, Materials and Processes in Metz, Fluidics in Poitiers, Computational Mechanics in the greater Paris region, Vibro-Acoustic-Tribology in Lyon, Competitive Intelligence in Bordeaux, OpenLab 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, Optoelectronic devices for automotive in Wuhan, Energy Storage in Shanghai and Human Machine Interface and Accidentology in Shanghai, Sustainable Mobility for Africa in Morocco;



**“OpenLab Design, co-construct the future’s mobility” Video:** <https://www.youtube.com/watch?v=btE7CbDHTVM>

- **p**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.

In July 2017, Groupe PSA launched a new OpenLab: “Sustainable Mobility for Africa”, based on an agreement with five Moroccan universities, two American universities based in Morocco, an engineering school from the Ecoles Centrales based in Morocco and a technology centre from the International University of Rabat. This OpenLab has embarked on a four-year research programme which focuses on three main areas:

- **p**future electric mobility for the development of electric powerchains adapted for the African markets;
- **p**renewable energies, to promote the deployment of eco-friendly, low cost energy industries;
- **p**logistics of the future, to achieve the best alignment of production plant supply chain needs with local constraints.

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. The meetings are forums for discovering ground-breaking techniques; knowledge sharing, raising awareness about new social trends; initiating new partnerships; increasing innovation capacities and helping to enhance the Group’s competitive edge. In 2017, 8 meetings were held on topics that are of strategic importance for the Group: Artificial Intelligence, the autonomous connected vehicle; Digital

simulation & multi-scale modelling; The Lithium-ion battery, Additive manufacturing; On-board comfort; Fluid conduction & Anti-vibration; Audio Signal Processings.

## The “Institutions” ecosystem

Through its involvement in collaborative projects, the Group can share costs and results, which has a leverage effect for Groupe PSA. In addition, the financial assistance from public authorities favours these collaborative projects and helps to structure the industry.

These collaborative projects, most of which are pre-competitive, receive the support of:

- **p**the technological research institutes to which Groupe PSA belongs (“M2P” Metallurgical Products & Process); “SystemX” (Digital Systems Engineering); “Jules Verne” (Composite Materials);
- **p**VEDECOM (the French institute for low-carbon communicating vehicles and their mobility), which has some 40 members, including Groupe PSA;
- **p**the Economic Interest Grouping RE PSA Renault, in particular through the *Laboratoire d’Accidentologie et de Biomécanique* (LAB);
- **p**the Groupement Scientifique Moteur (GSM), an Economic Interest Grouping of Groupe PSA, Groupe Renault and the French Institute for New Petroleum Energies (IFPEN);
- **p**Groupe PSA’s academic associates (Openlabs);
- **p**the PFA platform;
- **p**direct collaborations.

In 2017, Groupe PSA took part in:

- **p**22 Europe-financed projects (e.g.: the connected autonomous vehicle through the SCOOP and L3PILOT projects; new urban mobility objects through EU-LIVE; the production plant of the future through the Thomas, Versatile and Scalable projects);
- **p**en or so projects supported by the French government, mainly through the National Research Agency, the Public Investment Bank and the Agency for the Environment and Energy Management (ADEME) (e.g.: adaptation of the autonomous vehicle automation strategy to the driver’s needs and situation through the AutoConduct project; air quality in the passenger compartment (QAlcars project); the development of innovative battery packs (the Innovative Equipment for Electric Vehicles project).

Groupe PSA 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.



PFA: <https://www.pfa-auto.fr/>

VEDECOM: <http://www.vedecom.fr/>

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

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

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

## 2.1. Reduce vehicle greenhouse gas emissions

DPEF.16 | DPEF.27 | G4-DMA | G4-EN7 | G4-EN17 | G4-EN27

Mindful of sustainable development, the Group devotes more than 40% of its research & development budget to clean technologies. Many of the patents published in 2017 centre on technologies that help reduce vehicle fuel consumption and pollutant emissions. There are a number of focuses:

- powertrain efficiency (IC, hybrid or electric) and depollution systems;
- making vehicles lighter and more ecological in every respect (consumption and reduced need for raw materials);
- vehicle energy efficiency.

KEY FIGURES

**40%**

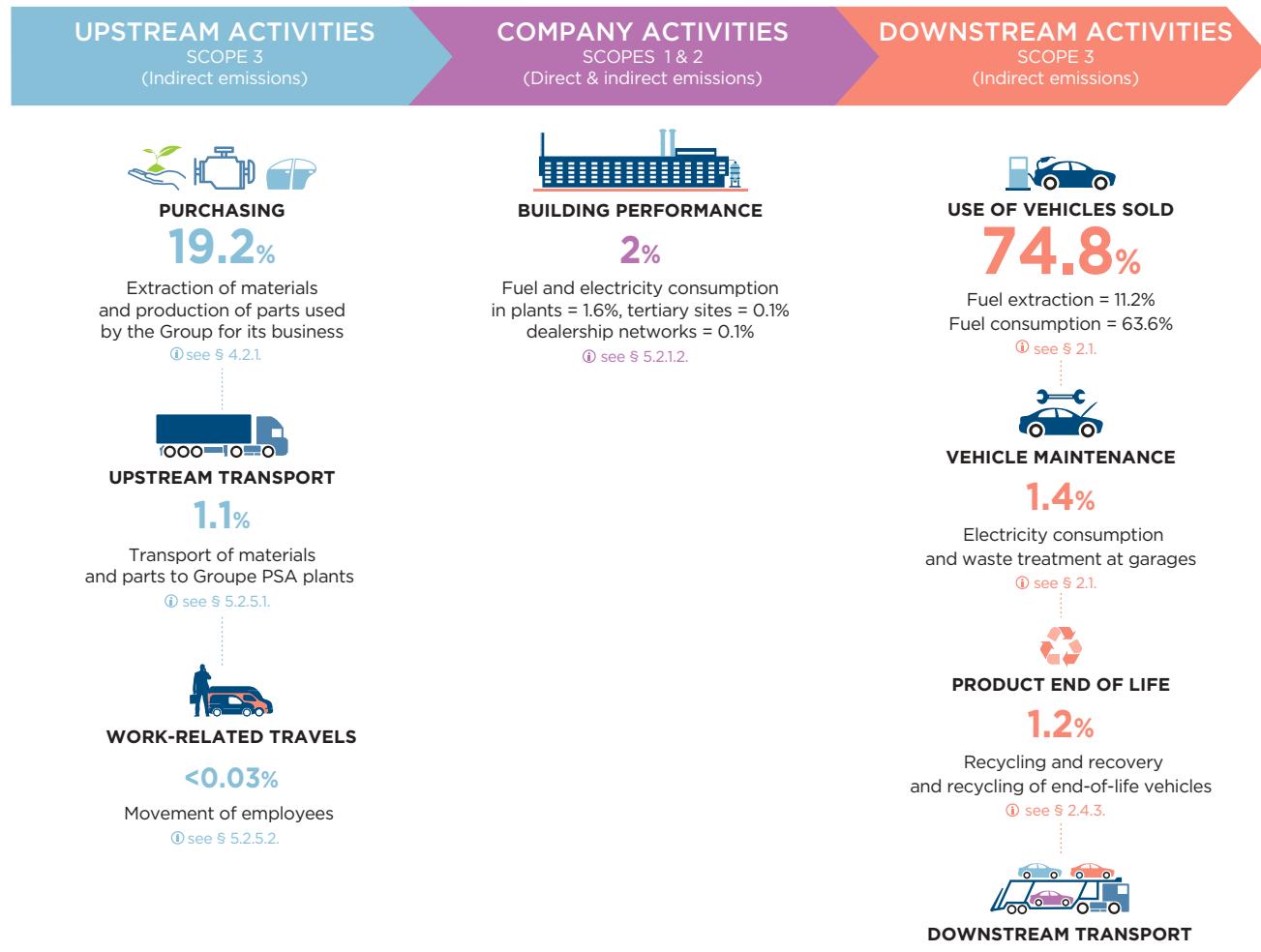
OF THE R&D  
BUDGET  
DEVOTED TO CLEAN TECH

2

**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.

## 2.1.0. The Group's innovations in clean technologies



RELATIONS WITH  
STAKEHOLDERS

**On 30 November 2017, the European EU-LIVE consortium presented a new electric mobility objective which is positioned between the 2-wheel and 4-wheel categories. It has a full-hybrid PHEV powertrain, two electric engine-wheels and a petrol-powered internal combustion engine. The vehicle operates in "zero emission" mode up to 70 kph thanks to two electric engines in the rear wheels (In Wheel Motors) and the 48V electric battery is recharged using energy recovered from braking.**

The main aim of the European EU-LIVE consortium is to achieve economies of scale by creating common powertrains which can be applied to different category L objects. Groupe PSA has steered the study and the creation of the current demonstrator.



PRESS  
RESOURCES

"Groupe PSA designs an electrified light vehicle as part of the European EU LIVE consortium" 11/30/2017  
Press release: <http://media.groupe-psa.com/en/groupe-psa-designs-electrified-light-vehicle-part-european-eu-live-consortium>

As part of the "**2 l/100 km Vehicle**" project initiated by the French government through the Automotive Industry Platform (PFA), Groupe PSA has identified five challenges:

- 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.

The "2 l/100 km Vehicle" project continued in 2017 with the trial of a new technological building block to reduce the consumption of energy-intensive equipment (air conditioning, heated windscreen, etc.): the Forty-Eight collaborative project (cf. § 2.1.0.2).

### 2.1.0.1. NEW ELECTRIC POWERTRAINS

By 2019, through its two multi-energy platforms, Groupe PSA will supplement its range of engines with electric powertrains (plug-in and electric hybrids) which will respond to market developments,

stricter regulations – including access to zero emission areas – and new customer expectations.



**IN 2025, 100%**  
**OF MODELS**  
MARKETED WILL INCLUDE AN  
ELECTRIC VERSION

In 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 Groupe PSA, 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 contributes its expertise in incorporating these components into vehicles and then will become the main customer for the global distribution. This partnership illustrates the Group's strategy to strengthen its technological advances.

To step up its electrified vehicle deployment, in July 2017 Groupe PSA also set up a separate department to handle the electric vehicle programmes and, on 4 December 2017, announced **the creation of a joint venture with Nidec Leroy-Somer holding in the field of electric traction motors**. Under this agreement, the design and engineering and production of the main components of the electric powertrain will take place in France.

Both partners will benefit from the Nidec Leroy-Somer and Groupe PSA joint venture, which will enable them to face the technological challenges ahead and develop cutting-edge electric traction motors for electrified vehicles (Mild-hybrid 48V, rechargeable and electric hybrids). The aim is to meet the needs of not only Groupe PSA, but also of other car manufacturers.

The aim of the partnership is to design, develop, manufacture and sell a range of electric traction engines of the highest market standard. The joint venture will then engage R&D, manufacturing and sales for high-performance electric traction motors mainly to Groupe PSA, and to other OEMs. Production will begin in 2022, with a target of 900,000 units.

With the *PACE!* plan, launched in November 2017, OPEL/VAUXHALL turned a corner on its journey towards electrification. With unrestricted access to Groupe PSA technologies, OPEL/VAUXHALL will be able to offer a range of electrified passenger cars in Europe by 2024. These vehicles will have a 100% electric or plug-in hybrid engine, to supplement efficient internal combustion engines. By 2020, OPEL/VAUXHALL will have four electrified carlines on the market, including the Grandland X PHEV and the next generation Corsa as a fully electric vehicle.

Finally, the Group is stepping up its work on fuel cell vehicle innovations.

### Electric vehicles

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

- Extend range in customer use. As part of this goal, different battery technologies are being studied and tested in order to assess their suitability for projected conditions of use;

- power charging times in line with future available charging powers (350 kW) and easier connection to charging stations (induction charging technologies, for example);
- work on radiant flux (smart grids) in order to absorb the consumption peaks that will inevitably hit the worldwide grid as more electric vehicles enter circulation.



RELATIONS WITH STAKEHOLDERS

In May 2017, Groupe PSA, Direct Energie, Enel, Nuvve, Proxiserve and the Technology University of Denmark launched a 2-year experimental project, GridMotion, in order to calculate the savings that users of electric vehicles could make through intelligent charge cycles, and demonstrate that electric vehicles will contribute to the stability of the electricity grids, while reducing their usage cost.

Users of electric vehicles could see their electricity bills fall by charging their vehicles at times when the price of electricity is low. Further savings could even be made by supplying the electricity grid with Vehicle-to-Grid (V2G) solutions which balance production and consumption.

PRESS RESOURCES

"GridMotion Project: reducing electric vehicle usage cost thanks to smart charging process" 05/05/2017  
 Press release: <http://media.groupe-psa.com/en/gridmotion-project-reducing-electric-vehicle-usage-cost-thanks-smart-charging-process>

## The plug-in petrol hybrid

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 (adapting the technologies to full-hybrid powertrains and developing internal combustion engines that can operate in full-hybrid powertrains);
- increasing temperature comfort in the passenger compartment (air conditioning and heat) with new technologies such as heat pumps.

## 2.1.0.2. OPTIMISATION OF INTERNAL COMBUSTION ENGINES

When it comes to internal combustion 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: optimisation of the thermodynamic cycle for the internal combustion engine (Miller cycle); the variable compression rate; lessening of internal friction of the different subassemblies;

- rising 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 inter-dependence within their scope of efficiency. Systems containing additional electric heating are being studied to increase the operating ranges.

## Mild-hybrid 48V

Groupe PSA is working on a new advance in internal combustion engines with the addition of Mild-hybrid 48V combined with a small battery, which recovers the energy generated on braking to reuse it for vehicle traction, thus cutting down on fuel use.

For a slightly higher cost, this new generation of electrified IC engines will reduce CO<sub>2</sub> emissions by around 15% compared to a vehicle powered entirely by an internal combustion engine.

As part of this, the Group is investing in the PFA platform's Forty-Eight collaborative project, which forms one of the technological building blocks of the "2 l/100 km Vehicle", proposing the migration of the energy-intensive equipment (air conditioning, heated windscreens, etc.) to the 48V circuit for electrified internal combustion engines (Mild-hybrid 48V) in order to reduce the vehicle's fuel consumption and CO<sub>2</sub> emissions.

## 2.1.0.3. GROUPE PSA'S BREAKTHROUGH ACTIONS: A PARTNERSHIP WITH NGOS TO MEASURE THE REAL-WORLD FUEL CONSUMPTION OF ITS VEHICLES

### Limits of the measurement protocol

To be registered and then sold, vehicles must be approved. A number of product performances are measured, in particular CO<sub>2</sub> emissions, to check compliance with the regulations and calculate consumption of each fuel type. This enables consumers to compare the performance of vehicles offered by different brands.

Emissions are measured by an independent organisation with the vehicle on a chassis dynamometer running the MVEG (Motor Vehicle Emission Group) and a NEDC (New European Driving Cycle) cycle emulating driving styles in cities and outlying urban areas.

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 (longer test distances, higher average and maximum speeds, shorter stops, and more frequent braking and acceleration). This new procedure no longer allows the aforementioned optimisations (variation in the level of the battery's charge, for example).

Groupe PSA 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.

## 2.1. Reduce vehicle greenhouse gas emissions

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

### Groupe PSA's breakthrough actions

#### A partnership with NGOs to publish the real-world emissions of its vehicles

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

**In October 2017 the initiative was awarded the ECOBEST prize** by an AUTOBEST panel of 28 representatives from the European media. ECOBEST is a prize awarded to environmental preservation programmes. The vote was unanimous. The Groupe PSA project impressed all members of the panel, who judged it to be enterprising, in particular its scientific approach to real world consumption and emissions.



**"The test protocol developed by Groupe PSA, T&E, FNE and Bureau Veritas wins the ECOBEST 2017"**  
10/05/2017 Press release: <http://media.groupe-psa.com/en/test-protocol-developed-groupe-psa-te-fne-and-bureau-veritas-wins-ecobest-2017>

**"A world-leading commitment to transparency"**  
Video: <https://www.youtube.com/watch?v=IhfvlifNV9Q&feature=youtu.be>

Mindful of gaining its customers' trust, the Group adopted an approach that is more proactive than the regulations require, taking the initiative in 2016 to:

■ Publish, for its top-selling vehicles, real-world (road driving) fuel consumption figures, under the supervision of independent third-party organisations; 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 (public roads open to traffic, use of air conditioning, luggage and passenger weight, non-professional drivers, etc.) and certifies the fair presentation and integrity of the results. The results of measurements conducted on 60 mid-range models were published on the PEUGEOT, CITROËN and DS AUTOMOBILES websites;

■ Adopt technical guidelines making it possible to anticipate the 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.

The measurements obtained on the 60 mid-range models made it possible to estimate the consumption in real-world driving conditions of more than 1,000 versions of PEUGEOT, CITROËN and DS AUTOMOBILES vehicles. In 2017, using this as a base and still with the aim of providing customers with full and transparent information about the real-world fuel consumption of the models, PEUGEOT, CITROËN and DS AUTOMOBILES launched a web-based application on their websites, allowing customers to:

■ View the fuel consumption data for their model in a web-based application, by entering its characteristics (body type, trim level, engine, gearbox and type of tyres);

■ Estimate their own consumption based on the actual use of their vehicle (number of passengers, load, driving style, etc.) using an online configurator.

The configurator is now available on the brands' websites in 12 European countries, to enable customers to choose the most fuel-efficient models.

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

In October 2016, Groupe PSA made public the protocol for measuring real-world fuel consumption that outlines the resources and methods which must be systematically used to measure the average customer's average real consumption. In this way, the Group positioned itself as a leading player by publishing and sharing a protocol that can serve as a reference.

In September 2017, after 18 months of tests on 60 vehicles, 430 on-road trials and over 40,000 kilometres travelled, Groupe PSA, France Nature Environnement (FNE), Transport & Environment (T&E) and Bureau Veritas published, in a detailed report, information taken from the real-world fuel consumption measurements.

The results show that:

■ PEMS tests provide a robust, representative and repeatable basis for measuring real-world fuel economy and CO<sub>2</sub> emissions. The test protocol has a margin of error of just ± 3%. The roughly one thousand results not only match Groupe PSA's internal data from their customers, but also the information uploaded by drivers themselves onto public web-based data sets such as Germany's [www.spritmonitor.de](http://www.spritmonitor.de);

■ for an average consumption of 6 litres/100 km in real driving conditions, there is a 10% difference between the measurements taken in the WLTP cycle and 42% with those of the NEDC cycle (which will be used as a reference until January 2019).



#### RELATIONS WITH STAKEHOLDERS

**On 6 September 2017, Groupe PSA and the NGO Transport & Environment submitted the results of the real-world fuel consumption tests to the European Commission.**

**Gilles Le Borgne, Head of Quality and Engineering at Groupe PSA, said:** "This robust protocol is the fruit of an unprecedented, successful collaboration between a manufacturer, NGOs and a certifying body. It's available so that others can use it as a resource for promoting more transparency with their customers and enable them to choose more fuel-efficient vehicles."

**Greg Archer, Director, Clean Vehicles, at the NGO Transport & Environment, said:** "The test for measuring real-world fuel consumption that was developed with Groupe PSA provides information that's more representative than laboratory tests. These tests show that it is perfectly possible to achieve CO<sub>2</sub> emissions and fuel consumption figures almost identical to those obtained by drivers on the road. But real-driving tests are only part of the solution to the emission cheating scandal. The EU decisions on how and who approves cars for sale will be key to ensuring the system of testing and approving cars is independent and rigorously enforced."



"A real-world fuel consumption test protocol developed by Groupe PSA, T&E, FNE and Bureau Veritas provides accurate information for drivers" 09/05/2017 press release: <http://media.groupe-psa.com/en/titre>

"The Groupe PSA, NGOs T&E and FNE, and Bureau Veritas publish the protocol for measuring real-world fuel consumption" 10/10/2016 Press release: <http://media.groupe-psa.com/en/press-releases/group/realworld-fuel-consumption-protocol-publication>

## 2.1.1. Strategy for reducing vehicle fuel consumption and CO<sub>2</sub> emissions

DPEF.15

G4-EC2

### 2.1.1.1. 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 €170 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, South Korea, Saudi Arabia, India, Iran.

In October 2017, China officially published a new regulation to impose electric and hybrid vehicle quotas from 2019. Already in place in the US and South Korea, these quota rulings for a particular technology could be introduced in other regions.

At the same time, **tax incentives** (France, the Netherlands, Germany, China, etc.), vehicle **fuel consumption labelling** (Brazil, India, Korea, Iran, etc.), and the spread of limited access downtown areas and low-emission zones are speeding the development of more environmentally responsible technologies. 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.

## 2.1. Reduce vehicle greenhouse gas emissions

**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).



**IMPACT MEASUREMENT  
AND ECONOMIC ASSESSMENT**

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 emission thresholds set by regulations in the various Group markets. The annual risk for a company the size of Groupe PSA is around €1-2 billion in loss of revenue, depending on where the vehicles are sold;
- 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> accounted for more than 30% of the Group's sales volumes in 2017. In addition, the strategy to deploy plug-in hybrid powertrains and electric vehicles offers potential additional revenue for the Group estimated at between 4% and 5%.

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 vehicle 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.

### 2.1.1.2. A TRAJECTORY IN LINE WITH THE COP21 COMMITMENTS: AVOIDED EMISSIONS DPEF.28 SASB-09

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

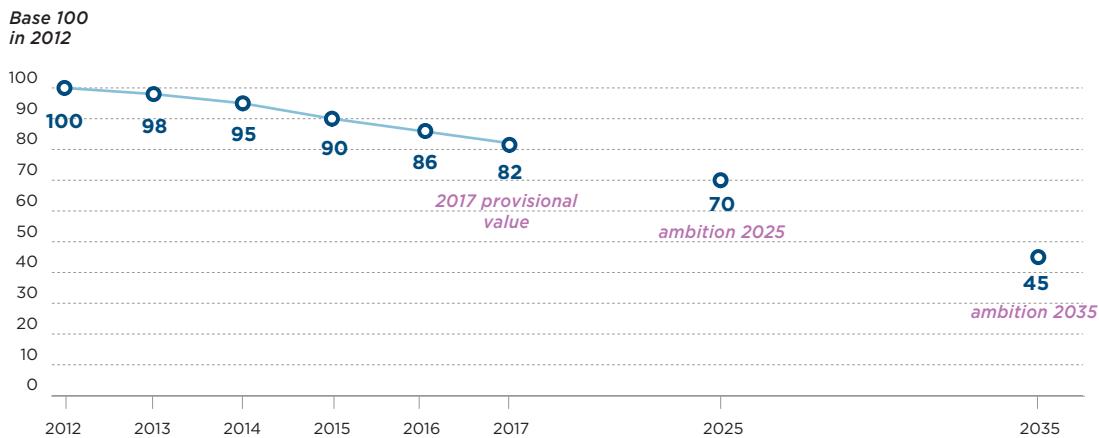
The Group has publicly committed to reducing by 30% the average CO<sub>2</sub> emissions level of its vehicles marketed globally between 2012 and 2025 and to further reduce these levels by 55% by 2035.

### Reduce Group emissions by 30% between 2012 and 2025, and 55% between 2012 and 2035

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

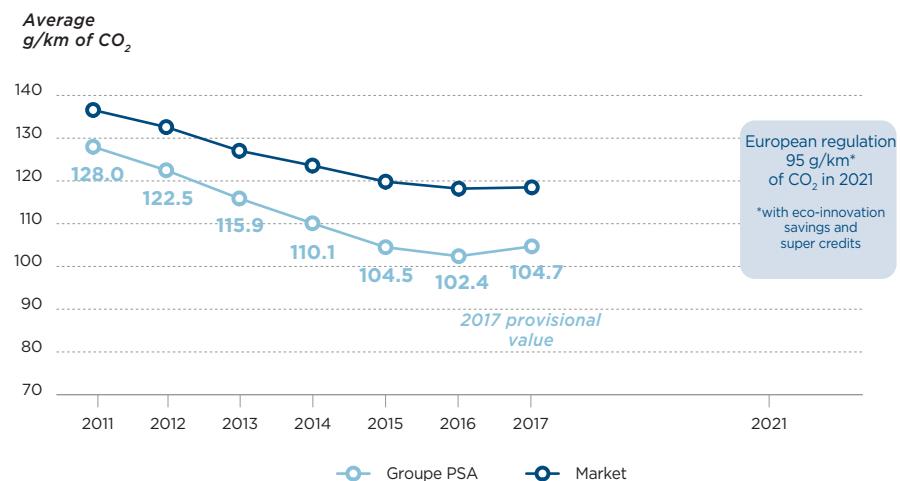
- for the highest-selling models in the main segments, one of the top cars for CO<sub>2</sub> emissions;
- vehicles with ground-breaking fuel consumptions, but that still deliver superior features and equipment.

#### CO<sub>2</sub> TREND OF THE GROUP WORLDWIDE\*



\* NB: 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 § 2.1.1.1).

(1) Comparison CITROËN C4 petrol passenger car 120 hp Euro 5 and 130 hp Euro 6 based on 30,000 km annually, fuel cost: €1.40/l.

THE GROUP'S CO<sub>2</sub> TREND IN EUROPE 22 (PASSENGER CARS)

In 2017, in the category of passenger cars in Europe, a steep fall in the diesel market share (diesel vehicles' CO<sub>2</sub> emissions are lower than those of petrol cars), and the upscaling of vehicles sold (increase in sales of SUVs), led to a 2% increase of average CO<sub>2</sub> emissions compared to 2016. With CO<sub>2</sub> emissions of 104.7 g/km in 2017, Groupe PSA is, however, still better placed than its competitors, as the market average is 118.5 g/km. These market effects are under control and the target will be met through the deployment of hybrid and electric technologies.

**104.7 G/KM OF CO<sub>2</sub>**  
APPROVED AVERAGE EMISSIONS  
IN EUROPE IN 2017

On the other markets, and also light commercial vehicles, which are less affected, the improvements made over the whole range may contribute to the reduction in average emissions. For example, the CO<sub>2</sub> emissions of light commercial vehicles in Europe were reduced by 8%.

Globally, the Group's average emissions worldwide in 2017 were 3.8% lower than in 2016.

## Avoided emissions

By using its low-emission vehicles, Groupe PSA estimates that 167 Mt CO<sub>2</sub> will be avoided in the world over a 13-year period (2012-2025).

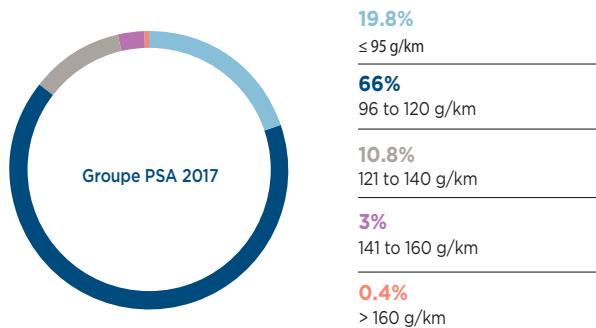
The method for calculating avoided emissions is based on a comparison between the average emissions of Group vehicles worldwide in 2012 (153 g/km of CO<sub>2</sub>) and 2017 (126 g/km of CO<sub>2</sub>), i.e. a reduction of 3.9% per annum. Based on an assumption of a 3% reduction per year, in line with our target of 30% between 2012 and 2025, 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 2012 and 2025 is as follows: in 2013: 2.1 Mt; in 2014: 4.1 Mt; etc.; in 2025: 22.6 Mt, for a total of 167 million tonnes of CO<sub>2</sub> avoided.

**167 MILLION**  
TONNES OF CO<sub>2</sub> AVOIDED  
BETWEEN 2012 AND 2025

## 2.1. Reduce vehicle greenhouse gas emissions

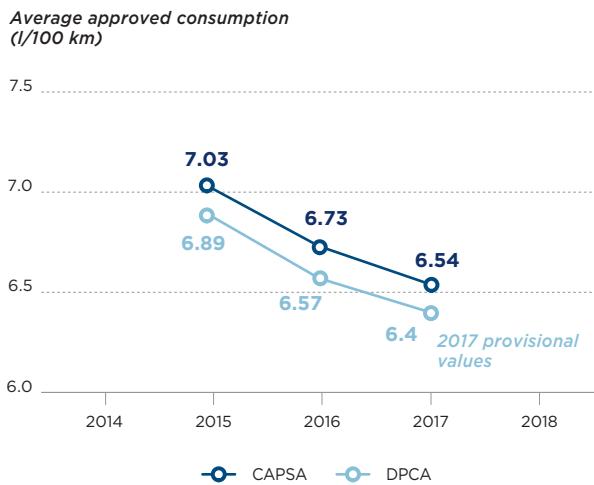
2.1.1.3. CO<sub>2</sub> PERFORMANCES OF GROUP VEHICLES SASB-09Positioning of Groupe PSA in terms of passenger cars CO<sub>2</sub> emissionsBREAKDOWN OF GROUPE PSA SALES BY APPROVED CO<sub>2</sub> EMISSIONS

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



In 2017, 20% of the Group's vehicles sold had CO<sub>2</sub> emissions of less than 95g/km, while on the European market as a whole, these models represented only 11.5% of passenger car sales. The Group therefore positions itself as a key player in the low-CO<sub>2</sub> emissions segment.

## THE POSITION OF THE GROUP'S JOINT VENTURES IN CHINA



The Group's two joint ventures in China, DPCA (DONGFENG PCA) 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 2% improvement on 2016.

In addition, DPCA has a number of very low fuel-consumption vehicles that until now have been eligible for ESV (Energy Saving Vehicles, 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 1.2 l PureTech engine combined with an EAT6 automatic gearbox. 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 is being deployed 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), 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 serving the CO<sub>2</sub> trend

DPEF.16 DPEF.24 DPEF.27 SASB-10

### GROUP VEHICLE SALES BY REGION AND FUEL TYPE

		China and ASEAN	Eurasia	Europe	India and Pacific	Latin America	Middle East-Africa	Total	as a % of total annual sales
<b>Petrol (+ LPG)</b>	<b>2017</b>	<b>385,885</b>	<b>7,057</b>	<b>848,580</b>	<b>14,744</b>	<b>145,042</b>	<b>483,127</b>	<b>1,884,435</b>	<b>58.37%</b>
	2016	616,602	5,925	750,724	11,250	132,199	269,710	1,786,410	56.78%
	2015	733,231	8,278	622,689	13,725	116,230	51,687	1,545,840	52.00%
<b>Diesel</b>	<b>2017</b>	<b>1,127</b>	<b>7,849</b>	<b>1,147,066</b>	<b>11,292</b>	<b>61,079</b>	<b>108,859</b>	<b>1,337,272</b>	<b>41.42%</b>
	2016	1,750	4,564	1,171,665	8,617	51,708	113,769	1,352,073	42.97%
	2015	2,717	3,719	1,231,946	10,054	40,848	128,448	1,417,732	47.69%
<b>Hybrid</b>	<b>2017</b>			<b>441</b>				<b>2</b>	<b>0.01%</b>
	2016			1,536	2			1,540	0.05%
	2015		3	5,714	1		70	5,788	0.19%
<b>Electric</b>	<b>2017</b>		<b>2</b>	<b>6,175</b>	<b>12</b>	<b>12</b>	<b>30</b>	<b>6,231</b>	<b>0.19%</b>
	2016		1	6,333	17		8	6,359	0.20%
	2015			3,628	9		2	3,639	0.12%

As an environmental pioneer in CO<sub>2</sub> emissions from passenger cars, the Group is continuing to develop more and more efficient products by identifying technical solutions whose cost effectiveness is best for its customers. The technical solutions studied for all of the Group's markets, including China, centre around the major approaches listed below.

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

DPEF.16 DPEF.24 DPEF.26 DPEF.27

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 are poised to enable the Group to consolidate its position in the low-emission vehicle segment in Europe and extend its expertise to all of its other 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%

In its Push to Pass strategic plan, the Group has committed to putting seven plug-in hybrid vehicles and five electric vehicles with different-size engines and battery capacity on the market between 2019 and 2020, to meet a wide range of types of use and budgets.

**Between now and 2025, 100% of the models marketed by the Group worldwide will be offered in electric or plug-in hybrid versions.**

#### 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 31,200 electric vehicles worldwide. In 2017, two new versions of electric passenger leisure-activity vehicles were added to its range, which includes both passenger cars and light commercial vehicles (PEUGEOT iOn and Partner, CITROËN C-ZERO and Berlingo): PEUGEOT Partner Tepee Electric and CITROËN e-Berlingo Multispace. These vehicles have an approved range of 170 km, which is in line with the usage of most European drivers who travel on average less than 60 km a day. Groupe PSA continues its strategic cooperation with the Bolloré Group, producing the new CITROËN E-MEHARI, a 4-seater electric cabriolet sold in France, at its Rennes industrial plant. This vehicle is powered by lithium metal polymer batteries developed by Bolloré, giving it a city driving range of 200 km. In September 2017, the launch of the limited edition NEW E-MEHARI "Styled by Courrèges" announced the next generation E-MEHARI. This edition is the first in the electric vehicle category to receive the "Origine France Garantie" (Made in France) label.

## 2.1. Reduce vehicle greenhouse gas emissions

To help it meet its target of 100% of its models marketed being electric by 2025, the Group is developing an electric vehicle programme with DONGFENG MOTOR CORP. Based on an electric version of the CMP platform (e-CMP), it will spawn a new generation of versatile and spacious electric vehicles with lithium-ion battery technology, enabling them to run for up to 450 km on one charge and offering ultra-fast charging with a range of up to 12 km per minute of charging.

## KEY FIGURES

5

NEW ELECTRIC MODELS  
BY 2021

## PRESS RESOURCES

“New generation electric vehicles”  
 Video: <https://www.youtube.com/watch?v=rlj944NM6YE&list=PL6CCD8AAB157C61E8>

**Electric mobility offers**

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 (cf. § 2.5.1).

The Group has a “ChargeMyPeugeot” and “ChargeMyCitroen” offer, whereby customers can charge their electric vehicles in an extensive network of public charging points, through its ChargeNow partner.

Lastly, in 2017 PEUGEOT France launched an offer for customers who bought a PEUGEOT Partner Tepee Electric consisting of the short-term weekend lease of an internal combustion engine vehicle.

**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. It will help compliance with future emission regulations worldwide, by enabling emission levels of less than 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 high-end plug-in hybrid vehicles (SUVs and sedans) 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.

## KEY FIGURES

7

NEW PLUG-IN HYBRID MODELS  
BY 2021

## PRESS RESOURCES

“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 AUTOMOBILES ranges in Europe and in 40% of vehicles in China in 2017, compared to 30% in 2016. 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.

## PRESS RESOURCES

“Micro-hybridization: e-HDi technology” Video: [https://www.youtube.com/watch?v=cfJ9lpg\\_Zeo](https://www.youtube.com/watch?v=cfJ9lpg_Zeo)

## 2.1.2.2. CONTINUED OPTIMISATION OF INTERNAL COMBUSTION ENGINES

DPEF.16 DPEF.24 DPEF.26 DPEF.27

Groupe PSA is continuing to optimise its internal combustion engines in all geographical areas 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**.

Some of the highest-performance technical solutions for internal combustion engines are available on Groupe PSA vehicles, with the deployment of new-generation petrol engines.

In addition to these performance optimisations, Groupe PSA is working on a new advance in internal combustion petrol engines through Mild-hybrid 48V. For a slightly higher cost, this new generation of electrified IC engines will reduce CO<sub>2</sub> emissions by around 15% compared to a vehicle powered entirely by an internal combustion engine.

### Reducing petrol engine fuel consumption and exhaust emissions

**In under ten years, Groupe PSA 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. In June 2017, this engine won the **2017 Engine of the Year Award** (18<sup>th</sup> edition of the International Engine of the Year Awards) in the 1 litre to 1.4 litre category. This is the 3<sup>rd</sup> consecutive time the engine has won the award.



"Groupe PSA's 1.2 litre 3-cylinder turbo PureTech gasoline engine once again awarded 2017 'Engine of the Year'" 06/21/2017 Press release: <http://media.groupe-psa.com/en/groupe-psa-turbo-puretech-gasoline-engine-awarded-2017-engine-year>

With 850,000 units produced since its 2014 launch at the Douvrin Française de Mécanique (France) and Xiang Yang (China) production plants, production was extended to Trémery (France) at the end of 2017 to meet high demand. By 2019, annual production will be in excess of 1 million units.

The first version of this three-cylinder EB Turbo PureTech petrol engine, which is the subject of 120 patents, helped reduce fuel consumption and CO<sub>2</sub> emissions by 18% compared to the earlier four-cylinder petrol versions. Significant improvements were made in 2017 which increased performance and fuel consumption by up to 4%

The 1.2 PureTech engine in 110 hp and 130 hp versions are used in Groupe PSA's multipurpose and mid-range vehicles. Launched in March 2014 on the CITROËN C4 Picasso and PEUGEOT 308, the PureTech engine today has more than 90 applications in almost 70 countries. In 2017, it contributed to the commercial success of the Group's new vehicles: the new PEUGEOT 3008, named "Car of the Year 2017" and the new CITROËN C3.

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, Groupe PSA 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.**

In Brazil, at the "2017 Car of the Year" ceremony organised by the magazine Autoesporte, Groupe PSA was named "**Green brand of the year**" in recognition of the Company's commitment to the environment and its results in the Nota Verde (a system of the Ministry for the Environment and the Brazilian Institute for the Environment and Renewable Resources which classes Brazilian cars according to their emissions).

### Reducing diesel engine fuel consumption and exhaust emissions

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 nitrous 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).

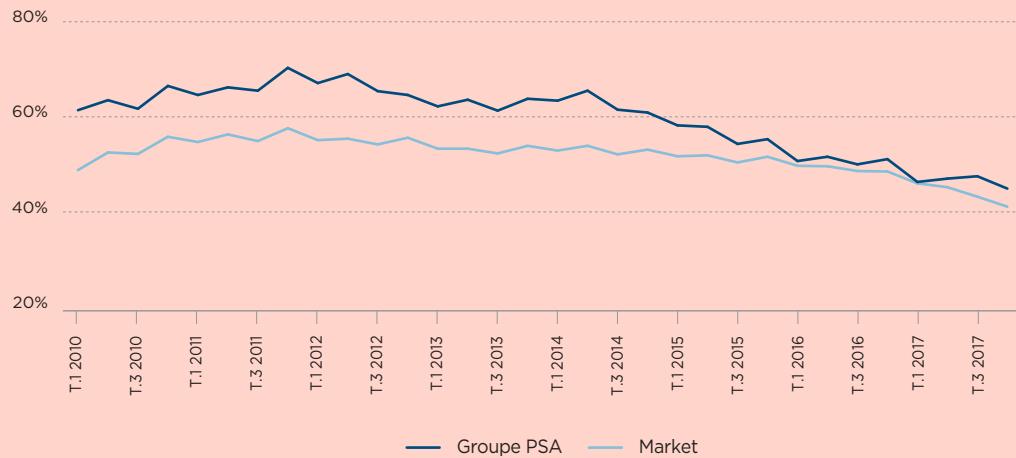
In September 2017, Groupe PSA launched the diesel BlueHDI which reduced engine size to 1.5 l (compared to 1.6 l previously) and increased power to 130 hp (currently 120 hp). This new diesel engine, 100% digitally-designed, can be upgraded to improve performance while reducing fuel consumption: more compact, improved engine performance and upgraded depollution system. It will be available in two versions, 130 hp and 100 hp, and will be produced at Douvrin Française de Mécanique and then the Trémery plant.

Thus, Groupe PSA is not shunning its responsibility to improve the emission levels of its diesel vehicles, despite a reduction of its share of sales, and is at the same time working on new, lower-emission electrified technologies to take over from diesel.

## 2.1. Reduce vehicle greenhouse gas emissions



Diesel's market share for Groupe PSA's passenger cars (PC) is gaining on diesel's average market share in sales in Europe (in the Europe 22 scope).



To meet growing demand from customers for petrol and electric engines:

- the Group plans to double production of the three-cylinder turbo petrol engine in France by 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 almost 700,000 engines per year. Late 2017, the Group launched a new production line in Trémery for this engine which, until then, had been produced in Douvrin and China only.
- 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, Groupe PSA 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;
- at the same time, Groupe PSA announced on 4 December 2017 that its future electric engines would be produced in Trémery as part of a joint venture with the holding company of the Japanese car manufacturer Nidec Leroy-Somer. Under this agreement, the design and engineering and production of the main components of the electric traction motor will take place in France. Production will begin in 2022, with a target of 900,000 units.

All these decisions are part of Groupe PSA'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 is continually seeking to optimise its powertrains by focusing on two main areas: gearbox performance and 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.

In this area, the new solutions offered by the Group are:

- a mid-range manual six-speed gearbox (BVM6), which emits 1.5% less CO<sub>2</sub> and is 10 kg lighter;
- an automatic eight-speed gearbox (EAT8) that follows the current generation (EAT6) which had already helped reduce the powertrain's total fuel consumption by 15% since the end of 2013. The EAT8 gearbox optimises consumption at between -4% and -7%, thanks to its 8 speeds, a Stop & Start system operating at increased speed and an ECO mode with free wheeling function to reduce engine friction and thereby fuel consumption.

The two gearboxes were launched and deployed in the 2<sup>nd</sup> half of 2017.

## 2.1.2.4. USE OF ALTERNATIVE FUELS

DPEF.24 DPEF. 25 DPEF. 26 DPEF. 27

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. Groupe PSA 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, in particular changes in how farmland is used.

## Natural gas

Compressed natural gas (CNG), whose main ingredient is methane (CH<sub>4</sub>), 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 Iran. Using CNG also helps to reduce CO<sub>2</sub> emissions by around 20% compared with conventional petrol engines (in a global approach of tank-to-wheel calculation). The inclusion of biogas (from the methanisation of waste), when possible, increases the benefit for the environment.

## 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 CO<sub>2</sub> 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 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, Groupe PSA 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. In accordance with the EC Directive for the development of the infrastructure for distribution of alternative fuels (2014/94/EU), 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.



RELATIONS WITH  
STAKEHOLDERS

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, Groupe PSA 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

To avoid the problems of land use linked to biofuels from agricultural crops, the challenge is to develop "advanced biofuels" from non-food resources (biomass waste, organic waste, micro-algae).



RELATIONS WITH  
STAKEHOLDERS

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 as a fuel (Shamash PE project).

2

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 (Fundação de Amparo à Pesquisa do Estado de São Paulo) and four universities, is continuing. The goal of this partnership is to create a centre that will research engines and biofuels over 10 years. The biofuel activities are connected to this. Finally, Groupe PSA has continued its partnership with the Federal University of Paraná in Curitiba, Brazil, for the production of lipid biofuels from micro-algae.



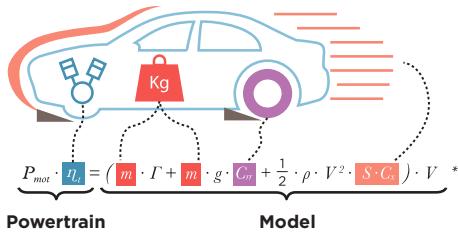
PRESS  
RESOURCES

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

## 2.1.3. Change of vehicle equipment and architecture: serving the CO<sub>2</sub> trend DPEF.16 DPEF.24 DPEF.26 DPEF.27

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:

### FACTORS AFFECTING FUEL CONSUMPTION



\* 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 $\eta_d$	=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 $S \cdot C_a$	-10 dm <sup>2</sup> $\rightarrow -5 \text{ g/km}$
Electrical consumption (W)	-100 W $\rightarrow -1.5 \text{ g/km}$

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 relating to all 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:

- **p** modular design that allows components to be cross-functional and volumes to increase considerably;
- **p** 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);
- **p** 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:

- **p** SUV (Sport Utility Vehicle) and CUV (Compact Utility Vehicle) models with high-performance 4WD electric driveability;
- **p** range of 50 km minimum in full electric mode;
- **p** generous and uncompromising cabin space (passengers and boot);
- **p** outstanding efficiency in urban driving conditions: 40% gain in efficiency compared to a pure internal combustion model.

In 2015, Groupe PSA announced the development, together with DONGFENG MOTOR CORP., of a global platform, the **Common Modular Platform (CMP)**, which requires investment of €200 million, 60% of which is financed by the Group and 40% by DONGFENG MOTOR. This platform will enable the Group to produce vehicles at its development zones from late 2018. CMP will offer high-performance solutions in terms of modularity, versatility, equipment and reduction of CO<sub>2</sub> emissions.

In May 2016, Groupe PSA and DONGFENG MOTOR signed a new agreement to develop an electric **version of the CMP (e-CMP)**. 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 AUTOMOBILES 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 have made it possible to reduce 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.

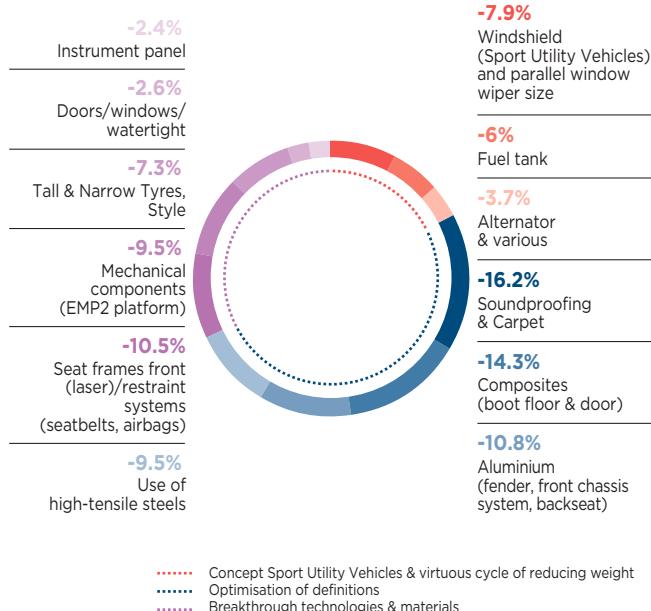
The new PEUGEOT 3008, voted 2017 car of the year, has a new, optimised architecture that marks a breakthrough in terms of vehicle weight. The benefits of the new EMP2 platform, combined with an optimised weight/overall size/benefits ratio in every respect, result in a 100 kg average reduction from the previous generation. Thus, the various versions of the new PEUGEOT 3008 arrive on the market weighing only 1,325 kg (petrol version) and 1,375 kg (diesel version).



### + 8 CM AND - 100 KG

ON THE NEW PEUGEOT 3008

### BREAKDOWN OF THE WEIGHT REDUCTIONS ON THE NEW PEUGEOT 3008



### POTENTIAL GAINS ON THE DIFFERENT FACTORS CONTRIBUTING TO AERODYNAMIC DRAG (CDA)

#### Wheels

Contribution: 15%

#### Savings achieved:

3% by reduction of wheel wake

- ▶ Pad in front of Peugeot 5008 front wheels
- ▶ Air curtain created by openings in bumpers from the EMP2 platform

#### Underhood

Contribution: 20%

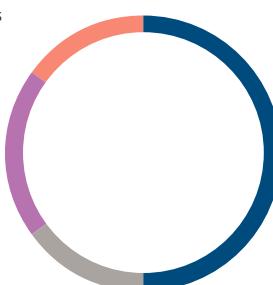
#### Underbody

Contribution: 15%

#### Savings achieved:

3% from underfloor fittings

- ▶ New underbody screens on Citroën C3
- ▶ Optimisation of EMP2 platform on DS7 Crossback



#### Superstructure

Contribution: 50%

#### Savings achieved:

7% on architecture and design

- ▶ Optimised wing mirrors on Peugeot 5008 and DS7 Crossback
- ▶ Reduction in frontal area of the new Citroën C3
- ▶ Exterior design

## 2.1. Reduce vehicle greenhouse gas emissions

The significant increase in the use of digital simulation, alongside wind tunnel tests, led to considerable improvements in the aerodynamics of the vehicles launched in 2017:

- p on the new CITROËN C3, the CdA was reduced by 5 dm<sup>2</sup> (on the best versions) compared to the older generation;
- p the new DS7 Crossback benefits from improvements of the EMP2 platform on the underbody, resulting in a gain of 1 dm<sup>2</sup>;
- p on the new PEUGEOT 5008, work on the wheel area has resulted in a 2 dm<sup>2</sup> gain compared to the old PEUGEOT 5008.

In terms of rolling resistance, 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.

Thus, the Group decided to deploy 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), lever incorporated into the new generation of engines;
  - optimising the alternator's efficiency, with a deployment of high-efficiency alternators targeted for 2020; (10% more efficient than the current alternators).
- Alongside this, the Group is working to reduce the load of the energy-intensive equipment (air conditioning, heated windscreens, lighting, etc.):
- using specific LED (Light Emitting Diode) lights to optimise the electricity consumption of the lighting functions. These will be deployed more widely on the vehicle lines by 2020;
  - study to optimise the air conditioning and engine cooling circuit, to be deployed by 2025.

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, consistent with its decision to enforce the net zero electrical energy balance in all new certifications (see section 2.1.0.3).

#### 2.1.4. The onboard functions to help drivers reduce fuel consumption

DPEF.16

In 2018, Groupe PSA will launch two new onboard functions aimed at reducing fuel consumption:

- p the "Eco-coaching" function which, in real time and with a consumption report at the end of the trip, informs and advises customers via the vehicle's dashboard about gear changes, optimal braking, the use of the Stop&Start function and managing acceleration to help them improve their eco-driving;
- p the "ECO mode" function, which allows the driver to select a fuel-efficient operating mode (activating the freewheeling function, for example).

**These functions, each of which offer potential fuel savings of around 5%, will be gradually rolled out to all future lines.**

Among these innovations tied to the connected car and Intelligent Transport Systems (ITS), Groupe PSA plans to roll out by 2023 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.

Finally, eco-driving help and tutorials can help drivers to optimise the use of their vehicles (cf. § 2.5.2).

#### 2.1.5. Reducing the environmental impact of refrigerants

DPEF.16 DPEF.26 DPEF.27 G4-EN20

European Directive 2006/40/EC gradually phases out the use of refrigerants in vehicle air conditioning systems, which provide air conditioning in the passenger compartment, which have 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. From 2017, all vehicles sold by the Group were fitted with 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. Improve air quality by reducing vehicle emissions

DPEF.16 DPEF.22 DPEF.36 G4-DMA G4-EN27

**As a participant in discussions about the public health and environmental issues that relate to mobility, Groupe PSA 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:**

- **nitrous oxide emissions:** Groupe PSA was the first car manufacturer to adopt a widespread use of SCR (Selective Catalytic Reduction) which makes it possible to reduce nitrous oxide emissions by up to 95% and which it has been marketing since 2013 on its Euro 6 vehicles;
- **particulate emissions:** as the inventor of the diesel particulate filter (DPF), which it began selling in 2000, Groupe PSA was more than nine years ahead of the Euro 5 standards which made the particulate filter compulsory from September 2009.

The range of solutions to improve air quality also includes the electrification of vehicles ranging from micro-hybridisation such as Stop & Start, and mild hybridization (Mild-hybrid 48V, cf. § 2.1.0.2), to plug-in hybrid vehicles, which are charged by the customer, and zero-emission electric vehicles which are powered by a battery (Battery Electric Vehicle) or a Fuel Cell.

In its Push to Pass strategic plan, the Group has committed to putting seven plug-in hybrid vehicles and five electric vehicles on the market between 2019 and 2021. By 2023, 80% of the vehicles proposed by the Group worldwide will be offered in an electric or plug-in hybrid version (cf. § 2.1.0.1, 2.1.2.1 and 2.1.2.2).

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

Since 1 September 2017, under EU regulations (EU 2017/1151), to obtain vehicle approval two new measurement protocols must be applied (new step in the Euro 6 regulations):

- the WLTP (Worldwide harmonized Light vehicles Test Procedure), which is conducted in a laboratory (cf. § 2.1.3.);
- the RDE (Real Driving Emissions) procedure, conducted on the road in "real-life driving conditions", measures pollutant emissions using a PEMS (Portable Emissions Measurement System) and calculates the admissible conformity factor (the permitted discrepancy between the real-life values in-use and the statutory WLTP thresholds). Since September 2017, the admissible NO<sub>x</sub> conformity factor has been 2.1 but this will be reduced to 1 in 2020 (excluding measurement dispersion which cannot exceed 0.5).

**For approval of its new vehicles in Europe, Groupe PSA committed to meet a NO<sub>x</sub> conformity factor in RDE of less than 1 (excluding measurement dispersion which cannot exceed 0.5) from 1 September 2017, i.e. three years in advance of the 2020 statutory requirement.**

These new measurement protocols aim to be more representative of real-life driving conditions in order to reduce the discrepancy between the emissions determined in the laboratory and those in real-life driving conditions on the road.

OPEL/VAUXHALL will gradually adopt Groupe PSA's pollutant emission reduction technologies (around 15% of the models in 2017 with the Crossland X and Grandland X, 40% in 2019 and 100% by 2024).

### 2.2.0. Group innovations to improve air quality

The Groupe is taking a proactive approach to research ways to reduce emissions generated (reducing engine emissions, improving the performance of after-treatment systems, etc.) and fuel consumption (cf. § 2.1.0.).

#### 2.2.1. Breakthrough technologies to reduce atmospheric pollutants from vehicles DPEF.15 G4-EN21

Breakthrough technologies to reduce atmospheric pollutants from Groupe PSA vehicles are equally valid on combustion vehicles and hybrid vehicles.

##### 2.2.1.1. GROUPE PSA'S ADDITIVE PARTICULATE FILTER: THE ONLY TECHNOLOGY WHICH IS EFFECTIVE IN ALL OPERATING CONDITIONS OF THE VEHICLE DPEF.18

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.** Groupe PSA's solution includes an additive tank, a ceramic filter and sensors. Iron-based and captured, in full, by the filter, the additive is automatically added to the fuel (without driver intervention): this reduces the soot combustion temperature by around 100 degrees and speeds up regeneration in all driving conditions (around town, open road, etc.), unlike the catalysed diesel particulate filters.

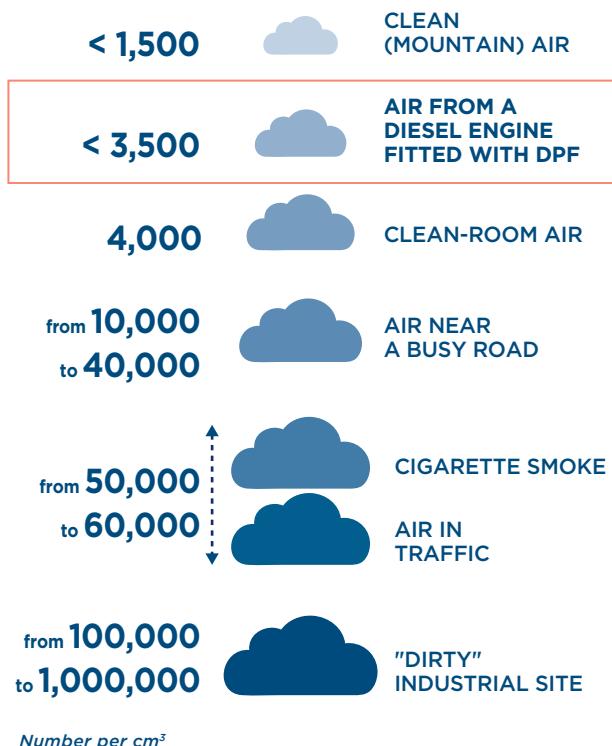
## 2.2. Improve air quality by reducing vehicle emissions

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

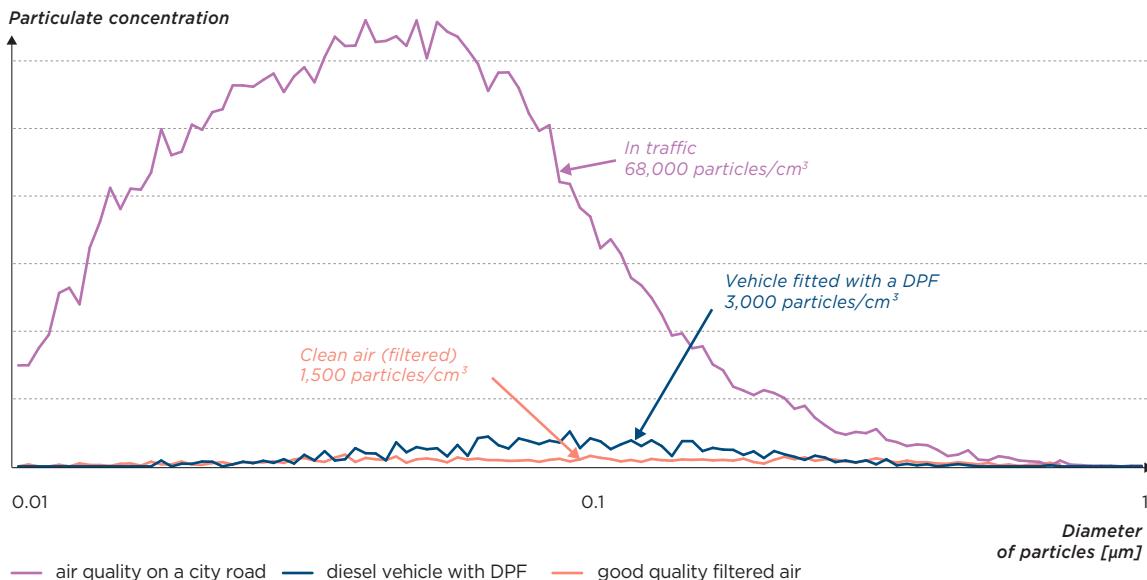
**Fine and ultra-fine particulate matter**

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 less than 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.

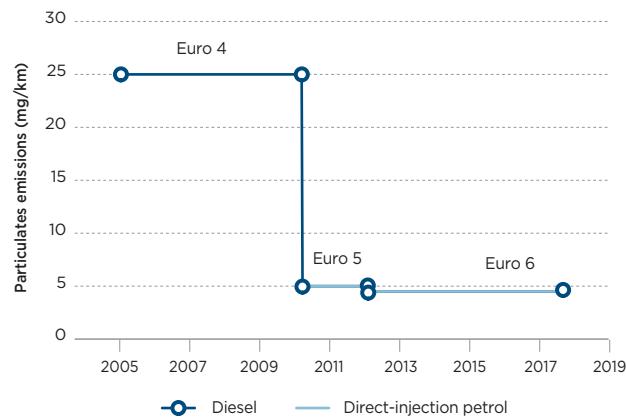
**EFFICIENT DPF FOR ALL SIZES OF PARTICULATE MATTER (INCLUDING ULTRA-FINE)**

Source: Groupe PSA internal measurements.

Note: Fine particulates (PM 2.5) = particulates with a diameter < 2.5 µm.

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).

## 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 12.7 million diesel vehicles fitted with DPF by the end of 2017.

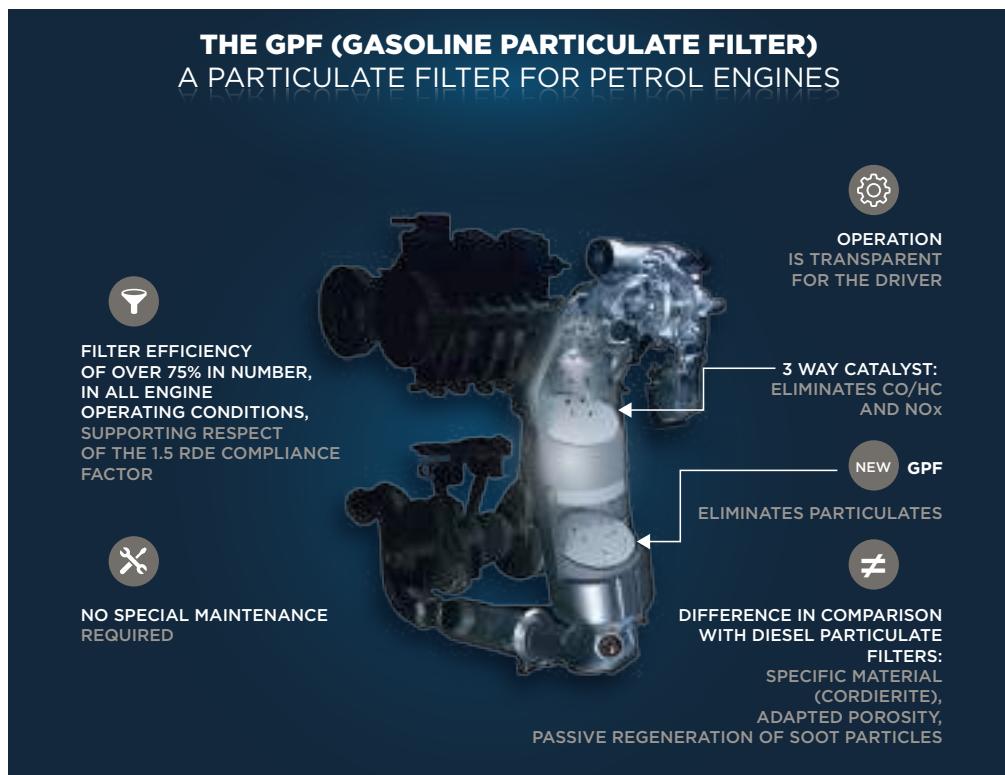
In 2017, vehicles equipped with DPF accounted for 97% of the Group's total diesel vehicle sales worldwide, compared to 97% in 2016 and 37% in 2009.

The second stage of Euro 6 (Euro 6d-TEMP) imposes a tougher limit in terms of number of particles from direct-injection petrol vehicles (same limit as diesel engines) and a new constraint consisting of a reduction in "Real Driving Emissions" (RDE).

To comply with the second stage of Euro 6, in addition to optimising injection systems, in October 2017 **the Group introduced a particulate filter system (GPF Gasoline Particulate Filter) with natural regeneration to reduce the number and mass of particulate emissions in direct-injection petrol engines**. This solution, which will be rolled out to all direct-injection petrol engines, eliminates more than 75% (in number) of all particulate matter, both fine and ultra-fine, no matter what the driving conditions.

The Group decided to fit the particulate filter under the turbo downstream of the TWC (Three-Way-Catalyst) to have sufficient combustion in the GPF to regenerate the soot when the foot is taken off the pedal. In this way, management of the filter is perfectly transparent for the driver.

In addition, the Group decided to fit a bare filter to supplement the catalysis volume to guarantee optimal pollutant conversion efficiency of the TWC, particularly when cold (issue in cities).



At 2017 year-end, the Group had sold a total of 1,800 direct-injection petrol vehicles fitted with the GPF. In 2017, the direct-injection petrol vehicles equipped with GPF accounted for 0.3% of all direct-injection petrol vehicles sold.

2.2. Improve air quality by reducing vehicle emissions

### 2.2.1.2. SCR (SELECTIVE CATALYTIC REDUCTION): MOST EFFECTIVE SOLUTION TO REDUCE NITROGEN OXIDES DPEF.18 DPEF.36

**The SCR after-treatment (Selective Catalytic Reduction) technology helps to noticeably reduce nitrous oxide (NO<sub>x</sub>) emission levels by injecting a reducing agent (AdBlue®, a mixture 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 CO<sub>2</sub> emissions of diesel engines.

To meet the requirements of the second stage of Euro 6, **Groupe PSA has developed a new after-treatment architecture which enables its diesel engines to treat more efficiently the nitrogen oxides in addition to the particulates, carbon monoxide and the unburned hydrocarbons.** This new BlueHDI line comprises:

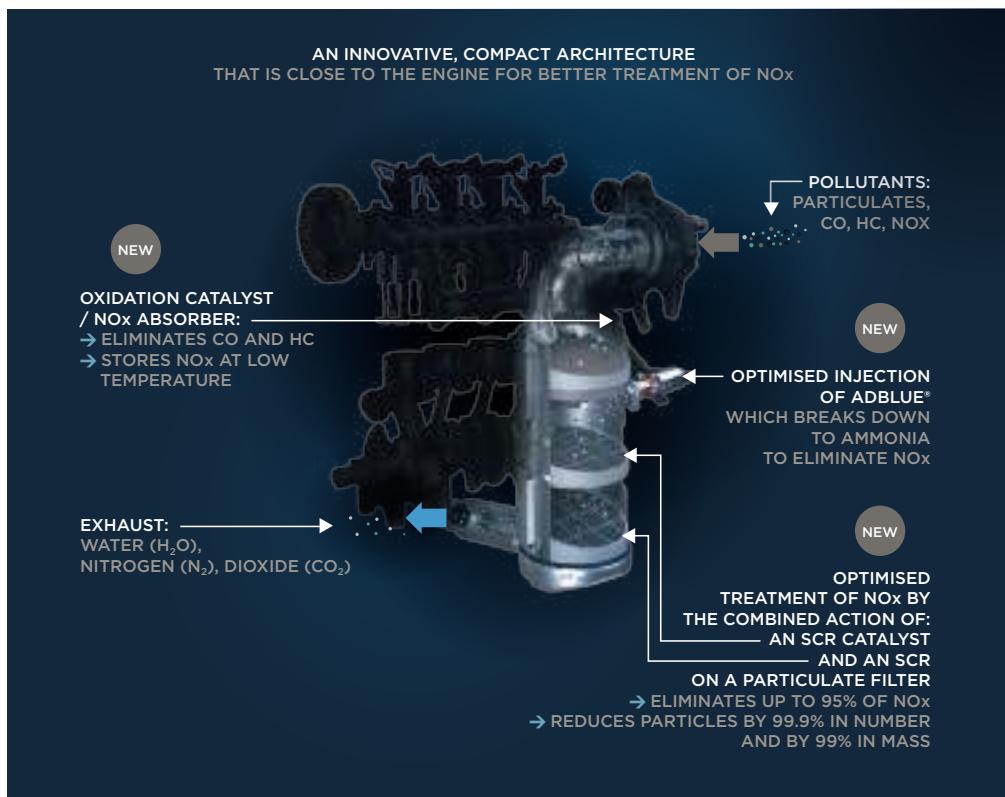
- an oxidation catalyst which has a function to store NO<sub>x</sub> emissions at a low temperature (while the system to reduce NO<sub>x</sub> emissions is not in operation);

- a NO<sub>x</sub> emission after-treatment system comprising a SCR (Selective Catalytic Reduction), a filtering medium with an in-built SCR function and a compact injection reduction system (Adblue®) which eliminates up to 95% of NO<sub>x</sub> emissions from the engine;
- an additive or non-additive particulate filter (with an in-built SCR phase, see above) that can eliminate 99.7% of particulates (by number) whatever their size and regardless of the driving conditions.

This choice clearly demonstrates the Group's commitment to reducing, in real-world driving conditions, its vehicles' emissions while maintaining fuel consumption and CO<sub>2</sub> emissions at the optimal level.

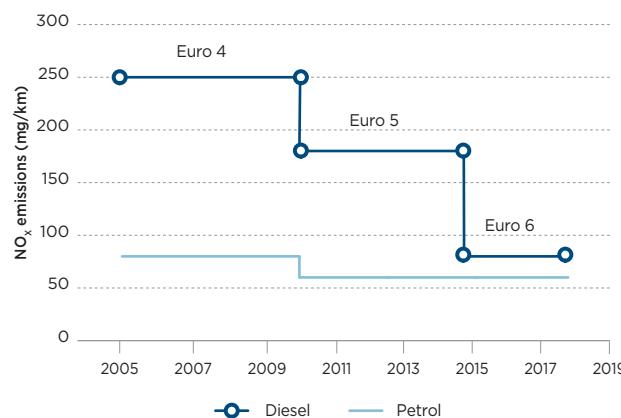
This new BlueHDI line has been fitted as standard from October 2017 on all new vehicles with 1.5 l diesel engines.





2

### CHANGING REGULATORY LIMITS ON NO<sub>x</sub> 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 AUTOMOBILES ranges. In 2017 it represented 91% of diesel vehicles fitted with DPF, with 3.0 million total vehicles sold in the world at 2017 year-end.

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 Groupe PSA.** The Group continues to optimise

its technologies, primarily by fitting on commercial vehicles and, over time (third stage of Euro 6 – Euro 6d) on passenger cars, an ASC (Ammonia Slip Catalyst) to treat ammonia (NH<sub>3</sub>) leaks and thereby further improve their capacity to eliminate the NO<sub>x</sub> emissions treated by the SCR upstream.

It was initially intended that Groupe PSA vehicles would be refilled with AdBlue® during maintenance procedures at the frequency recommended in the owner's manuals. From now on, for enhanced performance of the Group's new vehicles (Euro 6 stage 2 vehicles), an opening in the fuel filler cap has been incorporated as standard to facilitate the refilling of the AdBlue® tank. 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.



Opening designed for AdBlue® refills in the fuel tank flap – rolled out on all Group vehicles.

## 2.2.2. Forging new ground: being transparent with and responsibly informing customers and communities DPEF.15

Not only is Groupe PSA a trailblazer when it comes to technological solutions, it also distinguishes itself in how it provides information to its customers.

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

It also takes part in public debate (conferences, etc.) and advocates strongly for manufacturers to have the freedom to devise the most effective solutions (cf. patents filed) 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 over 1,000 of the Group's vehicle models. **The measurement protocol developed with T&E has proven to be extremely reliable for testing real-world fuel consumption and CO<sub>2</sub> emissions (cf. § 2.1.0.3.).**

**Backed by this success, the experiment was reproduced to measure NO<sub>x</sub> and particulate emissions.** In early March 2018 Groupe PSA published the first results of these tests. This new step contributes to further increase the reliability of automotive tests and measurements.



"Groupe PSA discloses vehicle emissions in real driving conditions" 03/06/2018 Press release: <http://media.groupe-psa.com/en/groupe-psa-discloses-vehicle-emissions-real-driving-conditions?idtok=e1ee1bbb235>

**To date, Groupe PSA is the only car manufacturer to have made such a commitment of transparency towards its customers.**

Being aware of the difficulty of informing its customers of the differences between measurements taken in the laboratory and measurements taken under real-world driving conditions, the Group continues to take an educational approach, supplying its customers with all the information they need to make an informed choice and to measure the impact of their mode of driving on their vehicle's emissions.

In addition, the results of the RDE test emissions of Groupe PSA's recently certified vehicles are now posted on the website <http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data>.

## 2.2.3. Significant R&D investments in order to meet stakeholders' expectations DPEF.16 DPEF.17 G4-EN21

Groupe PSA 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, Groupe PSA 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 trade offs in anticipation of the toughening of regulatory thresholds.



The Group deploys massive R&D investment into improving air quality and reducing greenhouse gas emissions.

These investments, including €649 million to develop powertrains in 2017, 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 AUTOMOBILES 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 Groupe PSA'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.

### EURO X REGULATORY STAGES: SPOTLIGHT ON THE LAST THREE STAGES EURO 4, EURO 5, EURO 6

These European 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 (Brussels regulations (EC) No. 715/2007 and 692/2008, then EU 2017/1151) 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 diesel particles, a high level of filtering efficiency

is required (more than 99% in number). 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 AND 6 EMISSION LIMITS MEASUREMENTS AT AMBIENT TEMPERATURE "23°C" FOR PETROL OR DIESEL PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES (N1 CLASS 1).

Exhaust emissions at ambient temperature (23 °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	-	0,005/0,004 5**	0,004 5**	0,025	0,005/0,004 5**	0,004 5**
Particle numbers	-		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 vehicles - 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 vehicles (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 vehicles (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 vehicles.

#### DATES NEW TYPE/ALL VEHICLES AND IN-LAB POLLUTANT EMISSION MEASUREMENT PROCEDURES FOR PETROL OR DIESEL PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES (N1 CLASS 1).

Dates and procedures	Euro 4	Euro 5	Euro 6
Date new type	01/01/2005	01/09/2009	01/09/2014 (Euro 6b), then 01/09/2017 (Euro 6d-TEMP), then 01/01/2020 (Euro 6d)
Date all vehicles	01/01/2006	01/01/2011	01/09/2015 (Euro 6b), then 01/09/2019 (Euro 6d-TEMP), then 01/01/2021 (Euro 6d)
Procedure	NEDC*	NEDC*	NEDC*, then WLTP**, then WLTP**

\* NEDC (New European Driving Cycle).

\*\* WLTP (Worldwide harmonized Light vehicles Test Procedure).

#### RDE (REAL DRIVING EMISSIONS): POLLUTANT EMISSION MEASUREMENT PROCEDURE WITH PEMS (PORTABLE EMISSIONS MEASUREMENT SYSTEM) ON THE ROAD IN "REAL-LIFE DRIVING CONDITIONS" FOR PETROL OR DIESEL PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES.

Conformity 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 vehicles (one year later for certain categories).

\*\*\* Euro 6d: 01/01/2020 for new vehicle types and 01/01/2021 for all vehicles (one year later for certain categories).

#### EVAPORATION EMISSIONS FOR PETROL PASSENGER CARS AND PETROL LIGHT COMMERCIAL VEHICLES.

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 vehicles.

HC: Unburned hydrocarbons - NMHC: Non-methane unburned hydrocarbons (with no CH4) - CO: Carbon monoxide - NO<sub>x</sub>: nitrogen oxides.

In Europe, the Group's petrol and diesel passenger cars have complied with Euro 6d-TEMP since September 2017 for new models brought into the market.

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.

## 2.3. Vehicle quality and safety

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. To achieve its targets, the Group has put in place the following mechanisms:

### 2.3.1. Vehicle and service quality

#### 2.3.1.0. GROUP INNOVATIONS TO IMPROVE SERVICE QUALITY

Through the Business Lab, Groupe PSA identified KBRW as a company that could provide the expertise and agility needed to distribute different brands of spare parts that are not stocked. The KBRW solution is completely suited to the challenges of a connected supply chain. A trial was launched in early 2017. After just two months of development, the programme posted impressive results: stated deadlines were reliable, shipments of goods were traceable, orders that are placed were constantly updated before the closing time of the supply representatives, and administrative expenses dropped sharply (96%). The roll-out that has already begun will cover Europe by mid-2018.

The Business Lab is exploring "ERCS (Euro Repair Car Service) pop-up stores in car parks". Euro Repair Car Service plans to set up maintenance shops that can handle all brands and meet drivers where they are – where they park when they travel, work, engage in leisure activities, shop, etc. – and perform common maintenance services while the vehicle is parked. For other services, the vehicle may be picked up at the car park and the work will be done in a remote shop. This solution is expected to be introduced by late 2018.

Groupe PSA has started tests to develop a decentralised, digital log book that makes it impossible to commit mileage fraud or put vehicles that have been declared as wreckage on the market. The innovation is based on the communication ability of the Group's vehicles and on blockchain technology, which stores information in an unalterable decentralised registry, meaning that recorded data can be neither deleted nor modified. Groupe PSA has developed a proof of concept with La Poste and the Covéa insurance group as part of the SystemX technological research institute's programme on blockchain.

#### 2.3.1.1.

#### THE GROUP'S OBJECTIVE: QUALITY FIRST!



*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.*

Carlos Tavares

#### Targeting the No. 1 spot

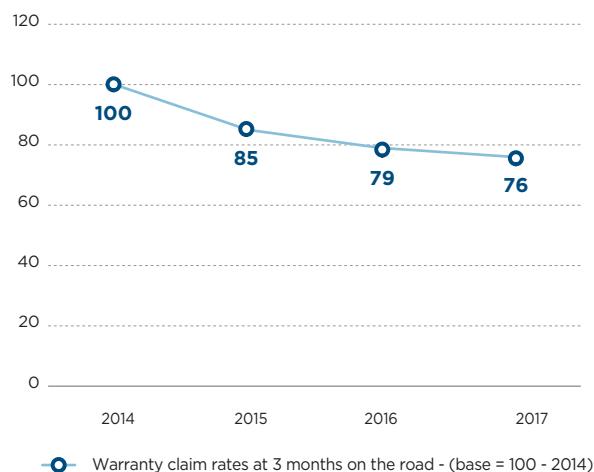
**To meet customer expectations, Groupe PSA aspires to guarantee top-notch reliability and product performances and to provide high-quality service upon purchase and delivery of the vehicle and in after-sales.**

On these two commitments, by the end of the Push to Pass Plan, the Group aims to be number one in each region where the Group has a major presence, thus becoming its customers' preferred car manufacturer and mobility supplier.

The graphs below show the progression of results:

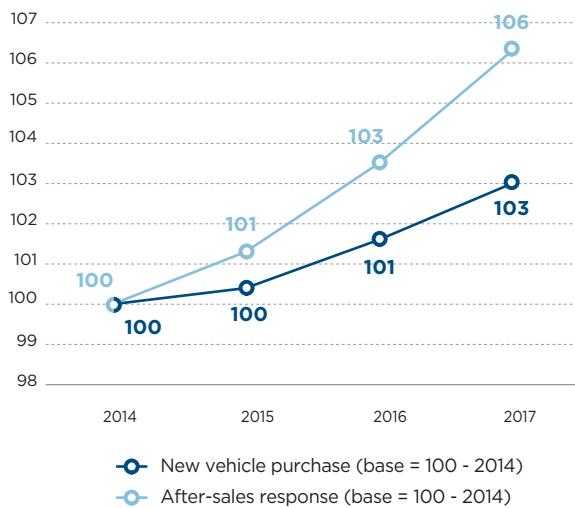
#### WARRANTY CLAIM RATES (BREAKDOWNS + INCIDENTS) THREE MONTHS ON THE ROAD ON WARRANTY

(excluding new vehicle preparation, 12 months rolling - Scope: PEUGEOT/CITROËN/DS AUTOMOBILES - base = 100 in 2014)



### RECOMMENDATION RATE IN INTERNAL SERVICE QUALITY SURVEYS, FOR NEW VEHICLE PURCHASES AND AFTER-SALES PROCEDURES

(% recommendation World – 12 months combined - Scope: PEUGEOT/CITROËN/DS AUTOMOBILES - Base = 100 in 2014)



### 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 correlates to the level of incidents experienced with the product: customer satisfaction falls when the number of incidents rises;

### RELATIONSHIP BETWEEN INCIDENTS AND PRODUCT QUALITY SCORE



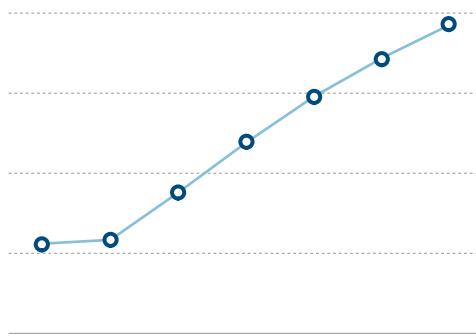
- Customer loyalty to the network correlates to the quality of the sales and after-sales service: it increases with the level of satisfaction:

### RELATIONSHIP BETWEEN LOYALTY TO THE DEALER AND AFTER-SALES SATISFACTION



### RELATIONSHIP BETWEEN LOYALTY AND PRODUCT QUALITY

#### *Brand loyalty rate*



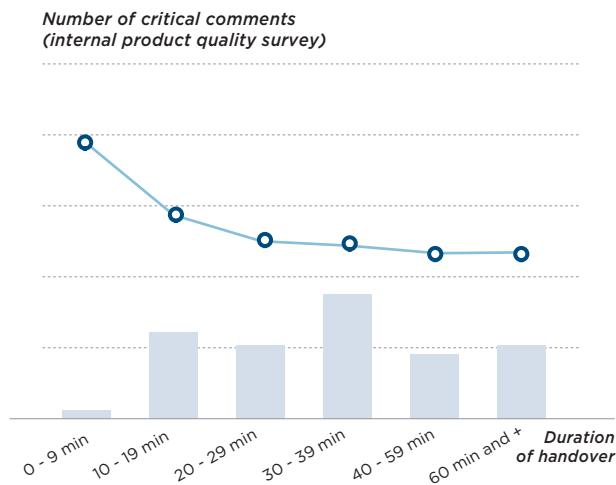
An increased level of quality is reflected by both a higher brand renewal rate and a higher success rate over competing brands.

It is also an issue in reducing warranty costs for the Group:

- the reduction in costs related to claims is proportional to the improvement in quality: between 2004 and 2010, the level of incidents after one year on the road was reduced by one-third, and this made it possible to cut warranty expenses by 60% despite vehicles' increased technical complexity;
- by the end of the Push to Pass Plan, the Group aims to again halve warranty costs;
- the duration of handover to customers upon delivery of their vehicle has a significant impact on customer satisfaction and reduces the number of critical comments. Groupe PSA also implements standards for optimum handovers in terms of duration and quality of information provided.

## 2.3. Vehicle quality and safety

## IMPACT OF HANDOVER TIME ON THE NUMBER OF CRITICAL COMMENTS IN THE QUALITY SURVEY



## RELATIONS WITH STAKEHOLDERS

Until mid-2017, Groupe PSA chaired IATF (International Automotive Task Force) France (the position rotates among Groupe PSA, Renault and FIEV) and helped tighten the requirements of the 2016 version of the IATF 16949 quality standard, a variation of ISO 9001 for the automotive industry. It worked on this with the other car manufacturers that belong to the IATF members, equipment manufacturer organisations (FIEV, VDA, etc.), and the certification Boards (UTAC, TÜV, Bureau Veritas).

The Group's quality governance is global:

- the VP Quality oversees the Quality Directors of the six Group regions and Business Management and reports to the Executive Committee (COMEX). He 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. 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. Their goal is to spur employees to have direct customer contact. The regions guarantee that operational managers are highly skilled and all work is performed to a very high standard.

Over the year, Executive Committees, along with the VP Quality, help identify or confirm the strategic ambitions when it comes to quality, communicate results and guide the quality initiatives of the business lines and regions, and present and comment on the regional results on a monthly basis.

The Quality Department enacts an internal and external communication plan throughout the year: dissemination of the Customer Attitude, supplier quality meeting, Yammer Group quality, quality breaks within the teams, etc.

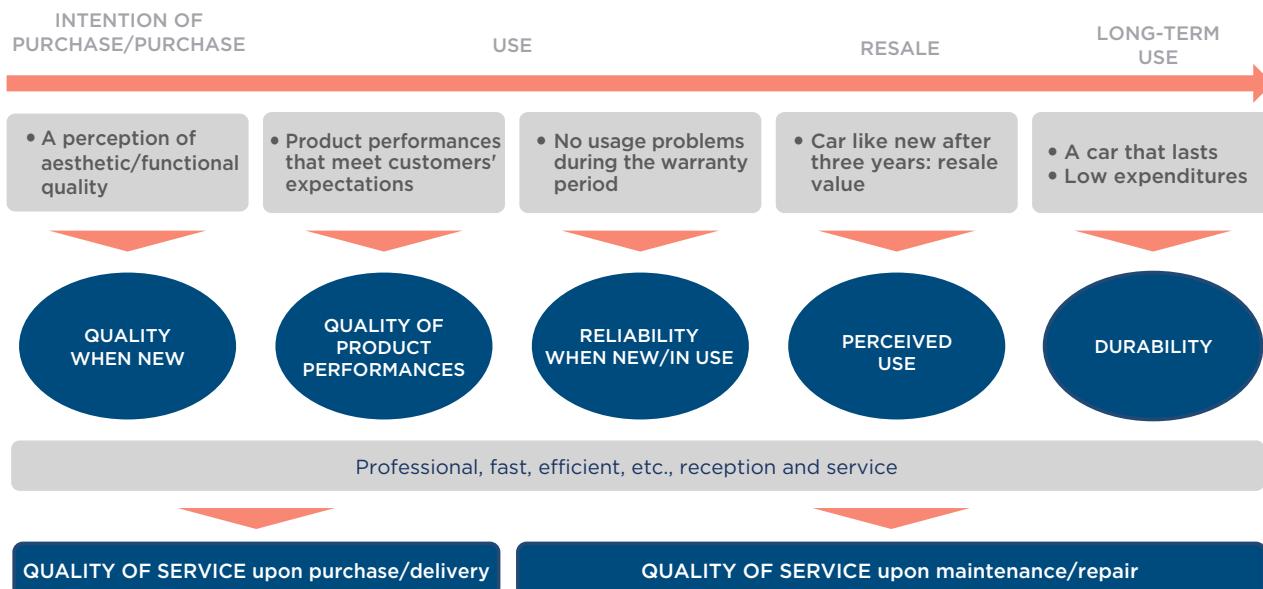
## 2.3.1.2. ORGANISATION AND GOVERNANCE IN SUPPORT OF AMBITION

The Group has established a quality policy that is applied throughout the value chain and in all the countries where it operates.

It is stated through the Quality Management System (QMS), which is based on 90 requirements, over the Company's entire value chain (scheduling, design and engineering, purchasing, production, transport, 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 line Quality Committees check the implementation and enforcement of the policy, the achievement of results and, where appropriate, corrective action plans.

## 2.3.1.3. CUSTOMER EXPECTATIONS OF GROUPE PSA BRANDS



### The Groupe PSA's quality commitment is centred on customer expectations.

The products must meet the following fundamental requirements:

- **p**erceived quality must incite trust and encourage the purchase decision;
- **p**roduct performances (performance, style, comfort, convenience, etc.) align with the customer expectations for the segment and brand;
- **p**erformance must be flawless (zero incidents when new and during use);
- **p**erceived use (aesthetic and functional) is retained: "the vehicle is like new after three years"; the residual value is preserved;
- **p**eriodicity is guaranteed, breakdowns and defects are handled with state-of-the-art methods, vehicle unavailability and expenditures on maintenance and warranty are under control.

The brands must guarantee excellent service quality during the customers' physical and digital ("phygital") experience:

- **p**at the pre-sale stage and at the time of purchase (information searches, configuration, welcome, advice, explanations, handover);
- **p**after-sales service (information searches, online purchase, welcome, care, vehicle maintenance, repair, adherence to deadlines);
- **p**in terms of digital and 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 customer's perception of quality, but finish, sturdy parts and the materials used both inside and outside the vehicle also play an important role. Perceived quality is a major factor in the customer's purchasing decision. It is also a major factor in the criteria used by influencers/lessees to determine the initial resale residual value when a new model is released.

Groupe PSA aims to position each future model at the highest competitive level of each of its three brands. It has identified more than 1,500 characteristics that contribute to the impression of perceived quality, and it uses evaluation tools and technical benchmarks to drive vehicle projects to the targets.

###### Performances and reliability during use of the vehicle

- **p**Quality of product performances: based on customer expectations for a given sector and the brand experience it wishes to convey, the brand identifies 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. It uses static and dynamic evaluation tools which allow it to monitor the vehicle projects, make adjustments and steer them towards the objectives.

In 2017, a "user experience" initiative was launched to imagine life on board the cars of tomorrow. More than 230 people from different business segments, including engineering, design, film, music, video games, programming and the humanities, came together to maximise synergies, creativity and expertise. The largest of the meeting spaces is in Europe, and it has branches in

San Francisco and Shanghai. The design and validation system for the cockpits of the future is complemented by high-performance reconfigurable mobile prototypes, architecture and simulation software, a scientific approach and partnerships.

What has historically been a forced experience can now become a chosen experience thanks to innovations like the personalisation of the sensory environment and the advent of new Human Machine Interfaces (HMI) leading to the autonomous vehicle. Customers can already get a feel for this technology in our newest vehicles, such as the PEUGEOT 3008 (Car of the Year 2017) and the DS 7 Crossback.

- **p**Reliability when new and in use: by streamlining technical reference guides and the control of design and production internally and by Group suppliers, reliability involves implementing methodical preventive measures in order to avoid any quality-related issue for the customer and to react quickly in case a defect is found. By driving pre-production vehicles under real-world conditions in the targeted sales regions, it is possible to detect "customer" anomalies that were not caught in the development stage.

###### Quality in use for the possible resale of the vehicle

Perceived use criteria encompass the aesthetic (ageing of materials, tolerance of harsh treatment resulting from everyday use, etc.) and the functional (background noises and sets of controls, loss of minor performances, etc.).

The challenge is to improve vehicle quality to the point where they are "like new after three years", which is when many customers exchange their vehicles and lease cars arrive on the used vehicle market. Maximising resale value is a major issue for both customers and the Group: the quality of the vehicle and the cost of bringing it up to the best possible used vehicle standard are important factors that impact the resale value.

Specific vehicle tests at 60,000 km (vibrations, climate cycles, load, etc.) are conducted 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

Customers expect a vehicle which ages well and does not incur excessive future expenditure. Durability is the performance of the vehicle over time, factoring in the variability of customer use. The goal is to guarantee all product performances without a major loss of functionality and without breakdown or defect. For functions that wear out (brakes, suspensions, batteries, etc.), performance must be guaranteed through the scheduled maintenance measures. For other functions and subassemblies, the ageing process must be managed with targets at 24, 60 and 84 months.

Several years ago, the Group launched an action plan to deal with all the factors which significantly impact on defects and costs after seven years and beyond.

##### 2.3.1.4.2. Production quality

Strict adherence to the quality processes outlined in the PSA Excellent Plant initiative, compliance of parts delivered by suppliers and quality control at the workstation guarantee the compliance of the vehicles that are manufactured.

- **p**800 functional and aesthetic features are checked on every car;
- **p**ehicles are taken out daily and tested by professional operators in both stationary and driving states on specially designed tracks and on roads outside the plant;
- **p**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

SASB-05 SASB-06

#### 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. Safety is a central focus:

- p all failures that may be related to safety and are reported by our networks (2,705 in 2017) are examined;
- p all safety-related questions by the authorities (227 in 2017, none of which had not already been reported by our networks or addressed) are answered directly.

A global "detection efficiency" plan is currently being rolled out to further improve the speed and quality of the information coming from the network.

The "Control Tower" simultaneously notifies the design and manufacturing teams and, if necessary, requests updates to the design and engineering, production and vehicle repair reference guides.

#### Recall campaigns

The Group's quality protocol 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.

In 2017, for the entire Group for the PEUGEOT/CITROËN/DS AUTOMOBILES scope, 44 campaigns were carried out on 731,000 vehicles for units ranging from several dozen to more than 100,000 vehicles. All of these campaigns are issued voluntarily by the car manufacturer.

These campaigns, practised by all car manufacturers, are carried out transparently with respect to:

- p 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 AUTOMOBILES dealership networks:
- The traceability of the components purchased during manufacture enables Groupe PSA to draw up a list of vehicles that are potentially concerned. As soon as a campaign is launched, an alert including all the information (list of vehicles concerned, content of message to customers, necessary procedure, parts required, etc.) is sent to the dealership networks via the appropriate IT systems;
- p the customers in question, notified individually:

The method used to notify the customer is in line with the local regulations in each country. The affected customers are invited to make an appointment with an authorised brand repainer to make the necessary adjustments.

The workshop contacted 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 Group monitors the implementation of each campaign specifically based on progress indicators: the actual repairs made in application of each campaign are recorded in a centralised database. 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.

Since the end of 2017, the operating procedures of PEUGEOT/CITROËN/DS AUTOMOBILES and OPEL/VAUXHALL have been aligned, and the OPEL/VAUXHALL figures will be included in the 2018 reporting.

### 2.3.1.4.4. A global approach

All the actions are 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 AUTOMOBILES 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).

In 2018, the Group will continue to align the processes of the PEUGEOT/CITROËN/DS AUTOMOBILES and OPEL/VAUXHALL scopes.

### 2.3.1.5. RESOURCES DEPLOYED TO IMPROVE SERVICE QUALITY

DPEF.10

DPEF.11

G4-PR5

In 2016, Groupe PSA 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

Service quality hinges on the skills of the Group's operations teams at each of its points of sale.

■ Workstation standards outline for the country quality managers the tasks that must be performed with respect to implementing service quality. They help ensure that the service quality reference guide is shared at the country level (subsidiaries and importers).

■ Job standards - the first building block of each new entrant's self-training - describe the full range of tasks for 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.

In 2016, top Group managers in Europe were trained on how to check these standards.

■ In 2017, the Group devoted special attention to training sales consultants in interpersonal skills. Attentiveness to customers and the ability to engage in meaningful dialogue play a major role in customer satisfaction and are a vital complement to expertise.

■ The Group training policy applies to all the key sales and technical positions at the point of sale. In 2017, the PEUGEOT, CITROËN and DS AUTOMOBILES dealership networks delivered 1,300,000 hours of training (in-class, remotely and through online classes).

## A service quality roadmap structured around “Service Quality Plans and Country Training”

The service quality roadmap has been updated worldwide for the 2017/2021 period. It helps guarantee that progress is managed and that the operational targets of the Push to Pass Plan are achieved. Each country is responsible for its own annual Service Quality and Training Plan, which is structured around four key actions:

- **p**skills assessment and execution of the training plans;
- **p**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;
- **p**control of the delivered quality by each point of sale;
- **p**reducing the variation between points of sale.

When discrepancies in training and service quality are identified, it becomes possible to lay out the most important steps that need to be taken.

Each country's annual Service Quality Plan is the subject of a mid-year follow-up meeting led by the Region with the assistance of the Central Business Lines, and its implementation at the day-to-day level is addressed in monthly meetings of the Country Quality Committees.

## A process that delivers results

A key priority is to check the effectiveness of the dealership processes:

- **p**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;
- **p**in accordance with the job standard for the Zone Manager, Internal Audits are regularly conducted at all points of sale;
- **p**external audits (one or two audit campaigns per year) are conducted annually on the proper enforcement of operating standards;

Alongside this, the Quality Department runs Internal Audits each year at a number of subsidiaries.

State-of-the-art tools are used in these processes to streamline customer relations and strengthen trust and transparency:

- **p**SA Retail has adopted Video Check, a digital solution that uses online video to enhance customer relations in After-Sales. The feedback received has shown a high level of customer satisfaction. PSA Retail is phasing in this system in all its customer contact points in France and Europe;
- **p**to date, contact has been made with more than 33,000 customers, nearly half of all customers have accepted the sales proposal viewed on the video, and the average basket is increasing markedly. The growth potential of this service, and its combination with others in 2018, should spur even more progress.



**“Video Check: the new after sales service in video by PSA Retail”** Video: [www.youtube.com/watch?v=3DC7yz21VIU&feature=youtu.be](https://www.youtube.com/watch?v=3DC7yz21VIU&feature=youtu.be)

## Ongoing performance measurement and a structured approach

There are mechanisms in place to measure the quality performance of dealers of new vehicles and after-sales repairers:

- **p** customer quality survey (see § 2.3.1.6);
- **p**visits from mystery shoppers (4 to 12 visits to the point of sale each year, mystery leads, mystery calls);

Using the “CITROËN ADVISOR” app, which was introduced in Europe in 2015, customers can immediately and at their own initiative review the quality of service they received (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.



**“My quality is..” Videos:** [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-PR5

For many years, Groupe PSA 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 to new available technologies.

### 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:

- **p**since 2008, the Group has developed an extensive system of online customer surveys following vehicle purchase, and following contact with the after-sales service. In 2017, 1.6 million customers responded in 30 countries including Europe, Russia, Ukraine, Japan, Turkey, Algeria, Brazil, Argentina, Mexico and Chile. Customers can answer the open-ended questions online at their convenience. 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 the network, allowing the points of sale to compete to deliver the best results in the country/region/area. This facilitates and streamlines processing of the survey verbatim and monitoring of an individual customer's turnaround from dissatisfied to satisfied.

Around 45 importing countries outside Europe also use the Group's master surveys or their own surveys to follow up with customers;

- **p**the Group has real-time access to the results from product-focused surveys and customer feedback from the network. These results identify vehicle criticisms (incidents, failures, frustrations), and analyse, prioritise and process these via a responsive device deployed throughout the world.

In each Region, multibrand surveys on service (vehicle purchase / delivery and after-sales actions) and the product (product quality and reliability and satisfaction with performances) position each brand in relation to the competition and help to better target customer expectations according to the markets.

## 2.3. Vehicle quality and safety

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.

### An innovative, defining project to organise customer and prospect call centres at the global level in 2017

#### ■ To revolutionise customer service, a streamlining of call centres

Car manufacturers often turn to different call centres in each country, for each brand and each type of business. The result is completely divided work arrangements for a single customer.

To make greater strides in creating a seamless customer experience, Groupe PSA launched the "GoCEC" project, an overhaul of the call centre services whereby every country has an integrated platform of customer interactions at a single site housing versatile "senior" tele consultants.

#### ■ Continuation of the deployment of the "Service Cloud" omni-channel customer relations platform in Latin America, and integration of new features

CARe&Business is an international app which is available for the three brands, PEUGEOT, CITROËN, DS AUTOMOBILES. This multi-channel customer relations app places satisfaction within easier reach of the customer. This satisfaction is closely linked to loyalty and Brand recommendations.

After being rolled out among the subsidiaries in Europe, Eurasia, Africa and the Middle East in 2016, this novel, customer-oriented solution was introduced in 2017 in the Latin American subsidiaries: Argentina, Brazil, Chile and Mexico.

In addition, in mid-2017 the solution was enhanced by the most recent supplier developments and the addition of new features to cover outgoing call activity (marketing campaigns, lead qualification) in connection with the GoCEC project.



**"Digital Transformation and Customer Experience: The PSA Example" Video by GROUPE PSA-ORACLE:**  
<https://www.youtube.com/watch?v=4Dh5wDJ16QU>

### Customer Relationship Management (CRM): customers are central to our business, "Customer FIRST!"

Groupe PSA's CRM (Customer Relationship Management) 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 this end, in 2017 Groupe PSA launched the "Customer FIRST" programme, which revolves around placing customers at the centre of our business:

#### ■ pconsideration for the current and future expectations of our customers and prospects, stressing a smooth, personalised experience, no matter what communication channel is chosen;

■ padaptation of Groupe PSA's internal processes to this new necessity, in sync with the spirit of each brand;

■ ppre-engineering of CRM tools and global roll-out of a solution that can respond to customer needs and the requirements of our business line processes.

The "Customer FIRST" programme is ambitious. It applies to:

■ p all the business lines and businesses that are focussed on customers and prospects;

■ p 53 countries and 14,000 sites to be deployed;

■ p 10,000 estimated users daily.

This customer- and prospect-oriented programme will become a reality in 2018 as it is piloted and rolled out all over the world: in Chile, Poland, Algeria, Mexico, the UK and Portugal.

At the same time, Groupe PSA is introducing a customer information database solution, "Customer Sh@re". This programme, which is intended for the major markets (13 target countries, starting with France, Italy, Spain, Portugal, Poland, etc.), will centralise customer and prospect data and make them accessible in the main CRM processes. In addition to helping us hone our knowledge of our customers and prospects, the programme will help us protect personal data.

### Responsible brand experiences for customers

The Group's brands develop a long-term responsible, personal, appropriate and transparent relationship with each customer. (see § 7.4.1.2).

For example, they have published on their websites actual consumption figures drawn up in compliance with the NGOs Transport and Environment and France Nature Environnement (see § 2.1.1.3).

**PEUGEOT**, like its products, offers a customer experience marked by the brand's values: Excellence, through the depth and quality of the relationship to lay the groundwork for long-term trust; Allure, through a culture of elegance and a human-centric inventiveness to live up to the promise of refinement; and Emotion, through a multi-dimensional experience to create an exhilarating future.

The PEUGEOT experience involves simplifying and maximising customers' time through a seamless digital and physical experience and guiding them throughout the life of their vehicle by using:

■ p the MYPEUGEOT application, which is available in more than 40 countries worldwide and lets customers track their orders up to delivery, view their trips, fuel consumption and alerts, and schedule appointments online;

■ p a range of services in use (service agreements, warranty), connected services (connected navigation, parking, tolls) and soon, services to allow for more flexibility (pick-up and delivery);

■ p a used vehicle label to better put customers at ease.



**"PEUGEOT My PEUGEOT" video:** <https://www.youtube.com/watch?v=SNaX2JbLwgw>

**"Peugeot Connect" Website:** <http://peugeot-connect.fr/>

In order to offer its customers an ever-smoother and stress-free experience, in late 2014 **CITROËN** introduced its CITROËN ADVISOR website ([www.citroen-advisor.fr](http://www.citroen-advisor.fr)).

Functioning as the cornerstone of the "Inspired by You" CITROËN customer experience, CITROËN ADVISOR gives CITROËN network customers a platform to freely express their opinions, interactively and in real time, on the quality of service offered by their point of sale following a new vehicle purchase or a service visit.

With the addition of vehicle ratings, more than 200,000 opinions have been collected since CITROËN ADVISOR debuted in 31 countries worldwide. The website is a cutting-edge initiative in the automotive industry.

Since summer 2017, CITROËN ADVISOR has also been available through the MyCITROËN application, helping to make it even easier for customers to provide ratings and assessments.

To further its quest to offer its customers full transparency, CITROËN ADVISOR "point of sale" and "vehicle" incorporate AFNOR-certified review collection and customer authentication standards to guarantee that all reviews are published and are genuine. (see § 7.4.2.1)



"CITROËN Inspired by You | CITROËN Advisor, your opinion of our cars interests us." Video: <https://www.youtube.com/watch?v=BHspteLWS5c>

"CITROËN Inspired by You | CITROËN Advisor. Trust our workshops, they are rated by our clients." Video: <https://www.youtube.com/watch?v=ZgJ2131FgVsv=VlZKO-rQSy8>

"Mobile app My CITROËN" Video: [https://www.youtube.com/watch?v=PF\\_dZ4hi738](https://www.youtube.com/watch?v=PF_dZ4hi738)



Improvements to the quality of the Group's products have led to:

- drastic reductions in the factory quality control and touch-up costs, with savings of €56 per vehicle produced in the World since 2014 (through an increased number of vehicles without fault during the final approval and a reduction in damage sustained during transport);
- a reduction in its warranty expenditure in 2017 by 17% since 2012 under a comparable volume and product mix (reporting scope of the consolidated companies);



"Only YOU, The DS Experience" Video: <https://www.youtube.com/watch?v=ZgJ2131FgVsv=9TiUrMrToAg>

Link to "Only YOU,The DS Experience": // <http://www.dsautomobiles.co.uk/inside-ds/environment#only-you#>

The **Free2Move** brand brings together all of the Group's mobility and connected services in response to major societal changes and the emergence of new collaborative uses (see § 2.5).

The new mobility brand aims to make customers' lives easier whether they are at work or away from work. Free2Move offers:

- to businesses: long-term leasing, fleet management and internal car-sharing services;
- to individual customers: the most efficient means of mobility to fit the situation, just one click away thanks to an ecosystem of partners offering different car-sharing options.

- the continuation at DPCA (DONGFENG-PSA joint venture in China) of warranty cost control; this made it possible in 2017 to absorb the change in the contractual warranty from two to three years, which was made in September 2013, and even to lower the per vehicle cost by 5%;

- a reduction in warranty provisions of €82 million in 2017.

This improvement is also one of the factors that legitimises the positioning of the DS AUTOMOBILES brand in the high-end segment and the move upmarket of the PEUGEOT brand.

## 2.3.2. Vehicle safety DPEF.36 G4-DMA

The safety of different road users has always been the top priority for Groupe PSA.

**The Group is focusing on technologies that have shown a proven ability to make automobiles safe, at an affordable cost for the largest number of motorists.**

The Group 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.

### 2.3.2.0. GROUP INNOVATIONS TO IMPROVE SAFETY THROUGH THE DEVELOPMENT OF THE AUTONOMOUS AND CONNECTED VEHICLE

The autonomous and connected cars of tomorrow will encourage the emergence of new transport and mobility models, while saving customers time and energy.

**In 2017, Groupe PSA introduced its AVA ("Autonomous Vehicle for All") programme, bringing together all the functionalities of driving assistance to create a simple, intuitive autonomous vehicle that offers a safe and comfortable driving experience.**

## 2.3. Vehicle quality and safety

The Group's autonomous car is characterised by:

- **p** technology "for all": easy for anyone to use. To help users let the cars do the driving, Groupe PSA designs simple, intuitive interfaces to allow them to interact comfortably with their car while giving them the option to take the wheel at any time;
- **p** "for all" offer made up of different degrees of autonomy to respond to varying customer needs;
- **p** "for all" programme: deployed across the PEUGEOT, CITROËN and DS AUTOMOBILES brands.

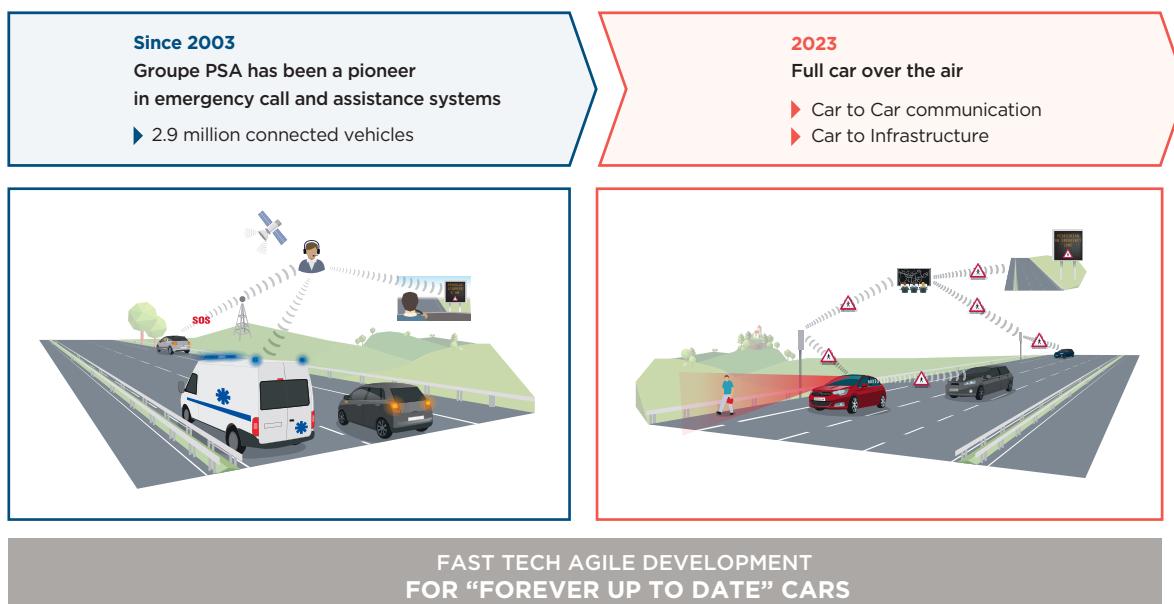
## 2.3.2.0.1. The communicating connected car

The communicating connected car marks the transition from a closed-off vehicle to a more open vehicle, with mobile devices connected to the cloud. It increases the realm of possibility in terms of mobility. The technological building blocks that Groupe PSA is developing will spur the emergence of new connected services that promise to significantly alter car use.

Groupe PSA pioneered the communicating car with the emergency call service (eCall) launched in 2003 and, since 2010, has equipped its new models, particularly in Europe, with an autonomous telematics box.

By 2020, Car to X (Car to Car and Car to Infrastructure) communication is expected to become a reality, helping to optimise travelling time or fuel consumption, and to better anticipate road mishaps.

## COMMUNICATING CONNECTED CARS: FROM EMERGENCY CALL TO CAR TO X COMMUNICATION



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.**



Since 2014, Groupe PSA 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 fitted with sensors that detect events such as a slippery road, impact and sudden braking, etc., 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 brings together numerous public and private partners around the French Ministry for the Ecological and Inclusive Transition, which coordinates: local

authorities, road operators, the Groupe PSA and Renault car manufacturers, universities and research centres. Additional partners joined the project in January 2016: a telecom operator (Orange), 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, Portugal and Spain.

In 2018, 100 Groupe PSA communicating vehicles will take to France's roads for large-scale testing.

"Car to infrastructure communication: pedestrian detection (SCOOP Project)" Video: <https://www.youtube.com/watch?v=l5chTIVI5aM>

The development of Car to Car and Car to Infrastructure technologies will make the cars of the future more intelligent and consequently more comfortable for users. **The autonomous functions will be used to lower the number of accidents caused by human error and reduce driver fatigue in monotonous driving conditions.**

To accomplish this, the Group needs to take up several challenges:

- Develop Open Source upgradable telematic platforms in partnership with software development companies. These platforms allow for fast, easy introduction of services such as IVI (In Vehicle Infotainment), Smart Antenna, etc.;
- Integrate innovative connectivity solutions that provide complete, economical connectivity that is compatible with the development cycles of mass market electronics:
- pSmartDeviceLink integrates smartphone apps (traffic conditions, parking, etc.) into the vehicle infotainment systems in order to facilitate access through voice recognition, the display screen and the dashboard. SDL technology also uses the vehicle's data to create a rich, immersive experience that is streets ahead of competing solutions,
- pCar Easy Apps allows secure data exchange between the vehicle, smart devices and the cloud, thanks to a built-in app manager. Without compromising on data security or vehicle performance, this technology creates opportunities for new services and applications;

■ Offer groundbreaking solutions that take Groupe PSA vehicles into the realm of the Internet of Things, communicate with household devices and interact continually with the vehicle through smart devices such as smartphones. To do this, the Group is working with the GAFAM/BAT digital giants, such as Banma in China, to explore personal assistant solutions;

■ Over time, introduce new telecommunications and infrastructure technologies (5G, G5, etc.) in order to deploy intelligent transport systems leading to safer driving and new connected services for the intelligent autonomous vehicle. In this vein, Groupe PSA is involved in collaborative projects including 5GCAR, Autopilot, Concordia and Scoop, and is joining alliances and consortia including 5GAA and TIAA to speed up the introduction of these technologies.

In 2017, Ericsson, Orange and Groupe PSA signed a technical experimentation partnership agreement focussing on 5G to assess its potential automotive applications. This partnership, which is part of the "Towards 5G" initiative, seeks to take advantage of the technological advancement towards 5G in order to fulfil the needs of the connected vehicle, especially in terms of the Intelligent Transport System (ITS), to create a safer driving experience and new onboard services.

2

"Ericsson, Orange and Groupe PSA to partner on 5G connected car" 01/04/2017 Press release: <http://media.groupe-psa.com/en/psa-peugeot-citro%C3%ABn/press-releases/group/ericsson-orange-and-psa-group-partner-5g-connected-car>

"Towards 5G - Groupe PSA" Video: <https://www.youtube.com/watch?v=z3ewDoxAQbQ&list=PL6CCD8AAB157C61E8&index=14>

"Towards 5G Initiative Welcomes Qualcomm, Shows Fast Results" 02/24/2017 Press release: <http://media.groupe-psa.com/en/press-releases/group/towards-5g-initiative-welcomes-qualcomm-shows-fast-results>

"5G Connected Vehicle: First Cellular V2X Field Trial" Video: <http://www.dailymotion.com/video/k4pTJSmOYx8rbtITDtw>

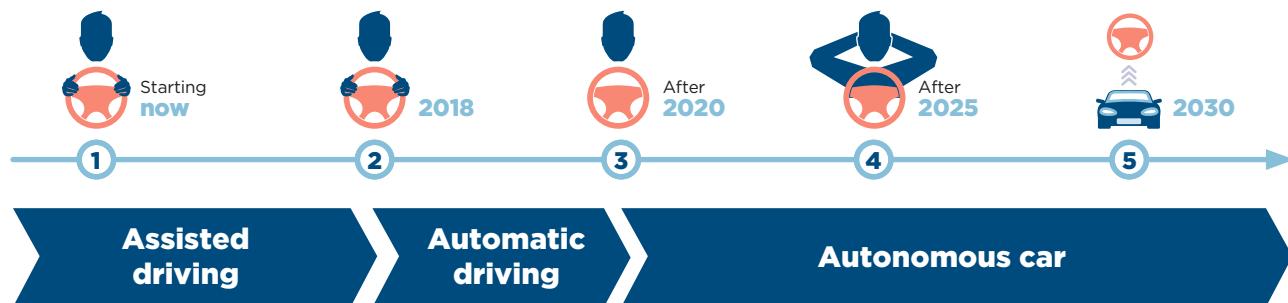
### 2.3.2.0.2. Self-driving: towards the autonomous car

In order to offer increasingly safer cars to its customers, cars that take the pressure off the driver during tedious driving conditions, and thereby make daily life easier, **Groupe PSA is launching a wide**

**range of assistance functions that will gradually lead to the option to partially, and then totally, hand over responsibility to the car, should the driver choose to do so.**

As such, the autonomous car will gradually become a reality, with regulated automation and autonomy levels.

#### STAGES OF THE AVA (AUTONOMOUS VEHICLE FOR ALL) PROGRAMME



## 2.3. Vehicle quality and safety

In 2016, Groupe PSA introduced the first level 1 (Hands On) functions, which include the following examples: The vehicle:

- **p**adapts to the speed of what is in front of it, maintains a safety distance and can use Adaptive Cruise Control to stop automatically;
- **p**uses Front Collision Warning to alert the driver in case of risk of collision; if necessary, it can automatically activate the brakes using the Autonomous Emergency Braking System;
- **p**uses the Lane Keeping Assist function to automatically return to its lane in case it drifts;
- **p**detects a parking space according to its size and uses the Park Assist function to park.

Driving assistance functions are already fitted on the new PEUGEOT 3008, 4008 and 5008 and Traveller, the CITROËN C4 Picasso, C3, C6 and SpaceTourer, and the DS 7 CROSSBACK.

Starting in 2018, new level 1 (Hands On) driving functions will be introduced on the DS 7 CROSSBACK:

- **p**the vehicle manages its speed and controls its own trajectory under driver supervision. "Connected Pilot" provides comprehensive assistance on highways;
- **p**onboard devices identify obstacles, and "Night vision" provides enhanced road visibility at night;
- **p**a camera inside the vehicle monitors driver attention with Driver Attention Alert.

The DS AUTOMOBILES brand has placed all these new features under the name "DS SAFETY" for the DS 7 CROSSBACK.



**DS AUTOMOBILES** brand website, "DS Safety" presentation: <http://www.dsautomobiles.co.uk/ds-models/ds-7-crossback/design/technologies#>

2018 will see the launch of:

- **p**first level 2 (Hands off) function at low speeds: the vehicle uses "Park Pilot" to park by itself under driver supervision;
- **p**the "In Crash Braking", which stops the vehicle upon impact in order to limit the risks of a multi-vehicle collision.

Starting in 2020, the Group plans to introduce level 2 (Hands Off) and then level 3 (Eyes Off) technologies at low speeds and in

high-traffic conditions. These technologies will subsequently be expanded to the full speed range on expressways. The technology will be accessible to all thanks to simple and intuitive interfaces. These progressively autonomous functions will allow drivers to delegate driving to the vehicle, without supervision, so that they can experience a trip without feeling stress or fatigue, especially during monotonous driving situations. For that purpose, Groupe PSA is working on a new electronic architecture (NEA) in short, the car's central nervous system that guarantees safe operation in all situations, passenger safety and data security.

Fully automated level 4 (Mind Off) technologies will be marketed beginning in 2025.

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

**As proof its is successful technologies, the Group is the first car manufacturer:**

- **to have the authorisations required since July 2015 to drive its autonomous prototypes on the open road;**
- **since March 2017 to have conducted tests with so-called non-expert drivers.**

During the Innovation Days in June 2017, Groupe PSA hosted more than 200 visitors, including journalists, bloggers, investors, institutions and the general public, at its Vélizy site, to test its level 3 (Eyes Off) and level 4 (Mind Off) autonomous demonstrators in real-world driving conditions.

As of the end of 2017, more than 150,000 kilometres had been driven in autonomous mode (levels 2, 3 and 4) on European highways.

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, 20 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.



# 150,000 KM

TRAVELED IN AUTONOMOUS MODE  
BY GROUPE PSA VEHICLES ON EUROPEAN  
ROADS BY THE END OF 2017



"Towards Groupe PSA's autonomous car: key steps and technologies" Video: <https://www.youtube.com/watch?v=3kKYZPM6zE>

"Groupe PSA autonomous car tests by non-expert drivers" Video: <https://www.youtube.com/watch?v=DLBhoHaoil>

"Autonomous car test" Video: <https://www.youtube.com/watch?v=4AOiu550j1A&list=PL6CCD8AAB157C61E8&index=6>

"Groupe PSA's safe and intuitive autonomous car tested by the general public at the Innovation Days" 03/26/2017 Press release: <http://media.groupe-psa.com/en/groupe-psa%20%99s-safe-and-intuitive-autonomous-car-tested-general-public-innovation-days>

"Best Of - Innovation Days Groupe PSA" video: <https://www.youtube.com/watch?v=LnaOGXZisyO&list=PL6CCD8AAB157C61E8&index=4>

"Thanks to the collaboration between Groupe PSA and VINCI Autoroutes, an autonomous car passes through a tollgate for the first time" 07/12/2017 Press release: <http://media.groupe-psa.com/en/thanks-collaboration-between-groupe-psa-and-vinci-autoroutes-autonomous-car-passes-through-tollgate>

"A Groupe PSA autonomous car crosses a toll barrier" Video: <https://www.youtube.com/watch?v=l90JmGzufLA&list=PL6CCD8AAB157C61E8&index=1>

### 2.3.2.1. SAFETY, A COMMITMENT THAT GOES BEYOND THE PRODUCT

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.

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.

At World Anti-Counterfeiting Day on 7 June 2017, the Global Anti-Counterfeiting Network gave Groupe PSA the Technology Award for innovative technology used to protect its accessories and its PEUGEOT, CITROËN, DS AUTOMOBILES and Eurorepar spare parts. In the automotive field in particular, anti-counterfeiting products do not offer the same guarantees in terms of security, respect for the environment and regulatory requirements. The endeavour involves placing a secure label on packaging, which allows customers, suppliers and customs officials to authenticate original PEUGEOT, CITROËN and DS AUTOMOBILES parts and Eurorepar parts.



**"Groupe PSA rewarded for its technological solution choice for the protection of its brands"** 06/08/2017  
 Press release: <http://media.groupe-psa.com/en/groupe-psa-rewarded-its-technological-solution-choice-protection-its-brands>

During the Mobility Talks held on 14 November 2017, the Group announced its partnership with Huawei to develop an IoT software platform. The new platform, known as the Connected Vehicle Modular Platform (CVMP), will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality.



**"Groupe PSA, an ever-expanding range of services to facilitate day-to-day mobility"** 11/14/2017 Press release: <http://media.groupe-psa.com/en/groupe-psa-ever-expanding-range-services-facilitate-day-day-mobility>

### 2.3.2.2. OPERATING SAFETY

Groupe PSA 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.



#### RELATIONS WITH STAKEHOLDERS

For over 10 years, Groupe PSA has been actively participating in a project to bring the safety of vehicle on-board systems in line with ISO standards. It is part of a group of some hundred experts including car manufacturers, equipment suppliers universities and government bodies. Groupe PSA is spearheading a new standardisation initiative on safety of the intended functionality. This approach seeks to ensure that assistance systems make the correct decision in all scenarios of a customer's life. 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.

The first normative document on this topic, PAS21448, will be published in 2018.

For every vehicle project, Groupe PSA experts apply methods, and the R&D Head of Department checks 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)



**"Groupe PSA – Talent(s) builder: Nicolas, operating safety expert master"**: <https://www.youtube.com/watch?v=eJ8oTNWH6CE>

### 2.3.2.3. PRIMARY SAFETY: AVOIDING ACCIDENTS

#### Chassis systems

Suspension, steering, braking and other systems are designed to deliver handling performance, precision steering and braking efficiency that rank among the best in the market.

Groupe PSA had anticipated changes in regulations by equipping its vehicles with driving assistance technologies aimed at helping the driver:

- the ABS, or Anti Blocking System, which stops the brakes from blocking when performing an emergency stop;
- the EBA, or Emergency Brake Assist, which increases braking power when performing an emergency stop;
- ESC, or Electronic Stability Control, which helps drivers maintain control even in a skid;
- TPMS, or Tyre Pressure Monitoring System, which alerts the driver to potential loss of air pressure that can destabilise the vehicle.

## Controlling trajectory and safety distances

- DW, or Lane Departure Warning, warns drivers when they unintentionally leave their lane;
- LKA, or Lane Keeping Assist, operates on the steering system to keep the vehicle in lane;
- the DA, or Distance Alert function, gauges the stopping time between the driver's vehicle and the vehicle in front;
- the Front Collision Warning function emits a sound and visual alert to notify the driver of an imminent risk of collision;
- 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 Autonomous Emergency Braking System, when confronted with a risk of collision with a vehicle or pedestrian, alerts and intensifies the braking if the driver reacts, or brakes automatically if the driver does not react;
- the Driver Attention Alert system assesses risky driver behaviour and alerts the driver if necessary.

## See and be seen better

Groupe PSA 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 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);
- the blind spot information system (Blind Spot Monitoring, or BSM) to warn of the presence of a vehicle (especially motorbikes) through an icon that lights up in the wing mirror. If the driver changes lanes, BSM and LKA can work together to react to the presence of a vehicle in the blind spot.

## Ergonomics and human-machine interface (HMI)

The proliferation of driver assistance systems and infotainment services compels Groupe PSA to be especially attuned during the IHM design process to be able to diagnose the state of alertness of drivers and suggest interactions that will enable them to refocus on driving.

Through collaborative projects such as car to x SCOOP@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) 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 Groupe PSA and Renault. A unique organisation, LAB has conducted research projects since 1969 (27,200 accidents in its database) to enhance understanding of accident mechanisms and their related injury mechanisms.

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 helps foster 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.

Airbags (up to eight in a Group car):

- front airbags: they protect the head, neck and thorax of the driver and front passenger in a frontal impact;
- front side airbags: they protect the thorax, abdomen and pelvis of the driver and front passenger in a side impact;
- windowbags: these protect the side of the head of front and rear occupants in a side impact;
- rear side airbags: these 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 restraints.

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, Groupe PSA 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

Groupe PSA has played a pioneering role and remains the European leader in post-accident or tertiary safety, which helps to attenuate the effects of an accident by facilitating emergency rescue in two ways:

### Emergency call system

Implementing the devices before European regulation PE/112 comes into effect on 30 March 2018, the Group is the first mainstream car manufacturer to have deployed a wide-scale, geo-located emergency call system, without a subscription or any cut-off date. Since March 2010, the Connect Box developed by Groupe PSA

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.

	Cumulative total through 2015	Cumulative total through 2016	Cumulative total through 2017
Cumulative total of PEUGEOT, CITROËN and DS AUTOMOBILES vehicles equipped as standard with the Groupe PSA emergency call system	1,877,026	2,300,764	2,902,611
Cumulative total alerts sent to emergency services	16,167	20,184	24,824
Countries in which the Groupe PSA emergency call service is available	17 countries: France, Germany, Italy, Spain, Belgium, Luxembourg, the Netherlands, Portugal, Austria, Switzerland, Denmark, Poland, the United Kingdom, Czech Republic, Slovakia, Norway and Sweden	17 countries: as above	17 countries: as above

2

## KEY FIGURES

# MORE THAN 2.9 MILLION

GROUPE PSA VEHICLES ARE FITTED WITH THE EMERGENCY CALL SERVICE AS STANDARD, HELPING TO IMPROVE ROAD SAFETY

Motorway control centres in France are now automatically warned of any accidents on their roads via the emergency call service in equipped PEUGEOT, CITROËN and DS AUTOMOBILES vehicles. Drivers can also use emergency 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, the Group works with French rescue teams to prepare victim removal instructions for each of its models. 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.

Extraction files are available for after-sales services and in some countries on the brand's website.



## RELATIONS WITH STAKEHOLDERS

Groupe PSA led efforts within the ISO on establishing an international standard for a single extrication file, which has been applicable since January 2015 and will become a worldwide standard. Work on ISO standardisation continued in 2017 with the development of a standard for emergency guides for any type of vehicle and is currently in the validation phase: the Group is participating in initiatives led by the CTIF (International Association of Fire and Rescue Services).

### 2.3.2.6. RESULTS OF NCAP TESTS SASB-04

**The Group vehicles tested by NCAP organisations in different regions were awarded strong scores, reflecting the high safety standards we offer to the customers of the PEUGEOT, CITROËN and DS AUTOMOBILES brands.**

The scope of measurement of these programmes is changing to address new standards. As a result, Euro NCAP in Europe:

- since 2009, vehicles tested receive an overall rating which combines results for adults, pedestrians and children (which were previously awarded three separate scores) as well as the presence of safety equipment;
- as of 2014, it has also factored in the performance of the primary safety systems such as Lane Departure Warning and automatic emergency braking for vehicles. These tightening regulations have affected assessment: five stars are now reserved for vehicles that also have this type of equipment, while vehicles with a high level of passive safety earn four stars;
- from 2016, the Euro NCAP also assessed the performance of the automatic emergency braking systems for pedestrians and the Lane Keeping Assist.

## 2.3. Vehicle quality and safety

**EURO NCAP: 57% OF MODELS TESTED RECEIVED 5 STARS**

Vehicles which have retained their ncap score (valid for six years)

No. of stars	Model (Year launched/Year tested)
5*	<ul style="list-style-type: none"> <li>› PEUGEOT: 5008 (2017/2017) - 3008 (2016/2016) - Traveller<sup>(1)</sup> (2015/2015) - 308 (2013/2013) - 2008 (2013/2013) - 208 (2012/2012) - 508 (2011/2011)</li> <li>› CITROËN: C3 Aircross (2017/2017) - Space Tourer<sup>(1)</sup> (2015/2015) - New C4 Picasso (2013/2013)</li> <li>› DS AUTOMOBILES: DS 7 (2017/2017) - DS 5 (2011/2011) - DS 4 (2011/2011)</li> </ul>
4*	<ul style="list-style-type: none"> <li>› PEUGEOT: 108<sup>(2)</sup> (2014/2014)</li> <li>› CITROËN: C3 (2017/2017) - C1<sup>(2)</sup> (2014/2014) - C4 Cactus (2014/2014)</li> </ul>
3*	<ul style="list-style-type: none"> <li>› PEUGEOT: 301<sup>(3)</sup> (2013/2014) - Partner<sup>(4)</sup> (2008/2014) - 107<sup>(5)</sup> (2005/2012) - Expert (2007/2012)</li> <li>› CITROËN: E-MEHARI (2017/2017) - C Elysee<sup>(3)</sup> (2013/2014) - Berlingo<sup>(4)</sup> (2008/2014) - C1<sup>(5)</sup> (2005/2012)</li> <li>› DS AUTOMOBILES: DS 3 (2017/2017)</li> </ul>

Models marked <sup>(x)</sup> with the same numbers have the same technical specifications.**CHINA NCAP: 94% OF MODELS TESTED RECEIVED 5 STARS**

No. of stars	Model (Year launched/Year tested)
5*	<ul style="list-style-type: none"> <li>› PEUGEOT: 3008 (P84C) (2016/2017) - 308S (T91) (2015/2016) - 408 (new) (2014/2015) - 2008 (2014/2014) - 3008 (2013/2013) - 308 (2012/2012) - 508 (2011/2011) - 408 (2010/2010) - 307 sedan (2009/2009)</li> <li>› CITROËN: C4 (BZ3) (2015/2016) - C4L (2012/2013) - C5 (2010/2010) - C Triomphe (2006/2007)</li> <li>› DS AUTOMOBILES: DS 6 (2014/2015) - DS 5 (2013/2014)</li> </ul>
4*	<ul style="list-style-type: none"> <li>› CITROËN: C-Quatre (2008/2009)</li> </ul>

**AUSTRALIAN NCAP: 92% OF MODELS TESTED RECEIVED 5 STARS**

No. of stars	Model (Year launched/Year tested)
5*	<ul style="list-style-type: none"> <li>› PEUGEOT: 3008 (2016/2016) - 308 (2014/2014) - 2008 (2013/2013) - 208 (2012/2012) - 508 (2011/2011) - 308CC (2009/2010)</li> <li>› CITROËN: Grand C4 Picasso (2014/2014) - C4 (2011/2011) - C5 (2008/2008)</li> <li>› DS AUTOMOBILES: DS 5 (2012/2012) - DS 4 (2012/2012) - DS 3 (2010/2010)</li> </ul>
4*	<ul style="list-style-type: none"> <li>› CITROËN: C-Quatre (2008/2009)</li> </ul>

**ASEAN NCAP: ONE MODEL TESTED, 0% RECEIVED 5 STARS**

No. of stars	Model (Year launched/Year tested)
4*	<ul style="list-style-type: none"> <li>› PEUGEOT: 208 (2013/2013)</li> </ul>

**KOREAN NCAP: ONE MODEL TESTED, 0% RECEIVED 5 STARS**

No. of stars	Model (Year launched/Year tested)
4*	<ul style="list-style-type: none"> <li>› PEUGEOT: 2008 (2014/2016) the result is 2<sup>nd</sup> Grade. No overall rating in South Korea, adult rating provided here</li> </ul>

**LATIN NCAP: ONE MODEL TESTED, 0% RECEIVED 5 STARS**

No. of stars	Model (Year launched/Year tested)
4*	<ul style="list-style-type: none"> <li>› PEUGEOT: 208 (2014/2013)</li> <li>› CITROËN: C3 (2014/2015)</li> </ul>
2*	<ul style="list-style-type: none"> <li>› PEUGEOT: 208 (2013/2016)</li> </ul>

**US NCAP and IIHS:** no sales in USA, no result**Japan NCAP:** no models tested

### 2.3.2.7. VEHICLE RESISTANCE TO INTRUSION

Groupe PSA has long been working on making vehicles resistant to intrusion as it has a duty to guarantee the protection of vehicles and the objects inside them from malicious intrusion. Vehicles are designed to withstand break-ins according to standards in line with current knowledge and leading authorities such as Thatcham.

Since 2011, a unit has been analysing and addressing potential or known intrusion threats, conducting statistical and Internet monitoring, and analysing theft methods in conjunction with the police. This work has, for example, spurred alterations to the design of door locks to strengthen their resistance to break-ins.

The unit works closely with cybersecurity experts (see § 2.3.2.8) and is assisted by specialised firms.

For instance, encryption algorithms are used to protect vehicle unlocking and starting. These algorithms are continually improved as existing knowledge changes. The latest-generation vehicles use encryptions that meet the highest standards.

### 2.3.2.8. CYBERSECURITY: A NEW THREAT

In light of the emergence of new malicious hacking threats on vehicles, Groupe PSA has implemented a reference guide and

methodology modelled on operating safety, and a dedicated organisation that depends on a group of experts who are also involved in drafting international standards on personal data security, such as the Europe-wide General Protection regulation (see § 7.4.1.1).

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.



Groupe PSA experts are involved in the drafting of an international technical standard (ISO in the World and SAE in America) setting out the basic cybersecurity 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 and Chinese 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-SO11    G4-PR1    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, 2.3.2 and 2.4.1.3.

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 2017, the Naples Court sentenced PEUGEOT to pay €843.40 in compensation to a consumer who was injured after the vehicle airbag deployed.

**DEPF.16** **DPEF.19** **DPEF.23** **G4-DMA** **G4-EN4** **G4-EN27**

**From the design phases and at each stage of the life cycle, Groupe PSA 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 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>	Help limit the impacts associated with car use: promote the safest and most environmentally friendly driving practices, reduce vehicle fuel consumption, develop increasingly effective exhaust emission 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).

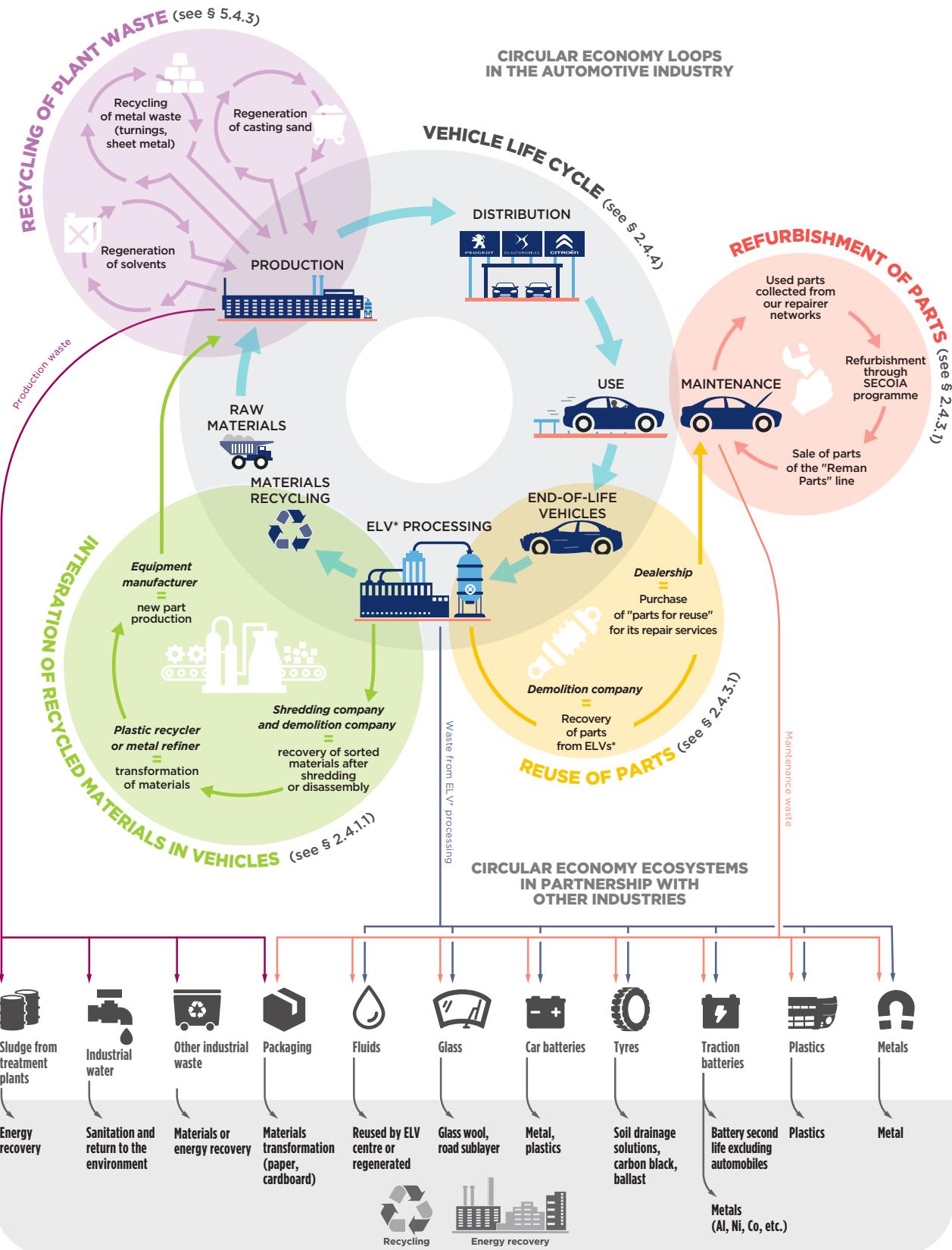


RELATIONS WITH  
STAKEHOLDERS

In April 2017, Groupe PSA's Materials and Eco-Design expert gave a presentation on eco-design in the automotive industry. This event, which was open to all employees, sought to enlighten employees on environmental issues and how they are taken into account during the design phase, especially when it comes to the choice of materials.

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 GROUPE PSA'S TYPICAL CIRCULAR ECONOMY INITIATIVES



\* End-of-life vehicle



The PSA Group's raw materials management allows it to combine competitiveness with the preservation resources.

The Group pursues its efforts to fulfil its commitment to building vehicles with 30% recycled or bio-sourced materials; this is a way to control materials purchasing costs: the use of recycled polypropylene and polyamide (rather than the same virgin materials) yielded savings of **€7.2 million in 2017** (€3.8 million were saved in 2016, for EU vehicle sales), and this advances the goal of reducing production cost and the sustainability of end-of-life vehicle management systems while guaranteeing an outlet in the automotive 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 2017, steel requirements were reduced by several thousand tonnes through lighter design and a streamlined manufacturing process, which resulted in a reduction in scraps and savings of **€30 million**.

Through its choice of materials, the Group also aims to promote the recyclability of its products and guarantees 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 treatment of end-of-life vehicles generated total revenue of **€2.1 million in 2017**, including €0.53 million for the sole company-owned network (PSA Retail) and used vehicle sales branches.

In addition, the brands, along with their dealer networks, have entered the **circular economy** through different services (see § 2.4.3.1): the "Reman Parts" offer in Europe (Renovated mechanical parts); parts for reuse from end-of-life vehicles, and the Repair & Return service in France. In 2017, these businesses generated total revenue of **€105 million**.



**€7.2 MILLION**  
SAVED  
IN 2017 DUE TO THE USE OF  
RECYCLED OR BIO-SOURCED MATERIALS

## 2.4.0. Innovating to boost the eco-design approach

Wishing to make greater strides in its eco-design approach, in April 2017, Groupe PSA launched through its Business Lab a call for innovation from SMEs and start-ups in order to identify new opportunities to collaborate on "INNOVATIVE MATERIALS AND 3D/ADDITIONAL PRODUCTION". Seventy-four start-ups and SMEs responded to the call for innovation, 23 start-ups were selected to pitch their solutions, and several are currently being evaluated.

The Group has also started examining the possibility of printing spare parts in 3D in the car body shop. This technique opens up new opportunities in after-sales and there is great potential, especially for older models with high production costs and high costs to store parts for limited use. Repairers would be able to directly print components in 3D or print them from a 3D-printed injection mould. This work currently focusses on what material to use to achieve an optimal result.

In June 2017, Groupe PSA joined forces with Le Village by CA Paris and other partners to put out another call for innovation from circular economy start-ups and SMEs: "MY CAR, DESIGNED FOR SECOND LIFE", seeking solutions to the following problems:

■**p**the second life of cars and their components: the refurbishment of automotive parts for all types of use, including non-automotive, used parts, the second life of lithium-ion traction batteries, etc.;

■ services such as vehicle recovery and collection, repair assistance, materials recycling technologies, eco-design, etc.

The Group received 68 applications. They are being reviewed to identify opportunities for collaboration that could start in 2018.



"Groupe PSA and Le Village by CA Paris launch a call for innovations from start-ups and SMEs in the circular economy" release from Village by CA Paris:  
<http://www.levillagebyca.com/17057/>

## 2.4.1. Responsible use of materials DPEF.23

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.



**RELATIONS WITH STAKEHOLDERS**

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**

### 2.4.1.1. REDUCING CONSUMPTION OF MATERIALS G4-EN1

In 2017, the Group consumed (outside Latin America):

- 2,170,000 tonnes of steel (+0.5% from 2016), including 660,000 tonnes directly (-3%);
- 20,000 tonnes of non-ferrous metals, including 74,000 tonnes of aluminium directly (+21%);
- 500,000 tons of synthetic materials, polymers and elastomers.

These volumes represent the composition of direct parts assembled in Group plants, spare parts and parts intended for assembly plants in cooperation.

### 2.4.1.2. AN ASSERTIVE COMMITMENT TO USING GREEN MATERIALS G4-EN2

**Groupe PSA 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.

#### DISTRIBUTION OF MATERIALS IN THE COMPOSITION OF THE AVERAGE GROUP VEHICLE

Average Group vehicle Europe 2017	Composition of materials	Green materials
Metals	69.5%	28.9%
Polymers	21.2%	2.1%
Natural materials	0.5%	0.5%
Mineral materials	3.0%	
Fluids and Oils	5.6%	
Electronics	0.2%	
<b>TOTAL</b>	<b>100.0%</b>	<b>31.5%</b>

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. For the most part, other materials, such as metals, fluids, etc., are already recyclable and are widely recycled.

**The Group defines three categories of materials as “green materials”:** recycled materials, materials of natural origin (wood, plant fibres, etc.) and bio-sourced materials (polymers that come from renewable resources rather than the petrochemical industry). **There are several advantages to using them: 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.



Groupe PSA is involved in a large number of scientific partnerships to boost the development of the biomaterials industry and expand the use of these materials in vehicles:

- through the Regional Association of the Automotive Industry of Île-de-France, Groupe PSA 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 Group leads the ADEME (Agency for the Environment and Energy Management) COCCY-BIO (Tenue aux ChOCs et reCYclage de BIOcomposites multifibres, or Performance under Impact and Recycling of Multi-fibre Biocomposites) project with the following partners: ADDIPLAST SA, COPFIMO, Université de Bretagne Sud,

*Université de Strasbourg*, and the Car of the Future and IAR competitiveness clusters. This three-year project that started in 2018 seeks to develop for the automotive industry thermoplastic compounds that contain a substantial proportion of biomass. Given the promising mechanical performances of plant fibres, such composites more often than not make it possible to reduce the weight of parts, while retaining comparable performance, and consequently to lower CO<sub>2</sub> consumption and the environmental impacts of vehicles. One of the major goals of the project will be to develop a new range of compounds that meet automotive specifications in terms of performance and cost, and to incorporate a percentage of biomass that comes from local resources.

The latest vehicles brought to market illustrate the results obtained on the inclusion of materials that are recycled or from natural sources:

- pThe DS 7 contains an average of 30% recycled and natural materials overall. Around 70 polymer parts incorporate recycled materials, including the rear and front bumpers, boot side trim supports, air filter and a storage compartment. In addition, around 80 parts contain natural materials, such as wood fibres in the front and rear floor mats and cotton fibres in the visors;
- pThe new CITROËN JUMPY and PEUGEOT EXPERT vehicles contain an average of 30% recycled and natural materials overall. Approximately 100 parts incorporate recycled polymer materials and materials of natural origin, such as recycled plastics in the window deflectors, bumpers, visors, air filters and 12V starter battery box, and cotton fibres in the boot trim.

In addition, Groupe PSA 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.



"Polyamide 6.6 Technyl® 4earth™" Webpage (including T4E Video): <http://www.technyl.com/en/products-and-solutions/products/technyl-4earth/index.html>

"Move 4earth® Project" 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 2017 was more than 30% (volume-weighted average of European vehicle sales in 2017).



**30%**  
OF NATURAL AND RECYCLED MATERIALS  
IN THE GROUP'S VEHICLES

In 2017, 640,000 tonnes of green materials were used to manufacture the vehicles on the market, including 630,000 tonnes of recycled materials.

#### 2.4.1.3. REDUCTION OF HAZARDOUS SUBSTANCES DPEF.18 DPEF.36

For many years now, Groupe PSA 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 cooperation with suppliers so as to guarantee the full compliance of everything we provide**. To ensure the traceability of all the substances referred to in regulations, the Group collects information from suppliers using the IMDS (International Material Data System) tool. For every part delivered, the Group requests that its suppliers provide a declaration of conformity regarding chemical substance regulations.

This initiative centres around two key issues:

- pthe elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium) that are regulated by European Directive No. 2000/53/EC on end-of-life vehicles. Examples include:
  - pchromium VI used in anti-corrosion coatings for many metal parts has been replaced,
  - pfrom January 2016, lead was no longer used in the seals of the electronic boards of new vehicles;
- pcompliance 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.
  - pGroupe PSA uses the REACH automotive industry guidelines to which it contributed as a member of the European Automobile Manufacturers' Association (ACEA),
  - pas part of the French automotive platform, Groupe PSA supports its supply chain in enacting compliance initiatives while striving to stay competitive,
  - pfor instance, Groupe PSA helped draft a leaflet informing the supply chain of the registration deadline for the newest chemical substances in 2018. A specific letter was sent to all of Groupe PSA's suppliers.

Groupe PSA has set itself the goal of minimising the use of substances on the REACH candidate list and anticipating the restrictions in Appendices XIV and XVII by working as far upstream as it can during the new material research and innovation phase. Examples include the replacement DEHP (diethylhexyl phthalate), which is used as a plasticiser in PVC sheaths for wiring harnesses.

## PRESS RESOURCES

**"REACH: Automotive Industry Guideline"** Article:  
<http://www.acea.be/publications/article/reach-automotive-industry-guideline>

**"material supply risk under REACH 2018"** Information brochure: <http://www.pfa-auto.fr/recommandation-risque-dapprovisionnement-matiere-cadre-de-reach/>

Other regulations on chemical substances, such as regulations on persistent organic pollutants, biocides, etc., which affect part design and/or production, are also followed.

Furthermore, the internal chemical product management tool is used to trace the use of nanomaterials in chemical products at the plants. 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.

### Interior air quality

In addition to monitoring regulatory requirements, **Groupe PSA 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.



Certification label granted to the PEUGEOT 3008 high-performance filter.

Groupe PSA has begun to develop testing methods that can measure filter performance when it comes to mould and bacteria. These methods were validated by UL Environnement, and this allowed the Group to obtain a performance certification label for the high-efficiency filter introduced on the new PEUGEOT 3008, which filters more than 92% of fine particulates and more than 98% of mould and bacteria. This performance certification label will be phased in for all the filters fitted on Groupe PSA's new vehicles.

### 2.4.1.4. MONITORING MATERIAL CRITICALITY

Groupe PSA 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.

Groupe PSA 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 Finance 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

DPEF.20 SASB-03

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 establishes three types of recovery for end-of-life vehicles: 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 Group partners such as suppliers, recycling operators and car manufacturers' associations. This structure, which was originally implemented in Europe, is being rolled out on the Group's other sales platforms.

### Prevention measures: commitment to recyclability

**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, Groupe PSA 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;
- the Group is undertaking research and development projects with automotive industry partners and partners in the sector tasked with treating end-of-life vehicles;
- a consortium that includes Forsee Power, EDF, the Mitsubishi Corporation and Mitsubishi Motors is examining the use of automotive batteries for stationary energy storage applications. A study on electric vehicle battery second life in energy buffering is being carried out on a local micro-grid combining photovoltaic production and electric vehicle charging stations;
- 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 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 8 November 2017, the Group received a three-year renewal of the **UTAC certificate** verifying its ability to implement the processes needed to fulfil the 95% recyclability/recovery requirement (in vehicle weight), including 85% in reusing or recycling materials. The audit applies to the traceability processes for information on the weight of materials and substances and to the corresponding assessments and analyses. All PEUGEOT, CITROËN and DS AUTOMOBILES vehicles are now accredited to meet this requirement.



KEY FIGURES

ALL THE GROUP'S VEHICLES  
IN EUROPE ARE

**95% RECOVERABLE**  
**85% RECYCLABLE**

## 2.4.3. Management of end-of-life products: reuse, recycling and recovery DPEF.23 G4-EN28

### 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 making new spare parts available up to 10 years after the end of mass production of a model, Groupe PSA's brands have developed two part offers and one service offer in line with the concept of the circular economy.

#### The Reman Parts offer: refurbishment of parts and subassemblies with high value

In 1967, Groupe PSA created the SECOIA (Service ÉCOlogique pour l'Industrie Automobile), which collects used parts from the dealer networks and sends them to the sorting platform at Hérimoncourt, where they are refurbished and sold back to the dealer network for an average of 30% less than they would cost new. In 2017, 19 product families were covered, totalling 666,000 parts collected, more than 73% of which were sold as part of the "Reman Parts" service. The remainder underwent materials recovery or were set aside for future use. This activity does not generate any waste.

For example, 35% of engines, 45% of gearboxes, 50% of clutches, 67% of injectors, 75% of alternators and 80% of particulate filters sold in Europe are from the "Reman Parts" offer. These parts are offered to the public with the same manufacturer warranty as new parts.

**492,000**  
REMAN PARTS SOLD PER YEAR

KEY FIGURES

PRESS RESOURCES

#### Reman Parts 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 end-of-life vehicles

In 2017, the brands marketed a "parts for reuse" service for parts from end-of-life vehicles. This service provides customers with an economic solution when body shop work is more costly than the vehicle's market value.

In connection with the implementation of the French Law on Energy Transition that entered into force on 1 January 2017, authorised repairers were informed of their new obligations regarding parts from the circular economy. The memo contained the contact details of approved sources which can help them access second-hand parts.

#### The "Repair & Return" service: extending the durability of complex electronic products

In 2017, the brands formed "Repair & Return", a multi-brand repair service for customers that repairs complex electronic products in a European competence centre in under 10 days. The service can handle such items as the radionavigation systems installed in production on Groupe PSA vehicles. This service helps extend product durability and consequently conserve natural resources.

### 2.4.3.2. RECYCLING OF END-OF-LIFE VEHICLES (ELV) SASB-02

The Group has been involved in collecting and processing ELVs from its dealership networks through partnerships with vehicle dismantling and shredding companies for nearly 30 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.



PRESS  
RESOURCES

"Vehicle life cycle - End-of-life vehicles management of PSA Group" video: <https://www.youtube.com/watch?v=ZgJ2131FgVs&t=3s>

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: materials recovery and recycling and energy recovery. 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 2017), that collect ELVs, deregister and depollute them and then dismantle them to resell certain parts for reuse.



PRESS  
RESOURCES

"What happens to end-of-life vehicles (ELVs)?"  
08/26/2017 Article: <http://www.inmvt.com/en/sustainable-mobility/end-of-life-vehicles-recycling-backstage/>

Between 2009 and 2017, this strategy resulted in the collection and processing of over 838,000 ELVs from PEUGEOT and CITROËN dealership showrooms, which equates to 49% of Group brands' ELVs.

### KEY FIGURES

# 957,690 TONNES

OF END-OF-LIFE VEHICLES  
COLLECTED AND PROCESSED  
IN FRANCE BETWEEN 2009 AND 2017

The Group's performance in France in overall recovery of ELVs collected through its network is compliant with European regulations and better than the national average: Group performance in 2015 = 95.5% of which 88.1% reused or recycled by weight <sup>(1)</sup>.

As previously reported, the most recent ADEME data (2015) at the national level reports overall performance in reuse, recycling and recovery to be 94.3% (of which 87.5% recycling and reuse).

The core challenge is still 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 relies on industrial partners that can achieve these targets: regulatory compliance, adherence to collection deadlines, incentive pay in the brand networks, 95% total recovery rate, investments in R&D to find new recycling and energy recovery industry outlets.

This strategy also opens new opportunities for automotive materials sourcing making it possible to incorporate recycled materials such as plastics, metals, etc. into the production of new vehicles, in line with the Group's design objectives.

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. This application is available where used PEUGEOT and CITROËN vehicles are sold.

### PRESS RESOURCES

**"Occasions du lion"** website, "Where to recycle your vehicle ?" page: <https://www.occasionsdulion.com/recyclage-vehicule>  
**"CITROËN Select"** website, "Where to recycle your vehicle?" page: <https://www.citroenselect.fr/recyclage-vehicule>

According to the Agency for the Environment and Energy Management (ADEME), of the 1,016,326 ELVs (all brands combined) processed by all authorised ELV centres in France in 2015, 31.53% were Groupe PSA brands (PEUGEOT, CITROËN, DS AUTOMOBILES, 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%.

Groupe PSA made a major contribution to the drafting of a cross-manufacturer action plan for the re-absorption of historic stocks of ELVs, estimated at 60,000 vehicles in May 2015, in the French overseas territories in which the French Environmental Code applies (Guadeloupe, St Martin, Martinique, French Guiana, La Réunion, Mayotte). This plan, which addresses the environmental

and health issues that arise when vehicles are abandoned by their last owner, will be followed up in 2018 with the signature of a cross-manufacturer framework agreement with a financial commitment from each brand. Groupe PSA aims to start this plan in Martinique and Guadeloupe in early 2018; it will be implemented by the local automotive waste management organisations (TDA Martinique and TDA Guadeloupe).

In October 2017, in anticipation of the conversion premium to be enacted in 2018 by the French minister for the ecological and inclusive transition, PEUGEOT France and CITROËN France launched a scrappage scheme for diesel vehicles older than 16 years and petrol vehicles older than 20 years for the purchase of a new or used vehicle. These end-of-life vehicles will be treated in accordance with the procedures implemented by Groupe PSA to ensure 100% traceability and recovery over 95%.

**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. Groupe PSA 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, Groupe PSA 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 2017 involved:

- **in Italy:** following the collaboration with UNRAE (Unione Nazionale Rappresentanti Automobilistici Europei) and the Italian Ministry of the Environment for the implementation of a process to certify demolition companies according to a single technical and organisational standard that was shared with other car manufacturers, Groupe PSA's Italian subsidiary set its own certification objectives in order to best use the network of its brands' demolition partners;
- **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 95.0%, 85.0% of which in recycling <sup>(2)</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:** after the regulations eliminating a subsidy for treatment operators were changed, Groupe PSA's Polish subsidiary worked with its current partner to establish the best financial solution to ensure the sustainability of the ELV treatment channel and keep its network of partner demolition companies running;
- **in Great Britain:** Groupe PSA's subsidiary responded favourably to the government's call to significantly reduce air pollution from the fleet of old vehicles by implementing, as part of a commercial buyback for the purchase of a new vehicle, financial incentives for the scrappage of petrol or diesel vehicles more than seven years old.

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

<sup>(2)</sup> Latest figures available on Eurostat = 2015.

**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.** Draft directives on the operational treatment of ELVs and on recycling batteries from electric vehicles are currently being written.

**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.**

### Recycling batteries from hybrid and electric vehicles

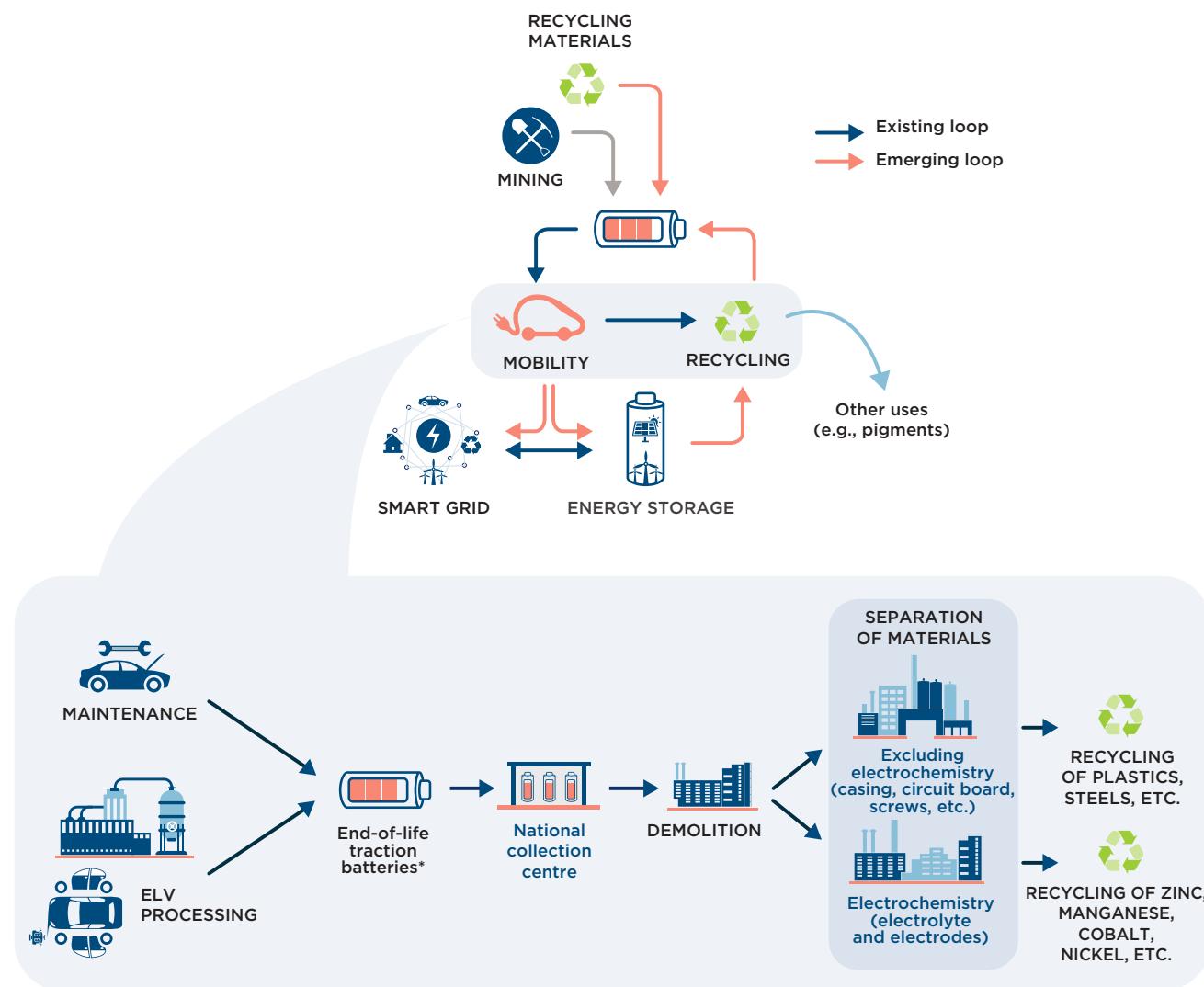
In accordance with Directive No. 2006/66/EC, the Group has implemented collection and treatment procedures for its batteries used in hybrid and electric vehicles sold in Europe. The battery technology in electric and hybrid vehicles requires specific handling methods.

The Group has a contract for the entire European market with a single, efficient partner, whose recycling rates in 2016 were 67.8% 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.

Groupe PSA is also studying technical opportunities that enable the recovery of residual battery capacity when battery performance is no longer compatible with the original automotive use. This second use, such as to store stationary energy, would make it possible to postpone the battery recycling date for several years. By reconditioning them so they connect efficiently to the electric grid, using these batteries in energy buffering would partly meet electricity storage needs resulting from the increase in renewable energy sources, which by nature are sporadic.

### RECYCLING LOOP OF END-OF-LIFE TRACTION 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 2017, 3,853 tonnes of tyres from ELVs were at least 50% treated as "materials recovery" (for reuse, drainage solutions, granulation, etc.).

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).

In addition, as a member of Recyvalor, Groupe PSA helped collect and recover more than 7 million tyres (adding up to 80,000 tonnes) that had been abandoned for several years at some 60 unauthorised sites across France.

Since 2008, 28 businesses (including Groupe PSA) and organisations, with the support of the French Ministry of the Environment and the Agency for the Environment and Energy Management (ADEME),

have stepped up to address the health, safety and environmental risks caused by open-air tyre landfills. Since then, the management of end-of-life tyres has come under supervision and been brought under control, and inventory is no longer building up.

To mark the end of its 10 years of existence, Recyvalor held a closing ceremony on 23 November 2017 at the French Ministry of Ecology under the patronage of Mr Nicolas Hulot and with Brune Poirson, minister of state attached to the minister, who praised this laudable initiative and the unflagging commitment of its members.



Recyvalor website: <http://www.recyvalor.fr/>

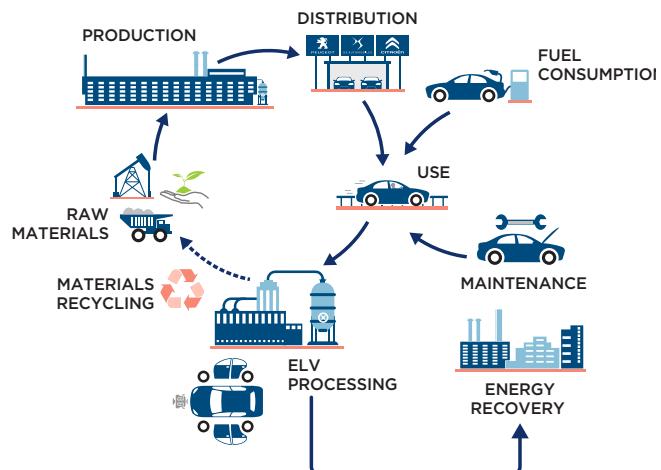
#### **2.4.4. Vehicle life cycle and carbon footprint analyses**

#### 2.4.4.1. LIFE CYCLE ANALYSIS TO IMPROVE THE VEHICLES' ENVIRONMENTAL RECORD

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.

## 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.

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 (recyclability, critical materials, etc.).

The Group has therefore developed a method for assessing the environmental performance of innovations for the Advanced Research & Development Division teams.



## RELATIONS WITH STAKEHOLDERS

Groupe PSA 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, with the support of the Agency for the Environment and Energy Management (ADEME). 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;

■ in 2017, a collaborative research project was carried out to develop an environmental assessment methodology to compare automotive mobility services. The project was carried out in partnership with the Laboratoire des Sciences pour la conception, l'Optimisation et la Production de Grenoble (G-SCOP) and the *Institut Français du Pétrole Energies nouvelles* (IFPEN). A methodological guide was written and the methodology was applied to Groupe PSA's EMOV service in Madrid.

Thesis work was also begun with the aim of achieving environmental optimisation of automotive products and services systems such as car-sharing.

The Group takes part in the annual themed workshops and the Doctoral Courses of Excellence delivered by members of the association.

EcoSD website: <http://www.ecosd.fr/fr>

2

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 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.

The Group has set a goal of analysing the life cycle of each new family of vehicles. Since 2014, all new vehicles, except for those designed with joint venture partners, have been subject to life cycle analyses. 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.



**100%**  
OF NEW VEHICLES UNDERGO  
A LIFE CYCLE ANALYSIS

In 2017, life cycle analyses covered 45.4% of the total fleet sold, up from 44.6% in 2016. Some vehicles did not undergo life cycle analyses:

- p<sup>h</sup>ehicles designed with joint venture partners;
- p<sup>h</sup>old models that are still sold and will be analysed when a new version is developed.

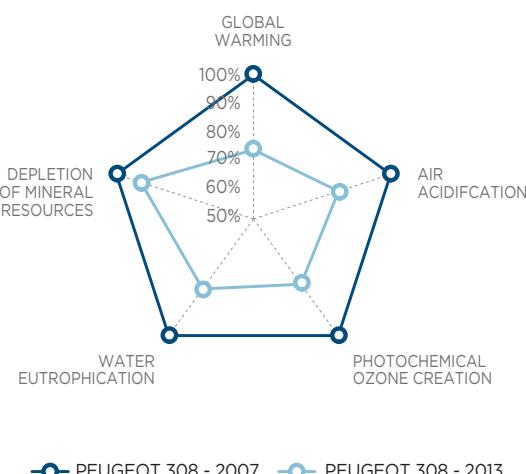
## Examples of the application of life cycle analysis

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:

- p<sup>h</sup>the New CITROËN C3 in its petrol version compared to the previous CITROËN C3 version;
- p<sup>h</sup>the New DS 7 Crossback in its diesel version compared to the old PEUGEOT 3008.

## RESULT OF THE LIFE CYCLE ANALYSIS DONE ON THE PEUGEOT 308



—●— PEUGEOT 308 - 2007    —○— PEUGEOT 308 - 2013

## 2.4. Environmental impact of materials: circular economy and sustainable management of materials

The analysis found that the total environmental footprint between the two versions of the PEUGEOT 308 had shrunk. This analysis was based on a comparison of the environmental impacts of the PEUGEOT 308 sold in 2007 with those of the new PEUGEOT 308 sold in 2013. The environmental impacts diminished from 15% to 20% thanks to lower fuel consumption, reduced exhaust emissions and the production of lighter vehicles.

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.

En 2018, the Group plans to conduct a life cycle analysis on the new CITROËN Berlingo and PEUGEOT Partner models, and it will continue to study major innovations and the introduction of green materials or composite materials.

#### 2.4.4.2. VEHICLE CARBON FOOTPRINT

G4-EN17

Groupe PSA 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:

- the production of materials and components for vehicles manufactured: all component materials of vehicles manufactured in 2016 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.

The use of vehicles produced in 2016 has been taken into account according to the following operating criterion: use over 10 years with 150,000 km driven.

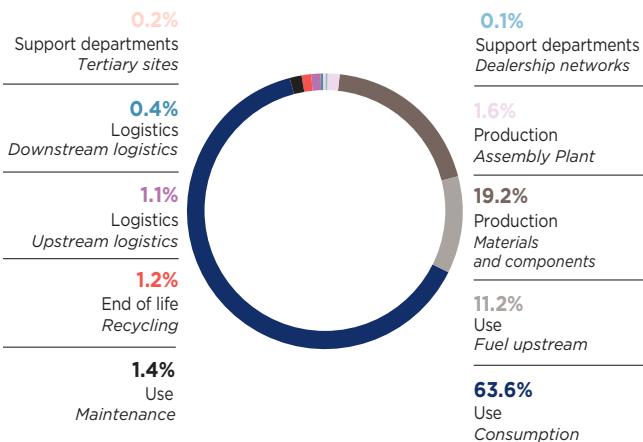
This assumption allows us to assess the amount of fuel consumed. The impact of the production of these fuels is taken into account using the life cycle analysis databases.

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 GREENHOUSE GAS EMISSIONS FOR VEHICLES SOLD IN 2016



Total emissions of CO<sub>2</sub> equivalent for vehicles produced by the Group in 2016 amounted to 34.4 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

DPEF.27 | G4-4 | G4-8 | G4-EN7 | G4-EN27

### GROUPE PSA 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 behaviour when it comes to travel: urbanisation, regulations on air quality and CO<sub>2</sub> emissions, economic crises, Generation Y and the routine use of connected devices have fostered a boom in the sharing economy, which is particularly well illustrated in the mobility segment.

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. According to Frost & Sullivan's study titled "Future of Carsharing Market to 2025" (August 2016), France has the 3<sup>rd</sup> largest user population in Europe (320,000 members in 2015), after Germany and Italy, and it is number 2 in shared vehicles (7,500 in 2015) after Germany. The number of users of car-sharing services worldwide is expected to increase from 8 million to 36 million between 2015 and 2025.

Groupe PSA positions itself on this market based on its experience and technical expertise in terms of communicating cars: since 2003, the Group has been renowned for its best-selling emergency call services and automated assistance systems, which automatically call for help in case of an accident. To date, more than 2.9 million

PEUGEOT, CITROËN and DS AUTOMOBILES vehicles have been equipped with this system (see § 2.2.5.3.).

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, Groupe PSA is developing a portfolio of mobility services in response to the changing expectations of its stakeholders, be they consumers or host communities.

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.

2



PRESS  
RESOURCES

"CarlosTavares' speech at the Mobility Days event - 09/28/2016" Video: [https://www.youtube.com/watch?v=J923fhb63\\_8](https://www.youtube.com/watch?v=J923fhb63_8)



Groupe PSA 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.

At end-2017, the Group had generated aggregate revenue growth up 49% from 2015 on the Free2Move mobility services.

### GROUPE PSA HAS GROUPED ALL ITS CONNECTED AND MOBILITY SERVICES UNDER A NEW BRAND: FREE2MOVE.



In 2016, Groupe PSA launched **Free2Move, its new brand** that develops the experiences of sustainable, intelligent, safe, shared mobility for as many people as possible. Free2Move pools all of Groupe PSA's new mobility services to meet its customers' different mobility requirements:

■ "Free2Move Car Sharing": car-sharing services run by the Group or outside partners;

■ "Free2Move Smart Services": connected services to simplify life and save time;

■ "Free2Move Fleet Sharing" and "Free2Move Connect Fleet": 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 AUTOMOBILES, as well as Groupe PSA's partners.

As of the end of 2017, Free2Move had more than 2,220,000 customers in Europe and the United States, including more than 1.5 million customers for the car-sharing services that fall under the Free2Move Car Sharing umbrella.

The **Free2Move application**, which debuted in April 2017, is available in Europe (Germany, Italy, Austria, Sweden, United Kingdom, Spain, France) and in Seattle. In the future it will be deployed more widely in the United States. This app, which includes around 30 operators,

## 2.5. A presence on all mobility segments

lets users choose the mode of transport that is best for them in a single click by showing all the services located near the user and comparing their features and cost of use. It offers a solution to every need, with options to rent a bicycle, scooter or car, for a few minutes or a few days, from a service operated by Groupe PSA or a partner. The app currently has more than 570,000 users.



PRESS  
RESOURCES

"Mobility Talks 11/14/2017 - Part 5: use a car, a scooter or a bike with just one app" Video: <https://www.youtube.com/watch?v=8PsAW6UPYsY&feature=youtu.be>

## COMPLEMENTARY SERVICES TO MEET ALL MOBILITY NEEDS

		Mobility services and fleet management		Connected after-sales	Data analysis
		I AM FREE TO USE A CAR	I OPTIMIZE MY AUTOMOBILE BUDGET	MY BRAND MAKES MY LIFE EASIER	I'M LOOKING FOR EASY, SAFE TRANSPORT
Services developed by Groupe PSA	Rental	Urban car-sharing	Peer-to-peer car-sharing	Long-term leasing, fleet management and corporate car-sharing	
	PEUGEOTRENT <sup>®</sup>  DS RENT RENT & SMILE			FREE2MOVE <sup>®</sup> LEASE CONNECTFLEET FREE2MOVE <sup>®</sup> FLEETSHARING	
		emov <sup>®</sup> Ballooo <sup>®</sup> Bordeaux & Lyon Communauto	koolicar <sup>®</sup>  TRAVELCAR	OpenFleet <sup>®</sup> B2B Car sharing (car-sharing for companies)	Smart cities
Acquisition of non-discretionary profit-sharing				TELEMONTAGE <sup>®</sup> fleet management	
Partnerships					IBM <sup>®</sup> (traffic management)

(1) car-sharing services grouped under the Free2Move Carsharing name

RELATIONS WITH STAKEHOLDERS	In October 2017, Free2Move was introduced to the media, government representatives and customers at the Autonomy summit, an event in Paris dedicated to the future of urban mobility. Teams showed off the Free2Move application and the services available for local authorities to the French minister of transport attached to the minister for ecological and inclusive transition.
	At the Mobility Talks held in November 2017, Groupe PSA presented its newest mobility services to its suppliers, customers, investors, analysts and government representatives (including local authorities).

## SPOTLIGHT ON SERVICES IN CHINA

Backed by its experience in Europe, in 2014 the Group launched packages of connected services in China with its partners in the DPCA and CAPSA joint ventures: Blue-i (PEUGEOT), CITROËN Connect and DS AUTOMOBILES Connect are included on 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.

## 2.5.0. Innovation to boost the mobility of the future

### DEVELOPING NEW CONNECTIVITY TECHNOLOGIES

The communicating connected car increases the realm of possibility in terms of mobility. The technological building blocks that Groupe PSA is developing will spur the emergence of new connected services. (see § 2.3.2.0.1).

### PARTNERING WITH START-UPS TO ANTICIPATE NEW USES

With an eye to branching out into new businesses, the Group uses the Business Lab to cultivate contacts with additional start-ups whose business dovetails with its ambition to be the go-to mobility provider.

#### e-bike: bike-sharing solution for electric and geo-located bikes

Free2Move Bikesharing, which was started in partnership with NTU (Nanyang Technological University), promotes an active, eco-friendly means of mobility for the first or last kilometre from or to campus. Using a smartphone app that was co-developed by NTU and Groupe PSA's Business Lab Singapore, users can geo-locate the nearest e-bike and check its battery charge. They can leave the electric bikes anywhere on campus.

#### nuTonomy: on-demand, autonomous mobility solution in an urban environment

In May 2017, Groupe PSA and nuTonomy signed a strategic partnership aimed at testing fully autonomous vehicles in Singapore. nuTonomy is equipping the new PEUGEOT 3008 SUVs with its system in order to test autonomous vehicles on Singapore's open roads. Thanks to this partnership, it is possible to analyse the performance of the autonomous vehicle system at the same time as the customer experience of an on-demand autonomous mobility service in an urban environment.

   
PRESS  
RESOURCES

"Groupe PSA and nuTonomy Form Strategic Partnership to Test Fully Autonomous Vehicles in Singapore" 05/03/2017 Press release: <http://media.groupe-psa.com/en/groupe-psa-and-nutonomy-form-strategic-partnership-test-fully-autonomous-vehicles-singapore>

## 2.5.1. Shared mobility

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 are offered through the Group's partners and the PEUGEOT, CITROËN, DS AUTOMOBILES and Free2Move brands.

### Automatic renting: 24/7 vehicle rental

The Automatic Renting project, which is in the trial phase, lets dealers offer their customers a fleet of passenger cars and commercial vehicles through two channels: replacement vehicles and rental vehicles. Automatic Renting helps improve customer service by offering 24/7 vehicle leasing with digital capabilities, meaning that the customer does not need to wait to pick up the keys. This solution also helps dealers increase the utilisation rate of their vehicles, and it frees their employees up to work with customers on other things.

### Self-reception: car drop-off and pick-up at the dealership at any time

Groupe PSA is starting a new project centred on more flexible after-sales customer service to support the mobility of tomorrow. The Self-reception project offers extended hours and seamless pick-up through an improved appointment scheduling system, online payment and a vehicle pick-up area without physical contact. This project is currently being tested in two dealerships. It allows the Group to improve the service quality provided to its customers and to increase the number of reservations made online.

### Atchoum: socially responsible rural mobility solution

Groupe PSA is combining its philanthropic values with its ambition to become its customers' preferred mobility provider. Groupe PSA is supporting the start-up Atchoum in its test project providing a socially responsible carpooling service that allows rural municipalities to respond to their residents' need for accessible mobility.

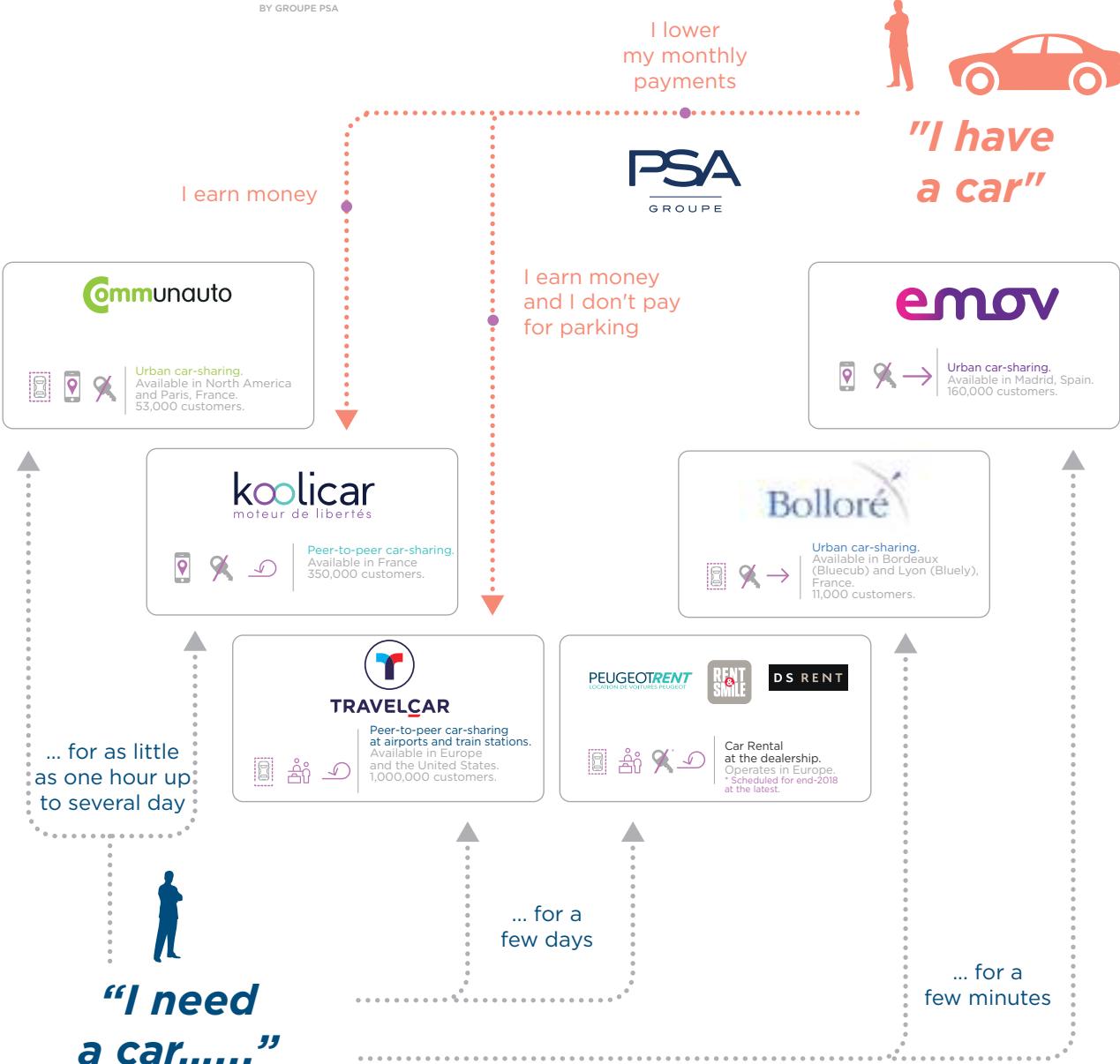
   
KEY FIGURES

MORE THAN  
1.5 MILLION

CUSTOMERS USING THE CAR-SHARING SERVICES GROUPED UNDER THE  
"FREE2MOVE CAR SHARING"  
UMBRELLA IN 2017

# Shared MOBILITY

BY GROUPE PSA



Key:

Parking	Access to the car	Trip type
<b>At a station</b> Go to the station to access the car.	<b>At a booth</b> Retrieve the keys from an operator.	<b>Round-trip</b> Return the car to the place where you picked it up
<b>In an open parking space</b> Use your smartphone to find the car, and then go pick it up on the street.	<b>Keyless entry</b> Unlock the car with an ID card or your smartphone. Use the keys inside the car to start the engine.	<b>One way</b> Finish your rental wherever you'd like within a predefined area.

### 2.5.1.1. URBAN CAR-SHARING

#### Bluely in Lyon and Bluecab in Bordeaux



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 vehicle at Groupe PSA's industrial plant in Rennes (CITROËN E-MEHARI) and the development of car-sharing solutions.

Holding 24% of capital of the joint company, Blue Alliance, Groupe PSA expanded the Bluely in Lyon and Blueclub in Bordeaux car share fleets in 2017.

#### Communauto in North America



In September 2016, the Group took a share in the capital of Communauto, which operates in Paris and in seven cities in Canada and offers car-sharing services with a mixed fleet of vehicles (electric, petrol and hybrid) and inter-modality with public transport services.

This was a joint capital expenditure of Groupe PSA 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. It fulfils a twofold objective of the Group: meeting customer's various mobility needs, particularly through car-sharing, and enabling it to offer mobility services to the North American market.

#### emov in Madrid



The new emov car-sharing service was launched in December 2016. This service is run by a joint venture between Groupe PSA and Spanish operator EYSA, and comprises a fleet of 600 CITROËN C-ZERO models. The area it covers is one of its key selling points: the vehicles can be used outside Madrid city centre as it serves some of the areas surrounding the city. Another major asset is the "free-floating" system, whereby users can leave the vehicle anywhere they like when they are done with it.

Driving a fully-electric car in Madrid offers several important benefits. The vehicle can be parked free of charge in a parking space that is usually paid for. Traffic restrictions imposed during periods of peak pollution do not apply to emov users, and drivers can access areas reserved for residents and areas that are temporarily closed to traffic.

As of the end of 2017, Free2Move's 100% electric emov service already had more than 160,000 users.



Emov website: [www.emov.es](http://www.emov.es)

2

#### Discontinuation of CITROËN Multicity service in Berlin

Through operating the service since 2012, the Group was able to better adapt its car-sharing strategy to local specificities. In Berlin, the Group adjusted its offer by switching from a single service (CITROËN Multicity) to a multi-service offer through the Free2Move application. Berlin residents now have access to a more complete mobility experience: around a dozen scooter, bike and car-sharing services.

#### VULe Partagés in Paris

Since January 2017, 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 nitrous 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.



"Groupe PSA makes electric commercial vehicles available for car sharing as part of a partnership with the Paris Town Hall (Mairie de Paris)" 01/26/2017  
Press release: <http://media.groupe-psa.com/en/psa-peugeot-citro%C3%A9n/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, Groupe PSA took a stake in Koolicar, a peer-to-peer car-sharing start-up.

Currently present in urban areas in France with more than 350,000 customers, Koolicar's unique selling point is its innovative

## 2.5. A presence on all mobility segments

peer-to-peer car rental technology in Europe. The connect box units offered by Koolicar to its members automate and streamline the process of renting their vehicle: they automatically calculate mileage and rental time, and geo-locate and open the car with a smartphone or Id card so that keys never need to change hands.

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. Thanks to the extensive network of PEUGEOT points of sale, Koolicar will be able to rapidly offer more vehicles throughout France, in rural as well as urban areas. In addition, when the connect box unit is installed, 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.



Koolicar Website: <https://www.koolicar.com/>  
 "Koolicar, rent between individuals! How does it work?" Video: <https://www.youtube.com/watch?v=hGgzWb4XzFc&feature=youtu.be>

## TravelCar



In June 2016, Groupe PSA 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, in this case maximising the use of the existing car fleet.

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 selected airports, train stations and city centres in 50 countries, including the United States since April 2017. TravelCar currently has 1,000,000 customers.

In addition, in partnership with TravelCar, CITROËN has launched a novel long-term leasing option, which allows the customer to leave their vehicle at one of the partner drop-off locations when they are not using it. The more the customer shares their care, the more they lower the costs of their leases.



TravelCar Website: [https://www.travelcar.com/?noredirect=en\\_US](https://www.travelcar.com/?noredirect=en_US)

"TravelCar: get paid to park!" 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 the end of 2017 PEUGEOT RENT had a fleet of 7,558 vehicles designed to meet several types of needs for business customers and individuals:

- Standard short-term rental of a wide range of vehicles for occasional need: ranging from small city cars for urban driving to commercial vehicles for uses such as 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 AUTOMOBILES launched the same short-term rental service: CITROËN RENT & SMILE and DS RENT, which have fleets of 1,397 and 183 vehicles, respectively.

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.



PEUGEOT Rent website: <http://www.business.peugeot.co.uk/range/peugeot-fleet/peugeot-rental/>

CITROËN RENT & SMILE website: <http://citroen-rentandsmile.fr/>

DS RENT website: <http://dsrent.fr/>

## 2.5.1.4.

## FREE2MOVE LEASE: MULTI-BRAND LONG-TERM LEASING FOR PROFESSIONALS



In January 2017, Groupe PSA introduced Free2Move Lease, which is dedicated to long-term leasing with services that target a corporate clientele, ranging from those exercising liberal professions to those who work for very large companies. Free2Move Lease offers a complete range of services to meet mobility and car fleet management needs.

This solution optimises the Total Cost of Ownership of vehicles as the VAT on commercial vehicle leases is refundable when the business is subject to it, and it makes everyday life easier for drivers.

With 400,000 vehicles leased and nearly 100,000 customers, Free2Move Lease is currently operating in France, Germany, Great Britain, Spain, Italy and Belgium, and it continues to be rolled out in Europe.

**PRESS RESOURCES**

Free2Move Lease website:  
<https://www.free2move-lease.co.uk/>

**RELATIONS WITH STAKEHOLDERS**

At B2B Day, organised by Groupe PSA in June 2017, some 100 corporate customers and a group of automotive and corporate fleet journalists were introduced to Free2Move Lease, Free2Move Fleet Sharing and Free2Move Connect Fleet. After listening to a presentation by the Head of Mobility Services and the Head of Free2Move Lease, attendees had a chance to meet Group experts during workshops on each service. The event was an effective way to reach customers and gain new market share in the domain of fleets.

### 2.5.1.5. FREE2MOVE FLEET SHARING: A CAR-SHARING SOLUTION FOR BUSINESSES



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.

## 2.5.2. Easier mobility

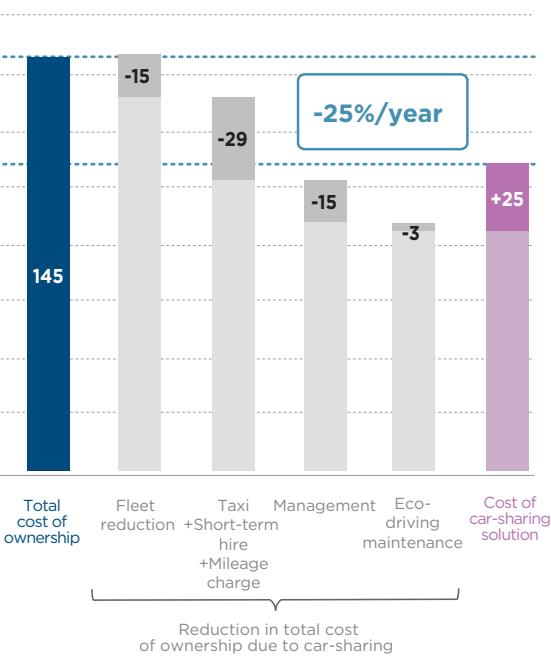
### 2.5.2.1. VEHICLE EFFICIENCY SERVICES FOR INDIVIDUALS

#### 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

This solution allows companies to:

- **p**roduce 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;



- **p**rovide an employee incentive: 24/7 access to vehicles, flexible use (booking up to 15 minutes before departure).

The service has been marketed since the last quarter of 2017.

**PRESS RESOURCES**

Free2Move Business Solutions Website:  
<https://free2move-business.fr/>

## 2.5. A presence on all mobility segments

**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);

It was installed in production on PEUGEOT and CITROËN vehicles in France in 2017 and will be installed on DS AUTOMOBILES vehicles in 2018.

**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.

Both of these services were first launched in France for PEUGEOT in 2016 and then for CITROËN in 2017. To date, nearly 25,000 customers have Connect Packs.

**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.



IMPACT MEASUREMENT  
AND ECONOMIC  
ASSESSMENT

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.

**Free2Move Connect Fleet**

To meet this need, the Group offers a special service for companies: Free2Move Connect Fleet, which addresses three issues encountered by fleet managers: fleet maintenance with reporting of all mechanical and technical alerts; the environment with CO<sub>2</sub>, actual consumption and an eco-driving module that gives drivers personalised recommendations; and the optimisation of vehicle use with reporting of hours of use, GPS tracking and mileage.

**Overall, Free2Move Connect Fleet helps reduce the TCO (Total Cost of Ownership) of the fleet vehicles by 5%.**

The services are operated by the partners of Groupe PSA 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 2017 it had already been sold to over 450 companies with a combined fleet of more than 95,000 cars.



IMPACT MEASUREMENT  
AND ECONOMIC  
ASSESSMENT

The 2BR Mobilité group, which has equipped its fleet with the Free2Move Connect Fleet service, estimates that it has made fuel savings of around 5%, thereby reducing the cost of owning Groupe PSA 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.



PRESS  
RESOURCES

Free2Move Business Solutions Website:  
<https://free2move-business.fr/>

"Free2Move Connect Fleet" Video:  
<https://www.youtube.com/watch?v=1kuSQMJTEAc>

**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 services and assistance systems, which automatically call the emergency services in the event of an accident. To date, more than 2.9 million PEUGEOT, CITROËN and DS AUTOMOBILES vehicles have been equipped with this system (see § 2.3.2.5).

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, Groupe PSA 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 AUTOMOBILES 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, Gironde and the Wallonia (Belgium) region. The Wallonia region reports:

*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.*



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 Groupe PSA and its partner, IBM.

In November 2017, the Centre d’études et d’expertise sur les risques, l’environnement, la mobilité et l’aménagement (CEREMA, a French public institution under the joint supervision of the French Ministry of Territorial Cohesion and the French ministry for the ecological and inclusive transition) awarded the IBM-PSA partnership a contract on gathering on-board data. For the next two years, this contract will make it easier to introduce the two partners’ innovative offering to French communities.

## 2.5.3.2. CARS THAT COMMUNICATE TO PREVENT ACCIDENTS

The large-scale trial of SCOOP@F, which will start in 2018, will permit communication between vehicles and road infrastructure in France through a special wifi system for cars, the ITS G5 communication system (see § 2.3.2.0.1).

## 2.5.4. Dedicated finance and insurance packages

The BANQUE PSA FINANCE (BPF) subsidiary has two separate, key teams, dedicated to product design: one “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 AUTOMOBILES 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. 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

AUTOMOBILES 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.

## 2.6. Reporting scope and methodology

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 Groupe PSA 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. This offer, which is available for the entire CITROËN range, seeks to reduce customers' auto budgets. BANQUE PSA FINANCE is playing an active part in the deployment of the new Groupe PSA 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 for companies have been available since January 2017 under the Free2Move Fleet Sharing, Free2Move Connect Fleet and 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).

BANQUE PSA FINANCE has also worked with the brands to create flexible financing offers adapted to the needs of buyers of electric vehicles. These buyers can use a combustion vehicle of their choice for a set period of time, such as when they are on holiday. This type of offer has been launched and tested in three countries.

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. Reporting scope and methodology

G4-20

G4-22

G4-23

The data in this section correspond to all the products and services designed and marketed by the Group in the regions where it operates. Where the scope is different, this difference is noted at each indicator.

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.



# 3

## HUMAN RESOURCES: ENABLER OF PERFORMANCE

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The Company's human resources are a vital pillar of success in leading Groupe PSA's transformations. The Group needs to be able to count on ambitious teams all over the world to challenge the top competitors.

For Groupe PSA, company performance and social performance are bound together. Recognising talent and ensuring equal opportunities are based on merit, to reward individual and collective results. Giving everyone the opportunity to grow and reach their potential therefore provides the Company with major leverage for boosting performance.

To ensure the success of its strategic plan, Groupe PSA also relies on a shared willingness with employee representatives to co-construct the future and support change within the Company. This constructive dialogue with employee representatives is a competitive advantage for the Company.

Groupe PSA's human resources policy aims to offer an employee experience based on well-being at work, by preparing for 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 in particular is an opportunity to boost collaborative working methods and flexibility, and to provide solutions that simplify employees' day-to-day lives.

Groupe PSA is willing to apply its human resources policy worldwide, using as its foundation the Groupe PSA Global Framework Agreement on Social Responsibility, which was signed on 7 March 2017.

Four key issues were identified and assessed in terms of their economic, environmental and social impacts:

#### **■ p“Management of company transformations and social dialogue” – Internal and external impacts**

The profound transformations incited by societal and environmental demands, customers' new uses and expectations, and innovations when it comes to connected services are central to the Push to Pass strategic plan. This plan seeks to propel Groupe PSA to the highest level of performance as a car manufacturer and to help it grow as a supplier of mobility services. To guide these transformations, the maturity and quality of the social dialogue within the Company are a key condition for success.

Drawing on a practice of co-constructing with the employee representatives by sharing its strategy upstream, Groupe PSA has nourished its performance and laid the foundations for its future. Its challenge is to continue this approach of co-construction, by being accessible, creating trust and transparency and using company agreements to find agile, responsible solutions that will allow the Company to adapt, improve its performance, continue to grow and protect employees.

These points are detailed in this chapter in sections 3.0, 3.1 and 3.2.

#### **■ p“Attracting and developing talent” – Internal and external impacts**

As part of the Group's transformation, its international expansion and the cultivation of its performance culture, talent management takes centre stage in Groupe PSA's human resources policy. The Group endeavours to give all employees a chance to express their talents individually or collectively. Being attractive to candidates in the different regions and in all its business lines and skills is a priority for the Group, along with the ability to develop its talent, embody meritocracy and reward performance.

These points are detailed in this chapter, section 3.3.

#### **■ p“Health, safety and well-being in the workplace” – Internal impacts**

Employees' workplace health and safety is Groupe PSA's top concern. The Group has been working hard on this for many years, and its efforts have paid off, making it one of the top safety performers in the world. It has the ambition to be the global leader in the automotive industry. This performance is evidence of the effectiveness of its Occupational Safety and Health Management System, and the commitment of all employees in enacting it. The Group is also attentive to its employees' well-being, and to that end it applies a methodical approach that involves all its stakeholders, employees, employee representatives, the medical community and management.

These points are detailed in this chapter, section 3.4.

#### **■ p“Diversity and equal opportunity” – Internal impacts**

For Groupe PSA, the diversity of cultural origins, nationalities and ages is a source of added value and economic performance provided that it guarantees equal opportunity. It is a way to promote employee engagement and motivation, and it is a condition for cultivating a culture of performance and economic efficiency.

The Company is characterised by its diversity of cultures, nationalities and ages. However, the automotive industry remains associated with male stereotypes and there is not yet enough gender diversity. To accomplish this, Groupe PSA carries out a proactive policy of equal opportunities. The Group's priorities and commitments focus on gender equality in the business lines, and the HR processes guarantee equal opportunities and access to all levels of responsibility.

These points are detailed in this chapter, section 3.5.

## COMMITMENTS SCOREBOARD

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 2017 TARGETS	 2017 RESULTS	 2018 TARGETS <sup>(1)</sup>
<b>HUMAN CAPITAL</b>	<b>MANAGEMENT OF COMPANY TRANSFORMATIONS AND SOCIAL DIALOGUE*</b> Organiser: Head of Human Resources	<b>BY 2035</b> Engage in agile co-construction for the Company's future, with employee representatives and unions, which: <ul style="list-style-type: none"> <li>■ Helps the Company make technological and economic adaptations fast;</li> <li>■ Promotes employees' professional development and employability;</li> <li>■ Allows all employees to be covered by a collective agreement or a company agreement. Conduct this dialogue within the Global Framework Agreement which notably ensures respect for Human Rights.</li> </ul>	<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>	Target met: <ul style="list-style-type: none"> <li>■ Groupe PSA Global Framework Agreement on Social Responsibility signed on 7 March 2017;</li> <li>■ Incorporation of 2,525 jobs for young people;</li> <li>■ 484 job changes carried out as part of the "Top Compétences" programme.</li> </ul>	Onboarding of 2,000 new employees (permanent contracts) into Groupe PSA.
	<b>HEALTH, SAFETY AND WELL-BEING IN THE WORKPLACE</b> Organiser: Head of Human Resources	<b>BY 2035</b> Keep the Group as benchmark for occupational accident as well as for illness and stress, to reach: <ul style="list-style-type: none"> <li>■ Management total lost-time <sup>(2)</sup> accident frequency rate &lt; 1 point;</li> <li>■ Occupational illness frequency rate &lt; 2 points;</li> <li>■ Excess occupational work-related stress frequency rate &lt; 7%.</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>■ 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%.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ Management lost-time accident frequency rate = 1 point;</li> <li>■ Occupational illness frequency rate = 2.8 points;</li> <li>■ Excess occupational work-related stress frequency rate = 7.6%.</li> </ul>	Merge PCD's and OV's workplace health and safety and working conditions policies and align the health and safety management systems to achieve a lost-time incident frequency rate of around 1 point.
	<b>ATTRACTING AND DEVELOPING ALL TALENTS</b> Organiser: Head of Human Resources	<b>BY 2035</b> <ul style="list-style-type: none"> <li>■ Make the Group attractive through its talent development policy, that produces high-quality management, empowerment and expertise.</li> <li>■ Guarantee a 100% access rate to training.</li> </ul>	Increase the annual access rate to training to 78%.	<u>Target not met:</u> Although the number of hours of training increased in 2017, the recorded access rate to training was 70%.	Increase the annual access rate to training to 80%.
	<b>DIVERSITY AND EQUAL OPPORTUNITY</b> Organiser: Head of Human Resources	<b>BY 2035</b> <ul style="list-style-type: none"> <li>■ Make the Group attractive by its inclusive policy.</li> <li>■ Internationalization and diversity if management.</li> <li>■ Feminize top management beyond the average rate of feminization of the automotive industry and of the company.</li> </ul>	Increase the proportion of women in top management to 13.4%.	<u>Target met:</u> Proportion of women in top management = 14.7%.	Continue the pace of increase of the proportion of women in top management by including OV in this target and reaching 14.5% by end-2018.

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

(1) The Group's ambitions shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, OPEL and VAUXHALL operations, being recovered in the PACE! plan, will not always make it possible to identify a consolidated target for each issue. Therefore, two acronyms are used where required to differentiate the two scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

(2) Incl. temporary employees.

## 3.0. Workforce-related innovation

A central part of the Group's transformation and the Push to Pass strategic plan is digital technology, particularly to anticipate new vehicle uses and enhance service provision.

With the Digital Division now part of the Human Resources Division since 1 February 2018, the Human Resources Division became responsible for the Company's digital transformation, one of the major levers of the Group's transformation.

This digital 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 innovative means of support and profound transformations in working methods.** This project has four components:

- **p**digital acculturation: guide employees by offering them a common base of knowledge on uses and trends. This has been put into practice through the "Digital Passport" programme. 19,375 employees worldwide have enrolled in this programme;
- **p**Digital Employee Journey: use digital technology to make employees' lives easier and offer symmetry of uses between personal life and working life. The Live'in PSA! mobile application, which can be downloaded to a personal or business smartphone, provides a continuous Groupe PSA newsfeed in real time for Group employees of all categories, temporary employees and service providers. In 2017, the Work'in PSA application was launched. It provides quick, easy access to the services available at the site where the employee is (information such as available meeting rooms, crowds at the self-service restaurant, available parking spaces, etc.);
- **p**development of collaborative tools for more cross-functionality in operating procedures. In 2017, the Group set up a corporate social media that now has more than 20,000 users. This network is helping to transform working practices;

■ **p**impact of digital technology on business line skills: implementation of development and training initiatives by job family to support skills gains, such as the "Start-up Spirit" training, which is described below.

The creation of the Business Lab in December 2016 was a Group initiative to form an innovative tool to identify and support new value propositions for its customers, shareholders and employees. The Business Lab promotes an intrapreneurial approach through the Incubator and the Business Innovation Factory.

The Incubator, which was inaugurated in 2015, is a forum that welcomes and guides Group employees who have innovation ideas or new business ideas for the Group. The methodology, which is modelled on that of start-ups, centres on significant gatherings: #PitchDays, where employees present their ideas; #debugs, where employees who wish to help people who have ideas can join them in a brainstorming session; and #ProjectReviews, a review at the end of the incubation before the Steering Committee. In the three years since the incubator started, 460 applications have been examined, 76 have been incubated and 19 have been transformed.

Under the auspices of the Business Factory, employees develop new businesses identified as strategic for the Group, such as the Euro Repar car service pop-up store in car parks and "CITROËN Co-Expérience". This mechanism enables full-scale testing of new businesses in order to assess their potential and benefit for Group customers. It gives employees a chance to be adventurous by experimenting with new businesses that are often far removed from their area of expertise.

**To support this initiative, an e-learning training module known as "Start-up Spirit" was launched for all Group employees.** This online training speeds up the acculturation of Group employees to the lean start-up methods and innovative ecosystems.

## 3.1. Social dialogue

Groupe PSA has demonstrated that the approach of co-construction through social dialogue within the Company contributes to Company performance and helps protect employees. Grounded in a responsible relationship of trust and transparency, this valuable social dialogue helps reconcile economic performance and social performance by implementing the most appropriate and pragmatic solutions. This approach has become a competitive advantage for the Group in an environment that is becoming more and more demanding.

In France, this approach of co-construction lead to the signature of the "New Momentum for Growth" agreement in July 2016, which strengthens the role of the employee representatives by sharing the strategy upstream so as to co-construct the future. This approach took on an international dimension with the 7 March 2017 signature of a new Global Framework Agreement with the IndustriALL trade union federations. The ambition is to boost this dynamic globally in order to apply the common principles of the human resources policy while organising labour relations based on dialogue and co-construction.

## 3.1.1. The PSA Global Framework Agreement on Social Responsibility

DPEF.8 DPEF.9 DPEF.10 DPEF.14 DPEF.15 DPEF.32 DPEF.34 DPEF.35 DPEF.37  
 DPEF.38 DPEF.39 DPEF.40 DPEF.41 DPEF.42 G4-DMA G4-LA16

Groupe PSA has elected to get a wide range of stakeholders involved in the Corporate Social Responsibility process by signing a Global Framework Agreement on Corporate Social Responsibility in 2006.

**On 7 March 2017, Groupe PSA and the IndustriALL Global Union and IndustriALL European Union trade union federations signed a new agreement in Geneva.** This new agreement expresses the ambition of Groupe PSA to co-construct its future with the employee representatives on a global scale, and to involve all employees in its global human resources policy. It applies to all facilities and was contractually extended to its partners, suppliers and distributors.

This agreement is made up of two parts. The first part gives a formal framework to the Groupe PSA'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. In addition, the agreement reinforces the global dimension of the Group Works Council and its mission to share economic and social issues on a worldwide scale.

The Group thus has an adapted framework to efficiently and transparently implement the United Nations Guiding Principles on Business and Human Rights (Ruggie Principles) and the OECD Guidelines for Multinational Enterprises.

**Since 2006, the application of this global framework agreement is monitored and assessed on an ongoing basis using a structured system.** IndustriALL and all unions exercise continuous vigilance and can report non-compliance, and their opinion is regularly sought on the application of the agreement's commitments. 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.

In December 2017, Groupe PSA joined the Global Deal multi-stakeholder initiative, which promotes respect for employees' rights and more inclusive growth.

### The 15 commitments of the Global Framework Agreement

#### Groupe PSA's responsible and sustainable development

1. Human rights respect and protection of employees against all forms of violence
2. Freedom of association and right to collective bargaining
3. Commitment against child labour and forced labour
4. Commitment against discrimination and toward diversity
5. Respect for decent and attractive employment
6. Protection of health and safety in the workplace
7. Commitment against corruption
8. Consideration of the impact of company activity at the local level
9. Protection of the environment

#### Groupe PSA's human capital development

10. Professional development and access to training
11. Professional mobility and preparation for changes
12. Promotion of health and well-being in the workplace
13. Work-life balance
14. Gender equality in the workplace
15. Support for new digital and collaborative way of working

To apply this agreement, every year, each subsidiary identifies its priorities for action and applies action plans to improve their ability to fulfil the commitments. In 2017, 141 action plans were designed in the 52 Group companies based in 23 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.** The unions and staff representative bodies involved in the last triennial assessment in 2015 reported at a rate of 85% that they had made progress in the application of the agreement commitments toward social responsibility.

"IndustriALL signs new global agreement with the Groupe PSA" 03/08/2017 Article: <http://www.industriall-union.org/industriall-signs-new-global-agreement-with-the-psa-group-o>

## 50 UNIONS

INVOLVED IN MONITORING THE COMMITMENTS OF THE GLOBAL FRAMEWORK AGREEMENT ON CSR

## 3.1. Social dialogue



**Every year, an assessment of the application of the Groupe PSA Global Framework Agreement on Social Responsibility is done with the employee representatives, first at the local level in each country and each Group company, and then at the global level with the Group's Global Works Council with the participation of the IndustriALL Global Union and IndustriALL European Union trade union federations. The application review of the Global Framework Agreement provides an opportunity to bring in the employee representatives and build dialogue among the various stakeholders on the Group's CSR issues.**

In 2016, this meeting was an opportunity to share ideas with the Vice-President of the NGO France Nature Environnement, a member of the European Economic and Social Committee. He presented the partnership established between Groupe PSA with two NGOs, France Nature Environnement and Transport & Environment, which aims to report the fuel consumption of its cars in real-world driving conditions (see § 2.1.0.3).

Also in 2016, 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 Groupe PSA's supplier base (see § 4.2.2.2).

In 2017, the Audit Development Manager for France from firm SGS presented to the Global Works Council the process and results of the social and environmental audits conducted at suppliers' sites at Groupe PSA's request, one of the components of the monitoring plan implemented by the Group.

In addition, Groupe PSA is dedicated to abiding by laws and regulations and to preventing disputes. 576 employment grievances were filed in 2017; 515 of them were filed with an official outside body (court, employment tribunal, public mediation body, etc.) and 61 were filed according to an internal procedure. 687 grievances were settled during the year.

### 3.1.1. FREE EXERCISE OF THE RIGHT TO ORGANISE DPEF.8 G4-DMA SASB-08

Groupe PSA 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 collective agreements 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 employee representation, other participatory actions are set up, such as the Voice of Employees in China, a body that shares information and engages in dialogue with Groupe PSA employees.



Employee representation is ensured in the Group's governance, within its Supervisory Board (see § 1.4.1).

This employee relations policy is enacted at all Group sites. It is an important component of the Groupe PSA Global Framework Agreement on Social Responsibility. The policy aims to anticipate and support the Company's transitions by incorporating the human dimension, consequently helping to produce a harmonious labour environment.

No major strike event took place within Groupe PSA in 2017 according to the definition of SASB-08.

### 3.1.1.2. HUMAN RIGHTS DPEF.32 DPEF.34

DPEF.35 DPEF.38 DPEF.40 DPEF.41 DPEF.42

The Groupe PSA Global Framework Agreement on Social Responsibility of 7 March 2017 formalises the Group's commitments to its stakeholders in a detailed and public manner, and shares its social requirements with suppliers, subcontractor's industrial partners and dealer networks.

In this agreement, Groupe PSA undertakes to go beyond simply complying with local and national standards and to work within a recognised framework for fundamental human rights. The agreement refers to conventions 87, 135 and 98 of the International Labour Organisation on freedom of association and protection of the right to organise, on workers' representatives, on the right to organise and to bargain collectively, conventions 29 and 105 on the abolition of forced labour, conventions 138 and 182 on the abolition of child labour and the minimum age for admission to employment, convention 111 on preventing discrimination, convention 100 on equal compensation and convention 155 on occupational safety and health.

**Groupe PSA promotes the respect of human rights in every host country, even in regions where such respect is not always forthcoming.** In becoming a party to the United Nations' Global Compact in 2003, the Group committed to respecting and promoting its ten principles, which are based on the Universal Declaration of human rights, the ILO Declaration on Fundamental Rights and Principles at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption, the United Nations Guiding Principles on Business and Human Rights (Ruggie Principles) and the OECD Guidelines for Multinational Enterprises.

**Groupe PSA is committed to making respect for human rights a determining criterion in its selection of suppliers.** It carries out a responsible monitoring plan with regard to respect for human rights in line with OECD recommendations. In signing up to PSA's "Responsible Purchasing Policy" Charter, Group suppliers agree in particular not to use 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.

Groupe PSA has examined and addressed claims sent by its stakeholders in accordance with the Global Framework Agreement on Social Responsibility. In 2017, one dispute was filed in connection with the monitoring of the enforcement of the Global Framework Agreement. It came from a union in Spain that was disputing the terms of enforcement of a company agreement it had not signed and that it considered discriminatory. While a final legal decision is pending, a provisional arrangement has been put in place by the Company. A ruling of the Regional Superior court delivered on 6 March 2018 has conclusively validated the provisions of the Company agreement.

In 2017, the Group did not receive any citation for non-respect of basic human rights.

### 3.1.1.3. TRAINING ON HUMAN RIGHTS POLICIES AND PROCEDURES

DPEF.32 DPEF.38 DPEF.39  
DPEF.40 DPEF.41 DPEF.42 G4.DMA G4-HR2

In 2017, 8,980 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 4,000 people have completed this training since 2009. 19 sessions were conducted in France in 2017 for new managers. This is essential in terms of promoting inclusive management practices, realistically applying the principles of respect for differences and forbidding all discrimination. 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.

(For the year)

Areas	Number of hours	Number of employees
Equal opportunity, diversity, anti-discrimination training	4,921	1,656
Compliance with internal rules, global agreement, Code of Ethics, IT policy and procedure	10,811	5,337
Corruption, conflicts of interest	1,775	1,987
<b>TOTAL</b>	<b>17,507</b>	<b>8,980</b>

### 3.1.2. International social dialogue bodies DPEF.8

#### THE 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.

In 2017, the European Works Council and its Liaison Committee of officers met 11 times. As every year, a review of the Global Framework Agreement application was made at the plenary meeting.

#### 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. This body stems from the initiative of the Group's Company agreements. The Group has stepped up communication with the Committee with a view to increasing sharing, exchanges and transparency upstream in relation to strategic topics such as the product plan, the guidelines of the three-year Medium-Term Plan and the industrial strategy.

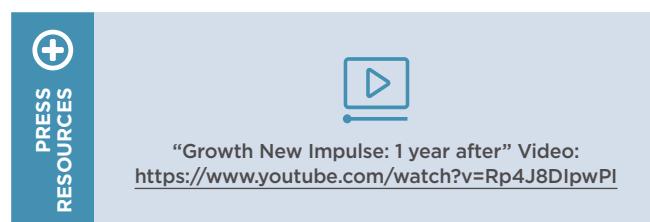
The French representative organisations and the main trade unions of the non-French European companies are represented on the Committee. Slovakia has been represented since 2017. The Joint Union-Management Strategy Committee met twice in 2017.

### 3.1.3. Negotiation of company agreements DPEF.9 G4-11 G4-DMA G4-LA4 SASB-07

Groupe PSA is committed to enacting a quality collective agreements 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 2017, 122 company agreements were concluded, 92 of which were outside France.

Worldwide, 95% of Group employees are covered by a collective bargaining agreement at sectoral and/or company level; this figure is 100% for employees in France.



In July 2016, Groupe PSA 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

## 3.1. Social dialogue

strategic plan and as such support the Group's growth and bolster its performance, helping the Company get ahead in its employees' interest.

With this agreement, Groupe PSA is aligning itself with a policy of responsible employment that anticipates transformation, enhances workers' employability and secures careers both internally and externally. A voluntary policy of employing young people is in place, resulting in the inclusion of 2,000 young people per year (work-study students, interns, CIFRE [industrial training agreements by research] PhD 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.

One year later, the commitments of this agreement have become a reality. For example, a discretionary profit-sharing agreement was renegotiated and an additional discretionary profit-sharing was paid out, a new personal and property insurance offer was formulated, a Learning Booster event was held on 17 October 2017, and the innovative "remote working" plan was implemented and has been used by nearly 20,000 employees so far. The action plan that results from the agreement is being applied and monitored from 2016 to 2019.

In the spirit of the "New Momentum for Growth" performance agreement, an addendum was signed on 5 October 2017 to enhance employee leadership, establish individualised training modules related to the various union mandates, and modernise and digitalise

the means of union action with the goal of raising the appeal of union activity and preparing for generational turnover.

Outside of France, 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 Groupe PSA human resources policy provides for the anticipation of changes to business lines and employment together with a social approach to business changes. The right to information and the right of the employee representatives to be consulted on the major decisions that affect business activity are part of the commitments of the Groupe PSA Global Framework Agreement on Social Responsibility. 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. Attentiveness to employees

DPEF.8

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' engagement and motivation.

### PARTICIPATORY ACTIONS

Groupe PSA works hard to keep employees informed, listen to them and implement participatory initiatives. A company-wide social media 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 engagement 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. A responsible employment policy DPEF.8

To achieve its transformation plans, Groupe PSA engages in ongoing dialogue with employee representatives and promotes a contractual approach. The Group operates according to a policy of responsible

employment, with an aim to anticipate transformations and bolster workers' employability by safeguarding careers.

### 3.2.1. Group workforce G4-10 G4-LA1 DPEF.1.a DPEF.1.b DPEF.1.c DPEF.1.d

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

(For the year)

	France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	57,355	21,125	7,317	85,797
Other Activities	707	93	11	811
<b>TOTAL</b>	<b>58,062</b>	<b>21,218</b>	<b>7,328</b>	<b>86,608</b>

KEY FIGURES

**93%**

OF EMPLOYEES WORK UNDER PERMANENT CONTRACTS

More than half of employees on fixed-term contracts are on work-study training contracts. At 31 December 2017, the Group had 86,608 employees: 93%, or 80,502 people, were on permanent contracts. 33% of employees work outside of France (24% in Europe and 8% outside of Europe).

KEY FIGURES

MORE THAN HALF OF EMPLOYEES ON FIXED-TERM CONTRACTS ARE ON WORK-STUDY TRAINING CONTRACTS

Only staff members employed in companies in which the Group holds a majority stake are consolidated in this report.

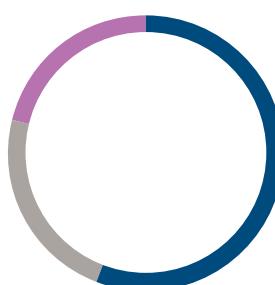
The workforce employed as at end-2017 in the joint ventures was as follows:

- TPCA (Toyota Peugeot Citroën Automobiles), joint venture with Toyota, in Kolin (Czech Republic): 2,321 employees;
- DPCA (Dongfeng Peugeot Citroën Automobiles), joint venture with Dongfeng Motor Corp., in Wuhan, Chengdu and Xiangyang (China): 10,786 employees;
- CAPSA (Changan PSA Automobiles), joint venture with China Changan, in Shenzhen (China): 1,128 employees;

- SEVELSUD, joint venture with Fiat, in Val Di Sangro (Italy): 5,924 employees at end-2017;
- KAP (Iran Khodro Automobiles Peugeot), joint venture with Iran Khodro, in Teheran (Iran): 282 employees;
- SCCO (SAIPA Citroën Company), joint venture with SAIPA, in Kashan (Iran): 3,964 employees;
- UPCA (Uzbekistan Peugeot Citroën Automotive), joint venture with SC Uzavtosanoat, in Jizzakh (Uzbekistan): 17 employees;
- the joint ventures between BANQUE PSA FINANCE and Santander total 2,183 employees worldwide.

#### BREAKDOWN OF EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY

(For the year)



**56%**  
Operators  
and administrative employees

**23%**  
Technicians and supervisors

**21%**  
Managers

The French acronym "TAM" stands for "technicians and administrative employees"

## 3.2. A responsible employment policy

**AGE PYRAMID**

(Number of employees under permanent contracts and fixed-term contracts, at 31 December)

**Workforce**

3,500

3,000

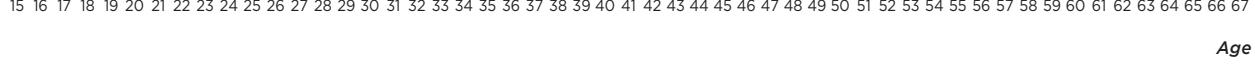
2,500

2,000

1,500

1,000

0



Age

**3.2.2. Recruitment** DPEF.2.a DPEF.1.d DPEF.13 DPEF.14

Since 2017, the Group has been hiring actively worldwide, with more than 3,500 permanent contract hirings and more than 2,500 young people hired. This hiring is happening across functions (R&D, Industrial, Sales/Marketing, Purchasing, IT, Digital, etc.) for sites with growing business. It encompasses both junior positions and more senior positions in all socio-professional categories: engineers, technicians and operators.

To attract top talent, a new recruitment site was launched worldwide in September 2017 and given a seal of approval by AccessiWeb (in association with BrailleNet), thus increasing digital access to job postings by workers with disabilities.

Induction programmes are in place in the various countries to welcome new talent and help these new arrivals fit in when they arrive in the Group.

**HIRING FOR PERMANENT CONTRACT**

(At 31 December, including transfers from fixed-term to permanent contracts)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>1,331</b>	<b>1,707</b>	<b>490</b>	<b>3,528</b>
	2016	623	939	208	1,770
	2015	387	601	476	1,464
<b>of which PSA Automobiles SA</b>	<b>2017</b>	<b>447</b>	<b>0</b>	<b>0</b>	<b>447</b>
	2016	133	0	0	133
	2015	79	0	0	79
<b>Other Activities</b>	<b>2017</b>	<b>15</b>	<b>16</b>	<b>2</b>	<b>33</b>
	2016	5	15	1	21
	2015	2	22	2	26
<b>TOTAL</b>	<b>2017</b>	<b>1,346</b>	<b>1,723</b>	<b>492</b>	<b>3,561</b>
	2016	628	954	209	1,791
	2015	389	623	478	1,490

## EMPLOYEES HIRED UNDER PERMANENT CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY AND REGION

(For the year)

	France			Rest of Europe			Rest of the world			Total		
	Operators and Administrative Employees	Technicians and Supervisors	Managers	Operators and Administrative Employees	Technicians and Supervisors	Managers	Operators and Administrative Employees	Technicians and Supervisors	Managers	Operators and Administrative Employees	Technicians and Supervisors	Managers
PCD Automotive Division	616	393	322	1,127	472	108	16	186	288	1,759	1,051	718
Other Activities	0	1	14	0	5	11	0	0	2	0	6	27
<b>TOTAL</b>	<b>616</b>	<b>394</b>	<b>336</b>	<b>1,127</b>	<b>477</b>	<b>119</b>	<b>16</b>	<b>186</b>	<b>290</b>	<b>1,759</b>	<b>1,057</b>	<b>745</b>

In 2017, the Group hired 3,561 employees. 62% of these hirings were for the Group's international business.

The percentage of women recruited under permanent contracts was 25.4% in 2017.

49% of permanent contract hirings were for operators and administrative employees, 30% were technicians and administrative employees and 21% were managers.

The percentage of permanent contract hirings (permanent contract hirings/total permanent contract workforce) was 4.4% in 2017.

## FIXED TERM CONTRACT HIRINGS BY REGION

(For the year)

	France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	1,469	3,058	592	5,119
Other Activities	32	14	0	46
<b>TOTAL</b>	<b>1,501</b>	<b>3,072</b>	<b>592</b>	<b>5,165</b>

In 2017, the proportion of women recruited under fixed-term contracts was 26.2%.

## A POLICY OF EMPLOYING YOUNG PEOPLE FOR FOSTERING INTEGRATION INTO THE LABOUR MARKET

G4-LA10 | G4-LA12 | DPEF.10 | DPEF.32

Groupe PSA enacts a proactive policy of employing young people based on a responsible commitment. The goal is to promote the employability of young people by enhancing training and enabling them to be hired after an internship or apprenticeship.

Groupe PSA is committed to giving young people priority when it comes to recruitment: more than 50% of junior positions with permanent contracts were offered in 2017 through the Group's programme to hire young people.

**Being a young employee in Groupe PSA means experiencing full immersion in the teams and getting individual support from a mentor.**

The Group also engages in more targeted initiatives to help young people from underprivileged areas, such as partnering with many organisations to support their workplace integration and attending forums to share advice on writing CVs or on job interviews.



## INTERNSHIPS AND WORK-STUDY CONTRACTS BY GENDER

	Interns (cumulative total through 2017)		Work-study contracts (as at 31 December 2017)		o/w skill-acquisition contracts		o/w apprenticeship contracts	
	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women	Workforce	% of Women
PCD Automotive Division	2,421	37%	2,474	29%	526	29%	1,948	29%
Other Activities	40	50%	51	55%	1	100%	50	54%
<b>TOTAL</b>	<b>2,461</b>	<b>37%</b>	<b>2,525</b>	<b>29%</b>	<b>527</b>	<b>29%</b>	<b>1,998</b>	<b>29%</b>

## PARTNERSHIPS WITH ACADEMIC INSTITUTIONS



RELATIONS  
WITH  
STAKEHOLDERS

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 around 30 scientific and management schools and universities in Europe, Asia, America and Africa. These partnerships are in place in, for example, Brazil (Universities of São Paulo and Rio), China (Universities of Beijing and Shanghai), the United States (Georgia Tech in Atlanta) and Morocco (UIR, Mohammed V University, Ibn Tofail University, etc.).

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 “StelLab” programme), teaching or research chairs and academic partners.

**The partnership that started 15 years ago between Groupe PSA and the French Ministry of National Education makes employing young people and workplace integration a central priority for Groupe PSA.** With expert support from the French vocational educational system, the Group helps to pass on its professional know-how with 55 academic institutions in France. In 2017, 649 young people joined training programmes emerging from

this partnership to earn a vocational secondary school degree, Advanced Technician's Diploma (BTS) or professional bachelor's degree, with a view towards workplace integration 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 Groupe PSA brands points of sale.

**Drawing on this experience, Groupe PSA forges relationships with the education sector in other countries where it has a strong presence.** This particularly applies to China (with BVCES), Brazil (with SENAI) and Chile to train teachers, trainers, Group employees and future employees, in the automotive industry professions and business.

### 3.2.3. Adapting resources to the Company's needs G4-DMA DPEF.10 DPEF.32

Groupe PSA 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 an ambition to anticipate transformations 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 business lines in high demand (unmet needs) and at-risk business lines (downsizing and retraining needs). **Meeting once annually at the corporate level and twice per year locally, the Observatory implements ongoing action plans to restore balance among the business lines.**

The Professions and Skills Observatory is a key Group tool to anticipate employment developments, communicate with transparency and responsibility, and trigger professional mobility in order to identify the skills it needs to retain or recruit, and to prevent overstaffing. This transparency and access to information allow all employees to take control of their careers.



IMPACT  
AND ECONOMIC  
ASSESSMENT

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 business lines 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 costs for restructuring plans.

In 2017, “Top Compétences” represented expenditure of €1,650 per beneficiary, excluding continued wage cost, for a very favourable cost/benefit assessment compared to costs for restructuring plans. This programme makes Groupe PSA more agile and provides a return on investment in the year following workplace retraining.

#### SAFEGUARDING CAREER PATHS

The safeguarding of internal careers is accomplished with the global internal retraining programme known as “Top Compétences”. Since 2012, more than 3,700 employees have had the opportunity to get

trained in a new Group profession through training programmes lasting an average of 80 hours over 18-24 months.

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.

## BUILDING AN ECOSYSTEM BENEFICIAL TO EMPLOYMENT



RELATIONS WITH  
STAKEHOLDERS

The Territorial Career Mobility and Transition Platforms (PTMTP) are an example of Groupe PSA'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 such as RATP, Solvay and Hermès.

These partnerships in career transition allow employees interested in transitioning measures to fill the gap between their current and future job while remaining Groupe PSA employees until they are definitively hired. Partner companies benefit from a process of selection, training and professional integration involving motivated and experienced employees. The scheme boosts the local job market and supports regional development in line with Groupe PSA societal commitment.

3

### CHANGE IN NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS DPEF1.a

(For the year)

	2015	2016	2017
PCD Automotive Division	95,669	89,927	85,797
Other Activities	1,270	411	811
<b>TOTAL</b>	<b>96,939</b>	<b>90,338</b>	<b>86,608</b>

The abbreviations CDI and CDD stand for, respectively "permanent employment contract" and "fixed-term employment contract".

The decrease in workforce in the "Other Businesses" category in 2016 is linked to the completion of the implementation of the partnership between BANQUE PSA FINANCE and Santander

Consumer Finance and the creation of five new joint ventures. The increase in 2017 resulted mainly from the redistribution of the workforce to the PSA holding company when it settled its headquarters in Rueil-Malmaison in September 2017.

### NET CHANGE IN JOBS, 2015-2017 DPEF1.a DPEF2.a

	Workforce at 31/12/2015	2015-2017 acquisitions/ disposals balance	Net jobs development	Workforce at 31/12/2017
Rest of Europe	22,887	(454)	(1,215)	21,218
Rest of the world	7,915	337	(924)	7,328
Worldwide except France	30,802	(117)	(2,139)	28,546
France	66,137	(119)	(7,956)	58,062
<b>TOTAL WORLDWIDE</b>	<b>96,939</b>	<b>(236)</b>	<b>(10,095)</b>	<b>86,608</b>

### CHANGE IN LEAVERS UNDER PERMANENT CONTRACT

(For the year)

	France	Rest of Europe	Rest of the world	Total
<b>2017</b>	<b>5,119</b>	<b>2,281</b>	<b>738</b>	<b>8,138</b>
2016	4,720	3,099	946	8,765
2015	5,418	3,497	1,330	10,245

### CHANGE IN PERMANENT CONTRACT TURNOVER RATE DPEF2.b

(For the year)

	2015	2016	2017
Turnover rate	6.3%	6.2%	7.0%

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.

## 3.2. A responsible employment policy

## TURNOVER RATE UNDER PERMANENT CONTRACTS BY AGE RANGE, GENDER AND REGION

(For the year)

	< 30 years old		30-39 years old		40-49 years old		50 years and +		Total		Total (M+W)
	W	M	W	M	W	M	W	M	W	M	
France	13.2%	13.3%	4.3%	4.2%	1.7%	1.8%	8.8%	8.6%	5.5%	5.5%	5.5%
Rest of Europe	14.4%	22.4%	7.7%	10.5%	5.5%	5.7%	9.0%	15.9%	7.9%	10.9%	10.2%
Rest of the world	10.1%	13.6%	13.4%	11.4%	8.8%	8.9%	8.2%	14.2%	11.3%	11.3%	11.3%
<b>TOTAL</b>	<b>13.0%</b>	<b>16.8%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>8.8%</b>	<b>9.8%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>7.0%</b>

The following table shows all Group leavers, all reasons combined, separating volumes by category of reasons. The breakdown of leavers demonstrates good control of workforce adjustment, giving priority to voluntary departures.

## LEAVERS UNDER PERMANENT CONTRACTS BY AGE RANGE AND GENDER

(For the year)

	< 30 years old		30-39 years old		40-49 years old		50 years and +		Total		Total (M+W)
	W	M	W	M	W	M	W	M	W	M	
Resignations	109	405	220	765	117	494	31	234	477	1,898	2,375
Dismissals	10	73	30	143	30	158	34	182	104	556	660
Redundancies and transfer of activity	23	52	129	449	162	519	209	927	523	1,947	2,470
Other departures: expiration of contract, retirement, death, etc.	24	82	29	107	20	104	330	1,937	403	2,230	2,633
<b>TOTAL</b>	<b>166</b>	<b>612</b>	<b>408</b>	<b>1,464</b>	<b>329</b>	<b>1,275</b>	<b>604</b>	<b>3,280</b>	<b>1,507</b>	<b>6,631</b>	<b>8,138</b>

### 3.2.4. A socially controlled policy of hiring temporary employees and subcontractors

G4-10

DPEF.39

Groupe PSA is committed to abiding by the standards and best practices that structure the employment conditions of temporary employees, and it insists that the temporary employment agencies it chooses make the same commitments. The purpose of this practice is to keep temporary employees informed about the length of their assignments and to guarantee temporary employees' working conditions similar to those of the Group's employees, free from any form of discrimination.

The Group is committed to enacting, with its intermediary employment partners, occupational integration and training programmes that promote a return to work: Training Actions Prior to Recruitment (AFPR) and Operational Preparation for Employment (POE).

**A trendsetting partnership was created between Groupe PSA and the Manpower Group, and then expanded in 2017 to other temporary employment agencies, to increase the use of temporary employee permanent contracts.** These permanent work contracts guarantee strong and permanent employability within Groupe PSA as well as in the employment region through regional mobility platforms, while reinforcing the Group's economic performance through optimised industrial flexibility. Of the Group's temporary employees, 560 have a permanent work contract for temporary employment.

## 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>PCD Automotive Division</b>	<b>2017</b>	<b>7,294</b>	<b>1,228</b>	<b>116</b>	<b>8,638</b>
	2016	5,166	1,072	54	6,292
	2015	3,900	1,009	40	4,949
<b>Other Activities</b>	<b>2017</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
	2016	1	1	-	1
	2015	0	34	-	35
<b>TOTAL</b>	<b>2017</b>	<b>7,295</b>	<b>1,228</b>	<b>116</b>	<b>8,638</b>
	2016	5,167	1,072	54	6,293
	2015	3,901	1,043	40	4,984

Staff 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, a technical policy has been in force to make it possible to engage more in these activities outside the Group's infrastructure.

## NUMBER OF EMPLOYEES FROM CONTRACTORS WORKING ON SITE

(At 31 December, in full-time equivalent)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>2,884</b>	<b>541</b>	<b>611</b>	<b>4,036</b>
	2016	2,826	501	665	3,992
	2015	3,325	673	480	4,478
<b>Other Activities</b>	<b>2017</b>	<b>66</b>	<b>8</b>	<b>2</b>	<b>76</b>
	2016	0	9	1	10
	2015	0	41	0	41
<b>TOTAL</b>	<b>2017</b>	<b>2,950</b>	<b>549</b>	<b>613</b>	<b>4,112</b>
	2016	2,826	510	666	4,002
	2015	3,325	714	480	4,519

## 3.2. A responsible employment policy

### 3.2.5. Organisation of working hours DPEF.4

In every host country, working hours are equal to or less than the legal work week or industry practices.

#### OVERTIME

(For the year)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>491,458</b>	<b>848,397</b>	<b>443,457</b>	<b>1,783,312</b>
	2016	392,036	532,776	267,770	1,192,582
	2015	443,506	514,975	216,595	1,175,076
<b>Other Activities</b>	<b>2017</b>	<b>35</b>	<b>383</b>	<b>0</b>	<b>418</b>
	2016	0	428	0	428
	2015	0	8,052	0	8,052
<b>TOTAL</b>	<b>2017</b>	<b>491,493</b>	<b>848,780</b>	<b>443,457</b>	<b>1,783,730</b>
	2016	392,036	533,204	267,770	1,193,010
	2015	443,506	523,027	216,595	1,183,128

Groupe PSA has implemented flexible working hours 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.

In 2017, overtime accounted for 1.66% of hours worked in the Group.

#### SHORT-TIME WORKING HOURS

(For the year)

		Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>368,828</b>
	2016	1,200,679
	2015	1,178,152
<b>Other Activities</b>	<b>2017</b>	<b>0</b>
	2016	0
	2015	3,061
<b>TOTAL</b>	<b>2017</b>	<b>368,828</b>
	2016	1,200,679
	2015	1,181,213

For the Group, short-time work is a way to keep employment stable during a time of major changes in the market that require the business to adapt fast and in substantial ways. This way of adjusting resources, which protects employment, has been used in various European countries, including France.

#### PAID ABSENCES FOR SICKNESS DPEF.5 G4-LA6

(For the year)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>2,058,069</b>	<b>1,088,331</b>	<b>184,847</b>	<b>3,331,247</b>
	2016	2,268,972	1,134,074	205,484	3,608,530
	2015	2,537,776	1,261,847	228,209	4,027,832
<b>Other Activities</b>	<b>2017</b>	<b>3,230</b>	<b>712</b>	<b>0</b>	<b>3,942</b>
	2016	3,080	1,714	128	4,922
	2015	2,618	41,387	119	44,124
<b>TOTAL</b>	<b>2017</b>	<b>2,061,299</b>	<b>1,089,043</b>	<b>184,847</b>	<b>3,335,189</b>
	2016	2,272,052	1,135,788	205,612	3,613,452
	2015	2,540,394	1,303,234	228,328	4,071,956

In 2017, out of 107 million hours worked, the rate of sick leave was 3.1%. In addition, 359,879 hours of maternity leave and 179,169 hours of absence due to accidents were recorded.

### 3.3. Groupe PSA, builder of talent G4-DMA

Groupe PSA aims to offer the best opportunities for development and employability to all its employees with the ambition to build talent. The success of the Push to Pass Plan comes down to talent management at every level of the organisation.

**The goal is to give all individuals the opportunity to express their talent, both individually and collectively.** The human resources ambition can be summed up in the slogan: "Pool energies and unleash talent to lead the Company toward winning". The talent

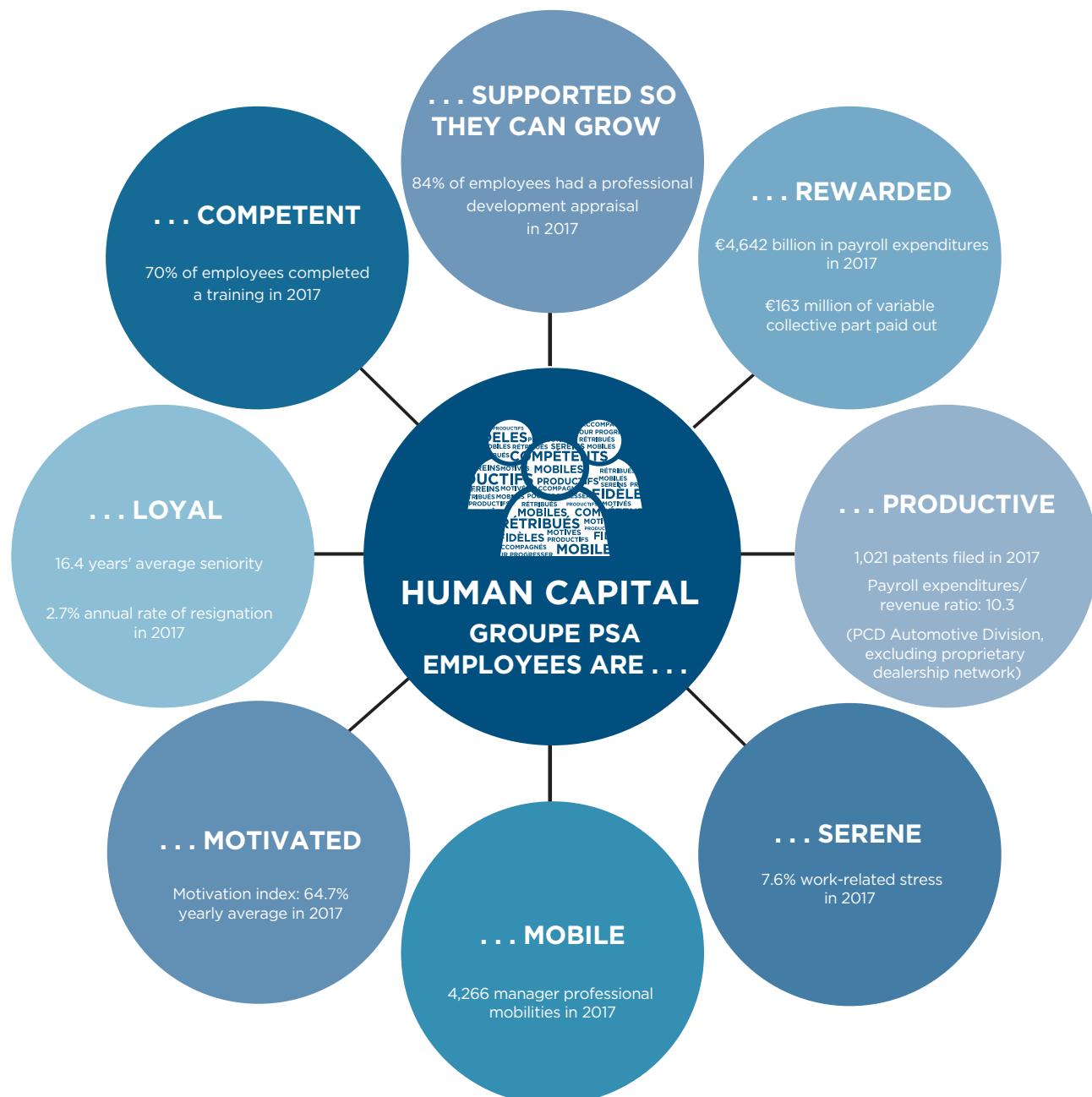
development programmes aim to continually encourage initiative and creativity and to compensate performance based on concrete results.

#### GROUPE PSA'S HUMAN CAPITAL DPEF. 10 G4-DMA

The following key indicators illustrate how Groupe PSA assesses, develops and rewards its human capital.

##### INDICATORS OF THE DEVELOPMENT OF GROUPE PSA'S HUMAN CAPITAL

3



## VALUES

The human resources policy is grounded in Groupe PSA's values. These 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.

- p Win together
- p Respect
- p Drive
- p Dare
- p Agility
- p Demand

This reference guide of values has been given a central role in identifying and developing talent with the goal of expressing it concretely through behaviours.

**A 'PSA leadership profile' was developed in 2017 in order to clarify the managerial skills reference guide used to identify, assess and train.**

### 3.3.1. Cross-functional management of Group job families and business lines DPEF.10

The job family and business line strategy developed by Groupe PSA is central to the Group's human resources development policy to manage talent and skills, today and tomorrow. This governance of skills at the global level is based on 20 job families and 102 cross-functional business lines across the Group's structures.

**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 and training plans. It gives employees points of reference to help them construct their career paths. 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 business lines:

- 90% of positions and strategic skills have at least one "immediately ready" replacement;
- all employees are aware of the technical skills required for the position and the development actions enabling them to progress, and have access to 130 qualifying career paths;
- 24 master-experts, 205 experts and 660 specialists ensure the highest level of expertise in their field.

Each business line coordinates its processes and standards at the global level. By cultivating job families and business lines, Groupe PSA demonstrates its ability to retain and grow its automotive expertise.

### 3.3.2. Talent management, a priority of Groupe PSA's human resources policy G4-LA10 DPEF.10 DPEF.12 DPEF.30

Contributing directly to the corporate strategy, the talent management approach taken by Groupe PSA seeks to diversify profiles and experiences, identify talent more deeply within the organisation, assign young talent to key positions, protect knowledge and know-how, promote and develop local skills, expand corporate functions internationally, and objectify and compensate performance.

#### 3.3.2.1. TALENT REVIEW

The Group carries out a Talent Review annually at the global level. This is a proactive exercise in individual career management and in identifying and cultivating talent in support of the corporate strategy.

Its purpose is to review all employees in order to come up with growth scenarios and career projections that are explicitly related to the staffing programmes. Dialogue is consolidated in a bottom-up cascading structure in order to introduce talent all the way up to the highest level.

Priority is placed on:

- p identifying emerging talent (employees in their early stages of responsibility);
- p identifying high potentials;
- p identifying successors to key or critical positions;
- p developing diversity: including more women and local talent in key positions.

Managing talent in order to help employees fully realise their potential first and foremost requires knowing employees personally.

Hence the human resources community works closely with the managerial chain of command throughout the annual process, which considers the aspirations voiced by employees during the professional development reviews and anticipates staffing programmes.

An example is the "Top 100 programme" established in Latin America: it aims to identify the 100 main local talents in the region, including emerging and expert talent. **The stages of the programme include an individual diagnostic of technical and behavioural skills and the design of a career path and tailored Personal Development Plan. Another programme, 'Next Generation', was added. It includes the same procedures and targets emerging talent.**

Talent Management also involves assessments and intensified individual and collective guidance in order to enhance talent.

#### 3.3.2.2. ENHANCE TALENT

Groupe PSA uses targeted leadership development tools with its senior and executive managers, 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 succession 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 2017, more than 450 employees from 15 countries participated in an assessment day or development centre to be introduced to key positions.**

Groupe PSA has mentoring programmes within the Company that offer both the mentee and the mentor opportunities to grow. A digital platform introduced in 2016 is a place for Group talent and mentors to sign up and be matched based on their needs and areas of excellence. HR facilitators coordinate the networking.

The professional development appraisal is focused on employees' prospects and growth, and it helps devise their individual development plans. Hands-on experience is one of the ways in which skills are developed.

The Group has mechanisms to support employees when they are working in different situations: a Feedback 360° mechanism helps to assess the behavioural skills related to management, and the "GlobalHR Skills" tool helps to assess and visualise on a graphic radar the knowledge gap compared to the targets identified by the business line.

**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.

The Group's women's network, Women Engaged for PSA (WEP), focuses on cultivating female talent and making them more visible. This women's network, which operates in a growing number of countries, helps women attain key positions and demonstrates the added value of gender diversity for the organisation in its role as a think tank that organises inventive, concrete initiatives tied to the Company's challenges.

#### PERCENTAGE OF EMPLOYEES WHO HAVE HAD AN ANNUAL APPRAISAL

(For the year)

	Operators and Administrative Employees			Technicians and Supervisors			Managers			Total (all socio-professional categories combined)		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
France	76.4%	82.8%	81.9%	93.1%	84.9%	86.4%	99.5%	97.5%	98.6%	87.7%	86.6%	86.8%
Rest of Europe	69.9%	76.4%	75.3%	99.8%	83.2%	88.2%	91.4%	93.7%	93.2%	85.5%	80.7%	81.7%
Rest of the world	54.7%	40.7%	41.5%	89.2%	76.7%	80.2%	96.7%	98.0%	97.7%	86.4%	64.1%	67.8%
<b>TOTAL</b>	<b>74.0%</b>	<b>77.9%</b>	<b>77.3%</b>	<b>95.2%</b>	<b>83.6%</b>	<b>86.2%</b>	<b>98.9%</b>	<b>97.0%</b>	<b>97.8%</b>	<b>86.9%</b>	<b>83.2%</b>	<b>83.9%</b>



Concurrently with the new professional development appraisal, a measurement and assessment of contributed benefit was introduced in 2016.

The findings of this survey conducted on managers focused on their satisfaction in the use of the available tools and the benefits of these tools for their managerial role. Of the managers surveyed, 92% reported that they felt the appraisal was productive.

A talent exchange programme was established in 2017 between Groupe PSA in France and Dongfeng Motor Corp. in China with the goal of developing an intercultural workplace apprenticeship that transcends a single international approach. This programme, which is a textbook case of uniqueness and innovation, is aimed at allowing emerging talent in two societies – European and Chinese – to take advantage of a six-month immersion that is entirely operational and local. Seven French and 10 Chinese participants went through this programme in 2017.

#### 3.3.2.3. MANAGING PERFORMANCE AND DEVELOPMENT DPEF.3 | DPEF.10 | 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. **Every employee, technician, supervisor and manager has two separate appraisals per year: one at the beginning of the year that focuses on performance and one in the middle of the year that focuses on professional development.** 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 2017, 83% 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.

### 3.3.3. PSA University to support Group transformation

DPEF.10 DPEF.11 G4-DMA G4-LA9 G4-LA10

Launched to support employees within the Group's change dynamic, PSA University is a powerful lever for performance and the development of human capital in the Group. The purpose of PSA University is to transfer knowledge and know-how to all the men and women throughout Groupe PSA 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 endeavours to enhance its workers' employability, and it contributes to cultural change, conditions that are inextricably intertwined with success.

**PSA University is structured as four academies: Research & Development Academy, Industrial Academy, Sales & Marketing Academy and Corporate Academy.** They act to implement job family guidelines and to achieve the business lines targets by providing an adequate learning offering and organising the rollout of this offering according to the priorities of the business lines concerned.



#### AVERAGE HOURS OF TRAINING PER EMPLOYEE BY SOCIO-PROFESSIONAL CATEGORY AND GENDER, BASED ON TOTAL WORKFORCE G.12

(At 31 December, present employees\*)

	Women	Men	Total
Operators and administrative employees	20.3	22.1	21.9
Technicians and Supervisors	18.2	20.4	19.9
Managers	23.4	21.7	22.0
<b>AVERAGE</b>	<b>20.4</b>	<b>21.7</b>	<b>21.4</b>

\* Present employees (i.e., excluding relocation leaves and job retention leaves for senior employees).

#### 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	
	2016	2017	2016	2017
France	1,048	1,129	19.4	22.4
Rest of Europe	362	337	19.6	17.5
Rest of the world	160	181	22.1	25.3
<b>TOTAL</b>	<b>1,569</b>	<b>1,647</b>	<b>19.7</b>	<b>21.4</b>

\* Present employees (i.e., excluding relocation leaves and job retention leaves for senior employees).

#### NUMBER OF EMPLOYEES HAVING COMPLETED CERTIFIED TRAINING

(For the year)

Health and safety certifications	1,535
Language certifications	2,314
Business line certifications	852

#### 2017 KEY FIGURES

**More than 1.6 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 €80 million.**

The average number of training hours per employee was 21.4 hours in 2017. The average annual training expenditure per Group employee was just over €1,000 per paid employee.

53,689 employees benefited from at least one training course during the year. This represents a 70% access rate to training.



## BECOMING A “SELF-LEARNING” ORGANISATION: A TECHNOLOGICAL AND CULTURAL WAGER

To support change, PSA University aims to transform the Group into a “learning organisation” and give employees ownership of their own development. As they are invested in continually updating knowledge and skills, employees can use new educational resources, particularly those that are related to digital learning.

**To enable all employees to train at their own pace and according to their needs, PSA University continues to expand its digital training catalogue (more than 3,000 resources available in the form of e-learning, videos, tutorials, MOOCs, etc.) through a Learning Management System (LMS) known as “Learn'in”.** This offering is accessible through a downloadable smartphone application, and in 2017 it helped give as many employees as possible free access to these training resources.

To promote digital culture within the Group, PSA University manages a programme known as “Do you speak digital”. This programme includes digital “passports” and “journeys”, “Happy digital” conferences, and workshops on social media. The training offerings change regularly with the addition of thematic programmes and gamification to develop new skill-building methods and to include more and more countries. The goal is to complete 25% of training hours through digital learning in 2019.

### To spur Groupe PSA employees to take charge of developing their skills, a Learning Booster day was held in October 2017.

Engaging all departments and country, this event sought to train a maximum number of employees as well as spark employees' interest and familiarise them with all the resources available to develop their skills.

A worldwide survey conducted among employees after Learning Booster on 17 October 2017 revealed the benefits of the event. 87% of participants expressed a desire to have the event repeated. The benefits mentioned were, in order: learning something useful, getting to know more about the training offerings, opening up to the outside, taking time for oneself, gaining awareness of the importance of training.

IMPACT MEASUREMENT  
AND ECONOMIC ASSESSMENT

## A NEW MANAGEMENT CULTURE TO SUPPORT THE GROUP'S STRATEGIC ISSUES

The Leadership Academy, which is associated with PSA University, delivers programmes that are specially designed for managers. 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 by adopting the new Group values and new behaviours. This programme has also been rolled out in Latin America and Asia.

## PSA UNIVERSITY IN SUPPORT OF EMPLOYABILITY

Worker employability, which is defined as individuals' ability to progress in their work, retain a job and adapt to change throughout their career, is a major concern for the Group. The training plans that exist for each country meet priority skill acquisition needs identified by the business lines in accordance with their strategic vision and annual skills assessments, and the imperative of maintaining employability. The “Top Compétences” programme set out in section 3.2.3 illustrates this commitment.

Special attention is provided to employees really struggling with basic skills (arithmetic, reading, writing, etc.). In France, the “base of knowledge and skills for the workplace”, which was instituted in 2015, is stressed among employees who are reminded of the option to use their individual training account (CPF).

**PSA University places a premium on creating internal training courses that lead to certification officially recognised by public authorities or by the market.** So, for example, language training typically culminates in sitting the Bright Test, and the Group encourages a substantial number of employees to enter qualifying trade programmes, particularly those leading to Joint Qualification Certificates in Metallurgy in France (CQPM) (in 2016, 741 employees earned a CQPM).



A mechanism to assess formative learning is tied to the training initiatives, generally in the form of quizzes or tests. 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 systematic approach to certify its trainings as part of its Job Families and Business Lines system.

PSA University's innovative initiatives were recognised in 2016 by U-Spring with a **Gold Trophy for Best Corporate University in the large company category**.

After receiving for the first time in 2012 the CLIP (Corporate Learning Improvement Process) accreditation by EFMD, in 2018 PSA University obtained a new accreditation for the next five years, joining a select group of corporate universities accredited worldwide. The CLIP accreditation is based on identifying key factors that determine quality in the design and operation of corporate universities and learning organisations.



We were particularly impressed by PSA CU's closeness to and understanding of the business, by its exploration of new learning methodologies and technologies, by having become a transformation agent, by the mobilisation of a large internal pool of trainers and experts, and finally by the motivation and professionalism of the CU team itself.

**Martin Moehrle,**  
Associate Director, Corporate Services,  
who leads the CLIP process at EFMD

### 3.3.4. Supporting the Group's international expansion G4.EC6 DPEF.30

The internationalisation 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. 93% of Group managers who work abroad are local citizens.

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 and strengthen the selection of top talent seconded abroad and to cultivate this talent, a robust system was put in place: for each pre-identified candidate, this system makes it possible to assess and validate technical and behavioural strengths and areas of concern with regard to expatriation need and cost, and consequently base a decision on a return-on-investment approach.**

At the end of 2017, 366 women and men were working as expatriates in 32 countries in the world. Women represented 7% of Group expatriates. 73% of these expatriations are actually based outside Europe. In order to prepare its international expansion and accompany the best local talent in their development plan, the Group has 32 expatriate employees in France.

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.

### 3.3.5. A comprehensive compensation policy rewarding performance DPEF.3

**Groupe PSA's compensation policy aims to be consistent, competitive and fair on all the benchmark markets in the countries where it operates.**

It also fulfils the objectives set out in a new Group "HR signature", My Advantages, which was launched in September 2017. My Advantages communicates to all employees in all countries, in a more modern and visual manner, the various aspects of the human resources package: compensation, social benefits, health insurance, personal development and working environment.

The goal is to design a comprehensive compensation policy that has a variety of components and that controls wage costs while rewarding individual and collective performance.

#### 3.3.5.1. FAIR COMPENSATION BASED ON COMPETITIVENESS AND PERFORMANCE

DPEF.14 G4-DMA G4.EC5 G4-LA13

As evidence of the ability of the employee representatives to reconcile cost control, competitiveness and the rewarding of performance, salary agreements were established in France on 21 February 2017, and in most countries.

**The compensation policy has three main objectives: reward performance, support professional growth and promote equal opportunities grounded in equal treatment of all employees.**

Collective variable compensation is a component of the comprehensive compensation offered by Groupe PSA to its employees.

**The variable compensation schemes target all categories of employees and aim to compensate collective performance and engage employees in value creation for the Company.**

These collective compensation schemes may be specific to certain countries, as is the case in France with non-discretionary and discretionary profit-sharing, and in Brazil with the *Programa de Participação nos Resultados*. In the other countries, the Group has instituted a Collective Local Performance Incentive (CLPI) scheme. The CLPI, which is deployed on the basis of the Group's economic performance, is distributed among the countries involved on a shared basis and is paid out according to terms defined by each country based on collective economic performance achievement criteria. In 2017, the CLPI was expanded to new countries: Argentina, Chile, Mexico, China, Russia and Ukraine. It now concerns 99% of employees. Its calculation formula was improved in order to allow for advancement by thresholds based on the economic performance of the Group and of each country.

In addition to this fixed and variable compensation, there is an individual bonus scheme. The Group's determination to reward merit was expressed through the expansion of the bonus schemes. In 2017, the Group extended the variable compensation schemes to all executive managers in the world. This made it possible to motivate employees around individual and collective targets that contribute to the Company's performance. **After extending the bonus to industrial and R&D site supervisors in France, starting in January 2017 the Group applied the measure elsewhere in Europe and Latin America in order to reward and better recognise the complexity of this position.** In 2017, 19,800 Group employees were eligible to receive bonuses.

**WAGE COSTS** DPEF.3

(For the year)

(In million euros)	France	Rest of Europe	Rest of the world	Total
PCD Automotive Division	3,183	1,025	329	4,537
Of which PSA Automobiles SA	2,842	-	-	2,842
Other Activities	94	6	5	105
<b>TOTAL</b>	<b>3,277</b>	<b>1,031</b>	<b>334</b>	<b>4,642</b>

In 2017, total payroll costs for Group companies came to €3,550 million, while related payroll taxes amounted to €1,092 million.

The median annual wage in France was €36,867 in 2017.

3

**GROUP BONUS, DISCRETIONARY AND NON-DISCRETIONARY PROFIT-SHARING**

	2015	2016	2017	Amount due for 2017 performance
Cost of group bonus (o/w discretionary profit-sharing and non-discretionary profit-sharing in France) (rounded to the nearest million euros)	104	172	163	193

**GROUP MINIMUM WAGE VERSUS LOCAL LEGAL MINIMUM WAGE BY COUNTRY** DPEF.30

(For the year, base 100)

Country	Ratio	Local legal minimum wage
Germany	115	Local legal minimum wage
Argentina	198	Local legal minimum wage (Ratio = 112 compared to UOM Convention minimum wage)
Austria	103	Collective bargaining agreements
Belgium	125	Guaranteed average minimum monthly income
Brazil	152	Local legal minimum wage
China	Wuhan: 436 Shanghai: 377	Local minimum wage
Spain	129	Local legal minimum wage
France	121	Guaranteed local legal minimum wage
Italy	103	Local legal minimum wage
Portugal	102	Local legal minimum wage
United Kingdom	106	Local legal minimum wage > 21 years old
Russia	258	Local minimum wage (Kaluga)
Slovakia	160	Local legal minimum wage
Switzerland	N/A	No legal minimum wage; no industry agreements

N/A: not applicable.

Information is reported for countries representative of the Group's structure, with 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 ADMINISTRATIVE EMPLOYEES DPEF12

(For the year, base 100)

#### France (PSA Automobiles SA)<sup>(1)</sup>

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	100.66	255	105.68
175	99.83	270	101.96
180	99.61	285	103.61
185	99.34	305	101.66
190	100.78	320	100.09
195	101.16	335	98.91
200	100.76	365	99.80
215	100.52	395	98.17
225	102.18		
240	102.05		
255	102.84		
270	105.48		
285	NS		
305	NS		

NS: not significant (insufficient representative sample).

(1) Historic scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands.

There is gender pay equality, as these ratios show once again: in 2017, the gender pay gaps recorded between men and women at the same job level were most often lower than 1%, whether 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 DPEF12

(For the year, base 100)

#### France (PSA Automobiles SA)

Managers	Male/female wage ratio
Executive managers	107.7
Senior managers	109.9
Senior management	106.8
Experienced managers	99.7
Junior managers	100.5

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.

**Industrial countries (PCD<sup>(1)</sup>)**

Managers	Average male/female wage ratio					
	Argentina	Brazil	Spain	Portugal	Slovakia	Russia
Executive managers	NS	NS	NS	NS	NS	NS
Senior managers	NS	NS	NS	NS	NS	NS
Senior management	102	100	104	NS	87	110
Experienced managers	118	104	103	NS	92	103
Junior managers	105	107	107	107	100	103

NS: not significant (insufficient representative sample).

(1) Historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands.

In France, the information is from the metalworking industry collective bargaining agreement, supplemented by company agreements. For the other countries, the information is presented based on the Group's current manager classification.

### 3.3.5.2. EMPLOYEE SAVINGS SCHEMES

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 €69.64 million was invested in 2017. This amount includes voluntary payments, payments from discretionary profit-sharing and non-discretionary profit-sharing in France, and payments from the Accelerate 2017 programme.

#### Employee shareholding scheme: Accelerate

In order to involve employees in the Group's profitable growth strategy and the resulting value creation, between September and October 2017 Groupe PSA put in place a shareholding operation reserved for employees: Accelerate 2017. This operation followed the success of the first Accelerate capital increase, which was executed in 2015.

**Through this programme, which was enacted in 15 countries, employees had a chance to buy Peugeot S.A. shares under preferential terms, receiving a discount on the reference price, an employer matching contribution and a guaranteed investment opportunity as part of rules filed with the Financial Markets Authorities (AMF).**

The sum of €25 million dedicated to this operation, including the employer matching contribution, was fully subscribed. 11,200 Group employees participated and received the preferential terms related to this investment.

### 3.3.5.3. SOCIAL BENEFITS: COMPREHENSIVE 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 guarantees that it insures 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. **Several calls for tender were issued in 2017 in order to limit the increase in premiums and to improve insurers' service quality; such was the case in the Netherlands, Russia and Turkey. Life/disability insurance was improved in Japan.**

#### 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, the United Kingdom and 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.

## 3.4. Well-being, health and safety in the workplace

**SUPPLEMENTARY PENSION PLANS BY DIVISION**

(For the year)

	<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>
PCD Automotive Division	35,396	17,791	32,184
Other Activities	810	399	313
<b>TOTAL</b>	<b>36,206</b>	<b>18,190</b>	<b>32,497</b>

**SUPPLEMENTARY PENSION PLANS BY REGION**

(For the year)

	<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>
France	22,968	12,827	23,699
Rest of Europe	11,892	4,343	6,924
Rest of the world	1,346	1,020	1,874
<b>TOTAL</b>	<b>36,206</b>	<b>18,190</b>	<b>32,497</b>

At the end of 2017, the commitments recorded in the Group's accounts under defined-benefits pension schemes were €3.794 billion and were covered by outside funds of €3.670 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 €124.7 million were paid by the Group (Automotive and Finance Divisions) in 2017 under social benefits. Representing 2.7% 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 in the workplace

DPEF.6 DPEF.7

Thanks to a policy that puts health and safety first, Groupe PSA's health and safety results are among the best of the manufacturing sector.

**Groupe PSA 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.



Groupe PSA's number one priority is to make sure that all employees, every day, at each of our sites, work and return home in good health. Universal commitment to this goal has borne fruit: the Group has **recorded record level workplace safety**. For the first time in our history, we have achieved a lost-time incident frequency rate of 1 on a global scope. The achievement of this goal, which we have been pursuing for years, was a source of pride for every employee, every manager, every member of the prevention teams and the Group as a whole. **This result places the Group among the leaders in this area.**

It is the outcome of universal commitment to our Occupational Safety and Health Management System (OSHMS), a structured approach based on modelling good conduct, vigilance and responsiveness. Despite these strong results, there is still room for improvement to approach zero accidents and zero occupational illnesses. In 2018 we will continue our efforts more than ever.



Xavier Chéreau,  
Head of Human Resources,  
Upon the publication of the 2017 results.

**A system-based method is applied by Groupe PSA: Occupational Safety and Health Management System (OSHMS).**

Four 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);

■ average motivation level (SP-52 methodology).

The Group's ambition is to be the leader of the automotive industry in safety with a goal of a lost-time incident frequency rate of 1 point, in health with a goal of an occupational illness rate of 2 points, and in well-being with a work-related stress frequency rate of 7%.

## 3.4.1. Workplace health and safety DPEF.6 DPEF.7 G4-DMA

### 3.4.1.1. OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The Group's health and safety policy is supported by the Occupational Safety and Health 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 the 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 roadmap describing maturity stages.

#### The Health and Safety Management System – 6 Principles and 22 standards

6 principles	22 standards
1. Executive management involvement	Executive management involvement
2. Structured leadership	Safety communication Health and Safety Committee
3. Clearly established and applied standards	Incorporation of safety and ergonomics into work standards Protective equipment Safety during the design and engineering of manufacturing facilities
4. Defined roles	Work authorisations and clearances Contractors Temporary work Reception of visitors Assessment of individual performance
5. Effective alert systems	Work-related alerts Staff representative bodies
6. Effective monitoring and improvement resources	Field visit and examination Survey and announcement after incidents or accidents Health and safety scoreboard and reporting
+ Controlled risks	Risk assessment Control of risk families, identification and management of high-priority risks Preventing chemical risks Preventing psychosocial risks Preventing musculoskeletal disorders (MSD) Road safety prevention, work-related travel risk prevention

**With the OSHMS, Groupe PSA is in compliance with the occupational health and safety recommendations of the International Labour Organisation (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 OSHMS is now operational at all Group facilities. The five maturity stages that make up this roadmap constitute essential steps leading to a mature process and lasting change: raise awareness, change mind-sets, change behaviours, change habits and align the corporate culture.

**The Health and Safety Management System includes ongoing progress mechanisms that help produce such strong results.** A control and Internal Audit system has been implemented in order to ensure that the OSHMS is enforced and that improvement is constant.

In 2017, 16 monitoring visits were made by the Group's Health, Safety and Working Conditions Department. In addition, cross audits were implemented among Group plants operating in the same region. In 2017, 17 such operations were organised, along with all the verifications of compliance with safety standards led by each site.

## 3.4. Well-being, health and safety in the workplace

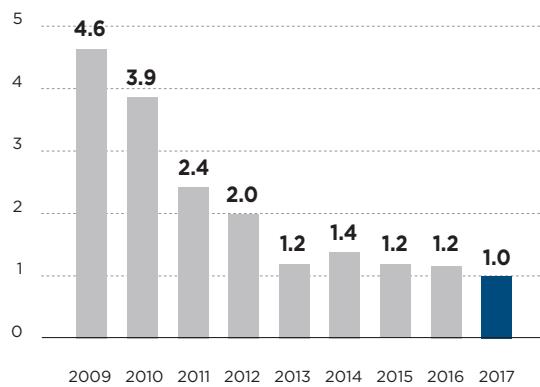
Encompassing all the OHSAS 18001 areas, the OSHMS is a means to assess, monitor and manage risks systematically. The OSHMS goes even further and also includes specific requirements regarding policy, commitment and the role of the Health and Safety Committee. These requirements are in effect at all sites and at all levels. **The OSHMS also 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.).** In taking up the principles outlined in OHSAS 18001, the OSHMS appraises them according to six maturity stages, thus making it possible to guide them and monitor their progress. The best practices known within the Group are also incorporated into the reference guide before being shared with the other entities and becoming a standard.

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 Groupe PSA'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 Automobiles (CAPSA), a Group joint venture, and rolled out in Shenzhen, China.

#### 3.4.1.2. GROUPE PSA'S PERFORMANCE IN SAFETY AND WORKPLACE ACCIDENT PREVENTION DPEF.7 G4-LA6

The Group achieved a frequency rate of one for the first time. This target of 1 point had been set in 2010 with the launch of the Occupational Safety and Health Management System. During this period, the number of lost-time incidents in the Company has been divided by 9.

#### TOTAL LOST-TIME INCIDENT FREQUENCY RATE



\* Lost-time incident 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.

As a result of the Group's health and safety policy and its Health and Safety Management System, the great progress made over several years held steady in 2017, with a lost-time incident frequency rate of 1, as compared to 1.2 in 2016, 1.2 in 2015 and 1.4 in 2014. This rate represents 143 lost-time incidents in 2017.

**The Group has among the best performance in French industry. These results reflect safe practices by both permanent and temporary employees.**

Since 2009, with a view to ensuring the protection of all employees, the Group decided to manage this indicator by using the total lost-time incident frequency rate including Group employees and temporary employees (TF1 Management). With emphasis on training from the first day on the job and to the attention paid to all categories of workers, the lost-time accident frequency rate for temporary workers is now as low as for Group employees.

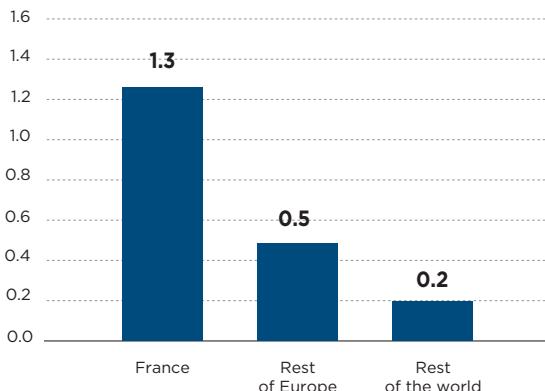
#### IMPACT MEASUREMENT AND ECONOMIC ASSESSMENT

**The Group's outstanding performance in occupational 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 €28 million. These investments are producing tangible results: the lost-time incident frequency rate is 19 times lower than the average recorded in France's metalworking industry and more than six times lower than the average of France's other car manufacturers.

#### LOST-TIME OCCUPATIONAL ACCIDENT FREQUENCY RATE BY REGION

(For the year)



The reported lost-time incident frequency rate was 5.5 points in 2017, compared to 5.3 points in 2016 and 5.1 in 2015. The frequency rate for first aid was 17 points in 2017, compared to 16 points in 2016 and 17 points in 2015.

## SEVERITY RATES BY REGION

(For the year)

	France	Rest of Europe	Rest of the world
PCD Automotive Division	0.19	0.05	0.01
Other Activities	0	0	0
<b>TOTAL</b>	<b>0.19</b>	<b>0.05</b>	<b>0.01</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 2017, compared to 0.13 in 2016 and 0.16 in 2015.

## COMMUTING ACCIDENTS

(For the year)

	2016	2017
Frequency ratio	2.6	3.0

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
PCD Automotive Division	0	0	0	0
Other Activities	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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 Safety and Health 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®) and in assessments of workplace accidents. In 2017, the total lost-time incident frequency rate among temporary employees was 1 point, compared to 2.3 points in 2016 and 1.5 in 2015.

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 8,000 health and safety audits.

## OCCUPATIONAL ACCIDENTS CONCERNING EMPLOYEES OF OUTSIDE COMPANIES OR TEMPORARY EMPLOYMENT AGENCIES

(For the year)

	France		Rest of Europe		Rest of the world		Total	
	Outside service providers	Temporary employees						
<b>TOTAL</b>	<b>638</b>	<b>1,129</b>	<b>46</b>	<b>46</b>	<b>32</b>	<b>3</b>	<b>716</b>	<b>1,178</b>

## 3.4. Well-being, health and safety in the workplace

### 3.4.1.3. GROUPE PSA'S PERFORMANCE IN HEALTH AND OCCUPATIONAL ILLNESSES

DPER.7 G4-LA6 G4-LA7

Groupe PSA 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 maintain and improve employee health, 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 multi-disciplinary approach (involving ergonomists, occupational physicians, OHS consultants and managers) guiding operational improvements and addressing reported issues;
- Monitoring of overall health through ever-more-refined understanding by the Group's health services of factors that determine health;
- A continuous improvement approach for the health of Groupe PSA employees, a partner in the "Healthy Workplaces" programme spearheaded by the European Agency for Safety & Health at Work;

■ the implementation of in-the-field testing to take a preventive approach (measures in preparation for starting a position, BEST approach regarding consideration for difficulties with autonomy, etc.).

The actions, developed for all Group employees, are based on multi-disciplinary skills and are adapted to the environment, the regulations and the regional health priorities of the different entities. **Groupe PSA chooses to use internal health services that operate within the Company to support employee health.** In 2017, these health services offered the skills of 148 healthcare professionals: physicians, nurses, physiotherapists.

On 26 April 2017, Groupe PSA was awarded the Healthy Workplaces Good Practices European Award for actions taken in the workplace, in close proximity to Group employees that help promote individual and collective health. The coordinating physician of the Iberian region and the employee representative and member of the Group's European Works Council accepted the award on the Group's behalf.

**In 2017, 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.

#### OCCUPATIONAL ILLNESSES

(For the year - Number of reported illnesses)

	France	Rest of Europe	Rest of the world	Total
Musculoskeletal disorders of the upper limbs	203	0	0	248
Carrying heavy loads	6	0	0	6
Occupational illnesses after exposure to asbestos	26	0	0	26
Noise-related hearing loss	7	0	0	7
Other	16	0	0	16
<b>TOTAL</b>	<b>258</b>	<b>0</b>	<b>0</b>	<b>303</b>

In 2017, 303 occupational illnesses for the Group scope were reported. Of these reported occupational illnesses, 82% were musculoskeletal disorders (MSD) of the upper limbs, 2% were from carrying heavy loads, 9% were occupational illnesses due to exposure to asbestos, 2% from noise-related hearing loss and slightly more than 5% 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 2017, this rate was stable at 2.8, compared to 2.8 in 2016, 3.5 in 2015 and 3.9 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, Groupe PSA 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, Groupe PSA 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).

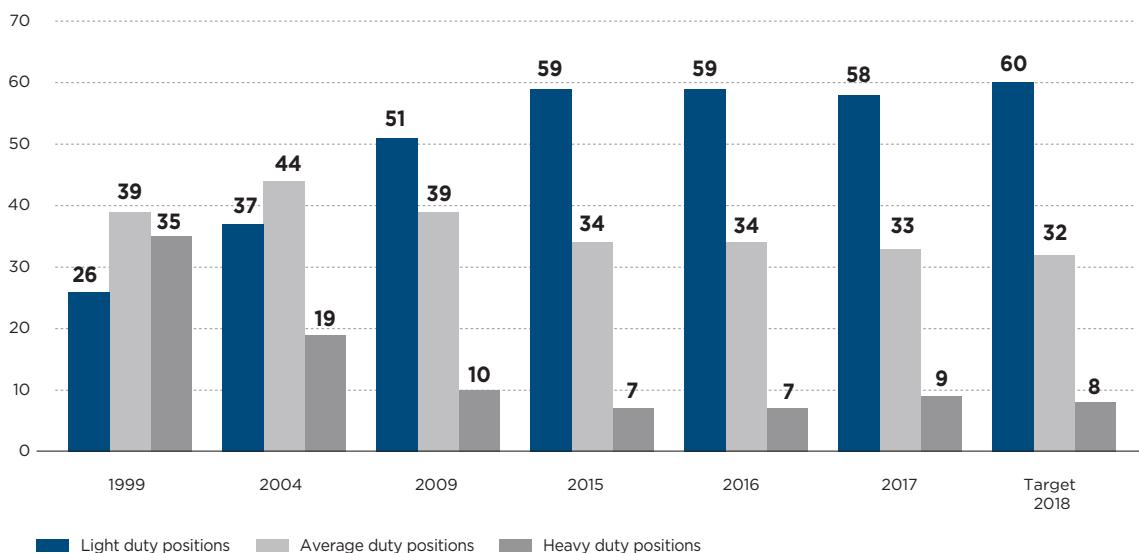
The Group carried out a review of workstations that require repetitive movement at all manufacturing sites. Based on seven factors taken from the Ergonomics Management System (EMaS), this assessment identified the risk level for each profession and detected factors with the greatest risk of causing MSDs. Every year, action plans are set and implemented in all Group 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: manufacturing sites focus on alleviating physical and postural stress by reducing the number of workstations rated as "heavy". This is taken into account from the design stage for products and processes and is based on a rigorous methodology for rating workstations. From 2005 to the end of 2017, the proportion of "heavy" workstations fell from 18% to 9%, while "light" workstations rose from 37% to 58%. It is the Group's ambition to make further progress in this area and reach a level of 60% "light" workstations in 2018.

#### CHANGES IN THE PROPORTION OF "LIGHT", "MEDIUM" AND "HEAVY" WORKSTATIONS

(Manufacturing activity of the Automotive Division, PCD(I) scope, in % based on the METEO\* rating)



\* Workplace and Organisational Evaluation Method.

(I) Historical scope of Peugeot/CITROËN/DS AUTOMOBILES brands.

## 3.4. Well-being, health and safety in the workplace

## 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. Each of these products is approved prior to use by the Group's Toxicology Department, which is led by a medical toxicologist. The products are listed in a universal computerised database and have a workstation instruction sheet that is validated according to Group protocol, whether it be for manufacturing, R&D or sales activities. **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 Groupe PSA 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 2017 revealed that 7.6% 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 around 50 persons (site HR, occupational physicians and nurses, social workers, safety engineers) representing each site and division were implemented to support them in the prevention initiative process.

A road map consists of 13 requirements distributed across four major topics covering all the Group scheme principles:

- **p**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;

- **p**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. 3,500 managers have completed this module, which is organised internally;

■ **p**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 2017, 15,299 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;

■ **p**finally, the conduct of action plans is a major lever for identifying the right behaviours to adopt in order to limit risks and increase motivation. 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 led to the formation of task forces of employees, employee representatives, members of the human resources function, etc. at the management body level as well as at the sub-entity level (departments, supervisory units, etc.). Thanks to this approach, in 2017 the work-related stress frequency rate was kept below 8%, and the motivation indicator improved, demonstrating good support of the Company's transformations.

## 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, Groupe PSA 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

DPEF.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
Algeria	Hygiene and Safety Committee	Employer representatives, Employee representatives
Germany	Health and Safety Committee	Employee representatives, Occupational Physician, Safety manager, Head of Department
	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	Health and Safety Committee	Plant Management, Human Resources, Occupational Physician, Safety managers
	Occupational Health and Safety Central Committee	Works Council, Occupational Physician, Safety managers, Head of Department
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 team, 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
Italy	Health and Safety Committee Annual Risk Plan Committee	Employee representatives, Medical team, Prevention and Protection Services manager, Legal representative
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
	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

Groupe PSA 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 2017, 19 health and safety agreements were signed.

## 3.4. Well-being, health and safety in the workplace

### 3.4.1.6. TRAINING AND PREVENTION PROGRAMMES DPEF.10

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 2017, workplace health and safety prevention represented 167,000 hours of training, i.e. 11% of the training plan.



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 communicate 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.

### 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 that form a journey, this 110 sq.m. training

## 3.4.2. Well-being and quality of life at work DPEF.6

When it comes to quality of life and well-being at work, the Groupe PSA is an expert in workstation ergonomics and the assessment of work-related stress. In 2016, the Groupe PSA stated a new ambition to offer an employee experience based on well-being at work by laying the groundwork for the future with new work methods and consequently providing a space for individual and group talent to blossom.

### 3.4.2.1. IMPROVING WORKING CONDITIONS

**The Group strives to provide modern, digital, inviting workspaces.** The 2017 inauguration of new workspaces seeks to promote collaborative work, cross-functionality 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.

Groupe PSA is gradually introducing these new arrangements at its office facilities and technological sites such as in France, 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 DPEF.4 G4-LA3

Establishing a collaborative work method is incorporated into the new Global Framework Agreement and applies to workspaces as well as the expansion of teleworking and the implementation, in France, of an annual account of 25 days of remote work, which allows employees to occasionally perform their jobs from home or another location. The goal is to offer more flexible work arrangements without hurting collective productivity.

**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 arrangements makes it possible.**

To the extent possible, the Group approves employees' requests to work part-time. The aim is to devise suitable solutions: 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 2017, the Group had 8,280 part-time employees worldwide (971 half-time), distributed as follows: 33% women and 67% men.

## NUMBER OF PART-TIME EMPLOYEES ON PERMANENT OR FIXED-TERM CONTRACTS\*

(For the year)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>1,896</b>	<b>6,338</b>	<b>0</b>	<b>8,234</b>
	2016	2,038	6,788	0	8,826
	2015	2,465	6,062	0	8,527
<b>Other Activities</b>	<b>2017</b>	<b>33</b>	<b>13</b>	<b>0</b>	<b>46</b>
	2016	14	13	0	27
	2015	23	238	0	261
<b>TOTAL</b>	<b>2017</b>	<b>1,929</b>	<b>6,351</b>	<b>0</b>	<b>8,280</b>
	2016	2,052	6,801	0	8,853
	2015	2,488	6,300	0	8,788

\* 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.

In order to promote a healthy work-life balance, a number of services are offered to employees: company concierge services, travel agencies, provision of bus lines, shuttles, etc. In 2017, 100 childcare places were offered in France.

**Community life is encouraged over 80 sporting, cultural and charity organisations are very active.** 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.

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.



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 Groupe PSA in 2014. French technicians, administrative employees and managers have the option of working from home between one and three days per week.

At the close of 2017, 3,028 employees in France had opted for teleworking, i.e. almost 14% of the population eligible for this type of work.

The Group endeavours to apply teleworking at the global level on a volunteer basis and as a flexible organisation improving working conditions. Driven by this aspiration, teleworking is now in use in Spain (72 teleworkers), Belgium (53), Brazil (163), Argentina (146), Slovakia (105), Italy (95) and Turkey (9). In early 2018, the Group launched a pilot teleworking programme for employees in China.

**The “New Momentum for Growth” agreement proposes other new, innovative actions.** Accordingly, the Group is expanding its teleworking option: three days of teleworking per week on a trial basis, a half day of teleworking combined with a half day off for part-time employees and teleworking from a location other than the primary place of residence.

IMPACT MEASUREMENT AND  
ECONOMIC ASSESSMENT

A new perception survey conducted in June 2017 on 1,675 Group teleworkers and 388 managers measured a 99% satisfaction rate among teleworkers and a 98% satisfaction rate among managers. 90% of teleworkers experienced a positive impact on their efficiency and saw teleworking as a vote of confidence from their manager. Less time spent commuting to and from work is the leading factor of satisfaction mentioned by 80% of teleworkers.

The impact of teleworking on the department's efficiency was seen as neutral by 51% of respondents and as positive by 49% of respondents; this positive rating was up 8 points from the last survey, which was conducted in 2015. 95% of managers would recommend teleworking to another manager; this score was also up.

## Maternity, paternity and parental leaves

Groupe PSA 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. Starting on 1 November 2016, an amendment extended the scheme to spouses, common-law spouses and partners. Under this agreement, employees can donate days off to parents with a sick child, anonymously and without receiving

## 3.4. Well-being, health and safety in the workplace

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 three years in place, there have been 1,862 days donated, 220 days contributed by the Company and 948 days granted to 64 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.

#### NUMBER OF EMPLOYEES ON MATERNITY, PATERNITY AND PARENTAL LEAVE BY SOCIO-PROFESSIONAL CATEGORY

(For the year)

	Maternity leave			Paternity leave			Parental leave			Total		
	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total	Operators and Administrative Employees	Technicians and Supervisors	Managers	
PCD Automotive Division	341	266	221	828	891	254	287	1,432	215	474	68	757
Other Activities	0	5	9	14	0	0	4	4	0	2	3	5
<b>TOTAL</b>	<b>341</b>	<b>271</b>	<b>230</b>	<b>842</b>	<b>891</b>	<b>254</b>	<b>291</b>	<b>1,436</b>	<b>215</b>	<b>476</b>	<b>71</b>	<b>762</b>

#### SPECIFIC WORK SCHEDULES

(For the year)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	Two shifts <sup>(1)</sup>	16,397	4,244	1,213	21,854
	Three shifts or night work <sup>(2)</sup>	6,376	3,694	16	10,086
	Weekend <sup>(3)</sup>	1,801	466	13	2,280
<b>Other Activities</b>	Two shifts				0
	Three shifts or night work				0
	Weekend				0
<b>TOTAL</b>	<b>TWO SHIFTS</b>	<b>16,397</b>	<b>4,244</b>	<b>1,213</b>	<b>21,854</b>
	<b>Three shifts or night work</b>	<b>6,376</b>	<b>3,694</b>	<b>16</b>	<b>10,086</b>
	<b>Weekend</b>	<b>1,801</b>	<b>466</b>	<b>13</b>	<b>2,280</b>

(1) Two-shifts: working in two teams.

(2) Three-shifts: working in three teams (with a team on duty during the night).

(3) Weekend: 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.** These 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

DPEF.14 | DPEF.32 | DPEF.39

Groupe PSA 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, Groupe PSA promotes employee commitment and motivation and develops a culture of performance and economic efficiency.

**This societal issue concerns all the countries where Groupe PSA operates.** Groupe PSA 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 Groupe PSA's commitment to fighting racism, xenophobia, sexism and homophobia.

3

### 3.5.1. Diversity and gender equality in the workplace

DPEF.12 | G4-LA12 | G4-10

For more than 15 years, Groupe PSA has taken a proactive approach to promoting diversity and gender equality in its workplace, making it a source of added value and economic performance.

**In June 2016, Groupe PSA 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 business lines;
- human resources processes to guarantee equal opportunities;
- access of women to higher levels of responsibility.

**Groupe PSA has also long been committed to fighting sexism and violence against women.** At the global level, since 2006 the Groupe PSA Global Framework Agreement on Social Responsibility has been applying best practices in this area and serves as a firm statement that the Group has zero tolerance for sexism. In France, the agreement on equal opportunities instituted a workplace whistleblowing system for harassment, which includes a special e-mail address, harcelement@mpsa.com, and the appointment of equality and diversity liaisons. It also includes provisions for supporting employees who are victims of domestic violence. In Spain, a company agreement signed in 2006 strengthens victim rights and protection measures.

In March 2017, Groupe PSA kicked off a mobilisation campaign to instil a corporate culture that is free from sexism and safeguards good work relationships between women and men, well-being and collective performance. In France, the Group joined the *Sexisme, pas notre genre* campaign, which was spearheaded by the French Ministry for Women's Rights. In autumn 2016, a task force including members of the "Women Engaged for PSA" women's network started collecting testimonials of experiences. This led to the production and release of a film titled *Des mots sur le sexisme* ("A Few Words about Sexism"), which was released in order to raise awareness and help change behaviours. This action plan also includes an action guide, *Le Groupe PSA engagé contre le sexisme* ("Groupe PSA Committed to Fighting Sexism"), which provides key information on the realities of sexism, legislation and penalties, and information for victims and witnesses to sexist behaviours, and encourages them to report such behaviours.

#### A recognised commitment

**Groupe PSA was the first company to receive the "Workplace equality" certification in France in 2005.** The renewal of this label on 11 December 2017 marks the Group's long-term commitment and ongoing progress. This label was awarded following an audit conducted by AFNOR of several sites and then a review and interview by a joint labour Management Committee meeting under the authority of the French Ministry for Women's Rights.

The collective agreement of 5 October 2017 on expanding female employment and equal opportunities, signed with all six representative unions, was the fifth agreement in France since the first one signed in November 2003. It is a testament to continued productive social dialogue and a renewed commitment.

In Spain, Groupe PSA was awarded the Equality label from the Ministry for Social Affairs and equality in 2013 and for its commercial subsidiaries for the first time in 2015.

See also section 3.3.7.1 on equal pay.

## 3.5. Equality and diversity

## NUMBER OF FEMALE EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY

(for the year)

	Operators and Administrative Employees	Technicians and Supervisors	Managers	Total
PCD Automotive Division	7,729	4,871	3,438	16,038
Other Activities	27	68	278	373
<b>TOTAL</b>	<b>7,756</b>	<b>4,939</b>	<b>3,716</b>	<b>16,411</b>

Women account for 20.8% of engineers and managers, 24.3% of technicians and administrative employees and 16.0% of operators and administrative employees.

## CHANGE IN THE PERCENTAGE OF WOMEN EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS DPEF.1.b

(For the year)

% women in the workforce	2015	2016	2017
<b>TOTAL</b>	<b>18.8%</b>	<b>18.6%</b>	<b>18.9%</b>

In the automotive scope, the proportion of women in the workforce was up slightly, to 18.7%.

## EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY GENDER AND REGION DPEF.1.b DPEF.1.d

(For the year)

	France		Rest of Europe		Rest of the world		Total	
	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	9,770	47,585	4,932	16,193	1,336	5,981	16,038	69,759
Other Activities	320	387	52	41	1	10	373	438
<b>TOTAL</b>	<b>10,090</b>	<b>47,972</b>	<b>4,984</b>	<b>16,234</b>	<b>1,337</b>	<b>5,991</b>	<b>16,411</b>	<b>70,197</b>

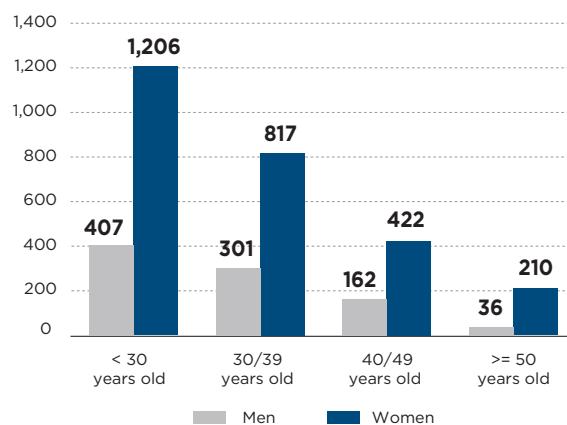
## EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP AND GENDER DPEF.1b DPEF.1c

(For the year)

	< 30 years old		30-39 years old		40-49 years old		50 years and +		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	2,101	6,241	4,285	15,398	5,246	23,999	4,406	24,121	16,038	69,759
Other Activities	48	40	86	97	139	170	100	131	373	438
<b>TOTAL</b>	<b>2,149</b>	<b>6,281</b>	<b>4,371</b>	<b>15,495</b>	<b>5,385</b>	<b>24,169</b>	<b>4,506</b>	<b>24,252</b>	<b>16,411</b>	<b>70,197</b>

## HIRINGS UNDER PERMANENT CONTRACTS BY AGE GROUP AND GENDER

(For the year)



Women represented 25% of permanent contract hirings in 2017.

**PERCENTAGE OF WOMEN MANAGERS UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP** DPEF.14

(For the year)

	< 30 years old	30-39 years old	40-49 years old	50 years and +	Total
Number of women managers	244	1,082	1,542	848	3,716
Total number of managers	663	3,864	7,244	6,055	17,826
% of women managers	36.8%	28.0%	21.3%	14.0%	20.8%

	2015	2016	2017
% of women in the managerial workforce	20.2%	20.1%	20.8%

**3****20.8%**

**OF GROUP MANAGERS WERE WOMEN,**  
I.E., A HIGHER RATE THAN THE 18.9% TOTAL PERCENTAGE OF WOMEN IN THE COMPANY

**SENIOR AND EXECUTIVE MANAGERS**

(For the year)

	30-39 years old		40-49 years old		50 years and +		Total	
	Women	Men	Women	Men	Women	Men	Women	Men
PCD Automotive Division	5	2	37	174	25	301	67	477
Other Activities	2	1	15	17	9	44	26	62
<b>TOTAL</b>	<b>7</b>	<b>3</b>	<b>52</b>	<b>191</b>	<b>34</b>	<b>345</b>	<b>93</b>	<b>539</b>

The table 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 2017, the proportion of female senior and executive managers was 14.7%. It increased by 2.1 points in one year.

### 3.5.2. Promoting diversity for social cohesion and performance

G4-DMA G4-LA12 G4-HR3 DPEF.14 DPEF.39

Groupe PSA voluntarily formalised its actions in favour of diversity in its social dialogue. On an international scale, the Groupe PSA's 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 Groupe 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.

**Groupe PSA diversifies its hiring channels, building partnerships with education systems and public employment services, developing online job offers and using social media 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).

Groupe PSA supports public policies in favour of diversity. In 2009, the 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 again in February 2018.

## 3.5. Equality and diversity

Similarly, in Spain, since 2009 the Group has held the *Diversidad* label, which was started by the Diversity Foundation with the support of the Spanish Ministry of Equality, and this label was renewed in 2012 and 2015.

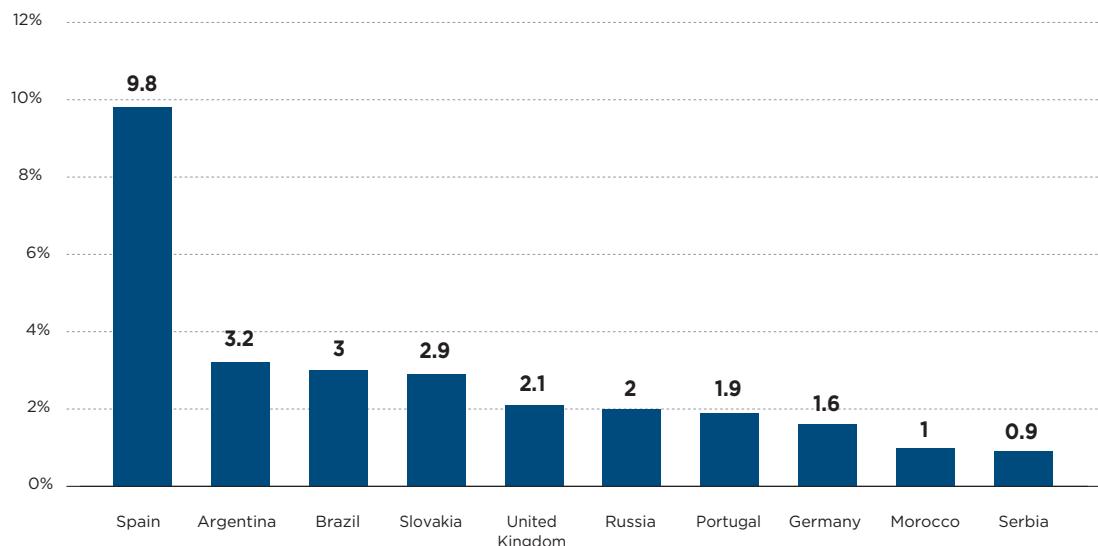
**In addition to Groupe PSA's Global Framework Agreement on Social Responsibility, the Group's Worldwide Diversity Commitment formalises its actions to promote diversity in a joint commitment that is applicable to all the countries where the Group operates.** It is a reference guide comprising seven founding principles that provide an overall view of diversity and its challenges:

- **p**romote, implement and lead the Worldwide Diversity Commitment within the subsidiaries;

- **p**romote employees;
- **p**raise awareness and train Group employees in managing diversity;
- **p**repare and objectify the human resource management process;
- **p**romote diversity, a source of synergy, social balance and business performance;
- **p**onitor, assess and improve the implementation of the Worldwide Diversity Commitment;
- **p**romote the Worldwide Diversity Commitment outside the Company.

## TOP TEN NATIONALITIES - EXCLUDING FRENCH

(At 31 December - percentage of total workforce)



The Group's workforce represents 108 nationalities. The Group has 30,677 non-French employees, i.e., 34% of employees. The top ten nationalities other than French represented in the workforce accounted for 28% of the Group total.

PREVENTING WORKPLACE HARASSMENT, DISCRIMINATION AND VIOLENCE DPEF.6 DPEF.10

**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 Group Executive Management 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 2017, 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 and diversite@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 2017, 44 cases of workplace harassment, discrimination or violence were processed.

## INTERGENERATIONAL MANAGEMENT

Keeping older employees (33.2% of the Group's workforce) in work and motivated is one of the Corporate Social Responsibility commitments. The aim is to ensure equal opportunity and fair treatment for all, including seniors. **The measures included in the 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 generation's coexistence and knowledge transfer as an asset for social cohesion and business performance.**

In addition, the programme to employ young people seeks to support knowledge transfer and train the younger generations. In 2017, as part of its programme to bring young people into the workforce, the Group welcomed 2,525 work-study programme participants (skills-acquisition and apprenticeship contracts) and 2,461 interns.

## 3.5.3. Hiring people with disabilities

### EMPLOYMENT WITHOUT DISCRIMINATION BASED ON LOCATION OF RESIDENCE

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

The Group has 5,136 employees with disabilities worldwide. Recognition of disability is framed by local laws. 81% of employees with disabilities are operators and administrative employees, 13% are technicians and administrative employees and 6% are managers.



**Six successive agreements have been signed since 2000 to support the Group's efforts regarding social and occupational inclusion of people with disabilities.** This policy is enacted worldwide through the Global Framework Agreement with the goal of keeping workers with disabilities employed, carrying out preventive actions and promoting their workplace integration. Taking such an approach benefits everyone as well as the Company's performance.

As a result of its efforts, Groupe PSA now has, for example, a 7.3% employment rate of people with disabilities in the Automotive Division in France, more than the legal requirement of 6%. This rate jumps to 10.3% when purchasing from sheltered workshops is factored in.

In France, Groupe PSA signed the sixth agreement on social and occupational inclusion of people with disabilities on 21 February 2017, confirming its motivation 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 workers with disabilities, by offering subsidies and guarantees to agreement beneficiaries in their personal and professional lives;
- taking action to integrate and retain employees with disabilities 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 staff with disabilities 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 worker with disabilities 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 people with disabilities.** This Group engagement with sheltered workshops for direct parts (e.g., instrument panels, interior trim, pedals etc.) is a policy that dates back more than 20 years and has propelled Groupe PSA to the position of top purchaser from sheltered workshops in France, with 2017 added value of €45.5 million for these businesses, which represents 2,334 persons employed, mainly in industry (see § 2.3.1.2). 100% of the cars built in Europe by Groupe PSA thus have at least one part manufactured by the adapted and sheltered sector.

## EMPLOYEES WITH DISABILITIES

(For the year)

		France	Rest of Europe	Rest of the world	Total
<b>PCD Automotive Division</b>	<b>2017</b>	<b>4,764</b>	<b>332</b>	<b>26</b>	<b>5,122</b>
	2016	5,019	340	4	5,363
	2015	5,123	394	7	5,524
<b>Other Activities</b>	<b>2017</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>14</b>
	2016	12	-	-	12
	2015	12	17	-	29
<b>TOTAL</b>	<b>2017</b>	<b>4,778</b>	<b>0</b>	<b>0</b>	<b>5,136</b>
	2016	5,031	340	4	5,375
	2015	5,135	411	7	5,553

## 3.6. Reporting scope and methodology

G4-20 G4-22 G4-23 DPEF.32 DPEF.39

The employee-related indicators 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 2017:

- **p****PCD**: historical scope of PEUGEOT/CITROEN/DS AUTOMOBILES brands
- **p****"PCD Automotive Division"** gathers PCD Automotive Activities (including PSA Automobiles SA) and PCD Automotive Trade Activities. As from 1<sup>st</sup> January 2016, PSA Automobiles SA includes the Douvrin (formerly Française de Mécanique) and Hordain (formerly Sevelnord) facilities;
- **p**the "Other Activities" include the Peugeot S.A. holding company and BANQUE PSA FINANCE (BPF). The Groupe PSA consolidates the entities that are wholly held by BANQUE PSA FINANCE (BPF), solely for quantitative social data. The joint ventures of the partnership between BANQUE PSA FINANCE and Santander Consumer Finance are not consolidated within the Group scope due to a lack of exclusive control.

The social reporting process involves over 250 contributors from all subsidiaries in 24 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 manager's category includes engineers and managers with a job description similar to managers in France. TAM is the French acronym for technicians and administrative employees.

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 workforce of the joint ventures accounted for using the equity method are not consolidated within the Group scope due to a lack of exclusive control.

Whenever the document refers to a policy, this applies to all Group companies. In particular, this applies 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 PSA Automobiles SA.



# 4

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT

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The Purchasing Department is responsible for developing a purchasing strategy 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. For this purpose, in 2017 the Purchasing Department updated its responsible purchasing policy.

A materiality analysis of the Purchasing Department's CSR priorities has highlighted the following three as being the most pertinent and substantial:

**■ Issue "Human rights in the supply chain" – Internal and external impacts** SASB13

Managing social, societal and ethical impacts in the supply chain is a core priority for Groupe PSA, given its extensive international expansion primarily in emerging countries. The Group ensures that the standards defined by supranational bodies (International Labour Organization, Global Compact, ISO 26000, ISO 20400, ISO 14021, the modern slavery act, REACH, US regulations and the European Directive on conflict minerals, human rights, ethical principles, etc.) are fully integrated into the Company's internal processes, in order to effectively manage not only the risks incurred by the Company, but also risks to stakeholders arising from the Company's business activities, for the entire subcontracting chain.

The Group must therefore ensure that forced or compulsory labour and child labour are eliminated throughout the supply chain, including raw materials suppliers, and ensure that its suppliers also comply with these international principles.

Expectations from stakeholders are growing. Nowadays, stakeholders expect to be informed about the production conditions and origin of the products that they buy. It is therefore crucial that the Group is able to prove transparency throughout the supply chain, regardless of how difficult this is to implement.

A failure to comply with social, societal and ethical standards in the supply chain could have major negative impacts on the Group. Its economic performance would be exposed to three core risks:

- premediation costs,
- major damage to its reputation which may reduce its revenue and pricing power,
- the costs of inadequate quality and potential supply disruptions.

Consequently, Groupe PSA must put in place all necessary preventive measures proportionate to the risks involved, in order to produce vehicles which meet customer expectations and which adhere to social and ethical standards (OECD guiding principles).

These points are detailed in this chapter, under section 4.2.

**■ Issue "Local sourcing development in host territories" – Internal and external impacts**

It is crucial to boost local production in order to support the Group's increasing internationalisation and to reduce inequality in terms of economic development in host communities. In order to achieve this, the Group is implementing measures in two separate areas: first, it identifies local suppliers and helps them to gain the skills that they need, and second it encourages its own suppliers to relocate to clusters near to its facilities.

This strategy has a major financial impact:

- pit reduces logistics costs (€100 per vehicle in Russia and €49 per vehicle in Latin America),
- pit limits customs fees (35% of the production cost of a vehicle imported into Latin America),
- pit reduces exposure to exchange rate fluctuations which impact on production cost, margins and sales volumes.

Local sourcing also provides the Group:

- pbetter knowledge of the expectations of local stakeholders,
- pthe option to find technological solutions which fit the context and local constraints,
- poperational proximity to its partners, enabling it to help them achieve technological, logistical, social or environmental progress;
- pgreater supply chain flexibility.

These points are detailed in this chapter, under section 4.1.

**■ Issue "Environmental performance in the supply chain: purchasing and logistics" – Internal and external impacts**

One of Groupe PSA's priorities is to reduce its carbon footprint. The Purchasing Department involves suppliers in the Group's approach to reducing CO<sub>2</sub> emissions in the supply chain, i.e. emissions by its suppliers for the production of goods and services purchased by the Group.

The Purchasing Department's strategy to reduce GHG (greenhouse gas) emissions in its subcontracting chain consists of:

- pselecting suppliers according to environmental criteria such as the ISO 14001 certification, or their capacity to develop products which incorporate green or recycled materials,
- praising supplier awareness to prompt them to set out an emissions reduction plan.

Section 4.2.1.1 of this chapter covers environmental issues related to procurement. The carbon impact of logistics is addressed in Chapter 5.2.5.

Faced with these challenges, the Groupe PSA has set up the following systems.

## COMMITMENTS SCOREBOARD

 <b>MACRO-RISKS</b>  	 <b>CSR ISSUES</b>  <b>HUMAN RIGHTS IN THE SUPPLY CHAIN</b> Organiser: Head of Purchasing	 <b>AMBITIONS <sup>(1)</sup></b>  <b>BY 2035</b> ■ Select suppliers based on their compliance with the Group's human rights requirements, and on their ability to ensure the compliance and transparency of their own supply chain to achieve an average supplier score of 50/100 on Human Rights (assessment by EcoVadis).  ■ As soon as notified to Groupe PSA, exclude from the supplier list any supplier responsible for a breach of fundamental human rights.	 <b>TARGETS 2017</b>  ■ <u>Improving CSR Performance of Groupe PSA suppliers assessed by a third party:</u> increase the average score for suppliers referenced by the Group from 47/100 in 2016 to 48/100 in 2017.  ■ <u>Communication on Human Rights:</u> - prepare an annual report on action taken against forced labour, - publish the conflict minerals policy on the Group website.	 <b>RESULTS 2017</b>  Target met: ■ 2017 average score for suppliers referenced by the Group for overall CSR performance: 48.2/100;  ■ Focus on the average social score for suppliers in 2017: 48.8/100.  ■ The Group's policy related to conflict minerals was posted on the website and the "Responsible Purchasing" charter has been updated.	 <b>TARGETS 2018 <sup>(1)</sup></b>  ■ Increase the average social score for suppliers referenced by the Group from 48.8/100 in 2017 (PCD scope) to 49/100 in 2018 (Groupe PSA scope).  ■ Implement CSR processes for OV suppliers and purchasing teams, and boost PCD indirect suppliers in CSR implementation.  ■ Involve the Group in an international responsible mineral supply initiative.
 <b>UNBALANCED ECONOMICS DEVELOPMENT OF TERRITORIES</b>	<b>LOCAL SOURCING DEVELOPMENT IN HOST TERRITORIES</b> Organiser: Head of Purchasing	<b>BY 2035</b> In each host territory, implement the conditions of a local sourcing via an ecosystem (suppliers, research laboratories, training centers...) allowing a deep integration: creation of direct and indirect jobs, skill improvement, infrastructure development and value creation for the territory local sourcing rate of: ■ 70% in Russia; ■ 60% in Latin America.	Achieve a local sourcing rate of: ■ 50% in Russia; ■ 60.5% in Latin America.	Target not met: ■ 31.4% in Russia; ■ 59.3% in Latin America.	Achieve a local sourcing rate of: ■ 40% in Russia; ■ 58.3% in Latin America.

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE I plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate the two scopes: **PCD** for the historical PEUGEOT/CITROËN/DS AUTOMOBILES brand scope and **OV** for the OPEL/VAUXHALL brand scope. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018 <sup>(1)</sup>
<b>CLIMATE CHANGE</b>  <p>Organiser: Industrial Director and Head of Purchasing</p>	<b>ENVIRONMENTAL PERFORMANCE IN THE SUPPLY CHAIN: PURCHASING AND LOGISTICS</b> <p>Organiser: Industrial Director and Head of Purchasing</p>	<p><b>BY 2035</b></p> <p><b>PURCHASING:</b> Systematically include suppliers in the drive to meet the Group's environmental objectives by selecting suppliers:</p> <ul style="list-style-type: none"> <li>■ based on their compliance with the Group's environmental requirements (including a compliance and transparency guarantee for their own supply chain) to achieve an average supplier score of 50/100 on human rights (assessment by EcoVadis);</li> <li>■ for strategic and core suppliers (including logistics suppliers)           <ul style="list-style-type: none"> <li>- based on their CO<sub>2</sub> trends in compliance with the Paris agreement (COP21),</li> <li>- based on their suggestions to enable the Group to meet its circular economy targets (green or replacement materials and recyclability).</li> </ul> </li> </ul> <p><b>LOGISTICS:</b> Reduce CO<sub>2</sub> emissions for each vehicle transported by 33% between 2016 and 2035 (i.e. -2.1% per year, in line with the Paris agreement), primarily by limiting intercontinental flows through the regionalisation of the Group's activities and by optimising transport patterns (routes, transportation mode, filling rate and packaging).</p>	<p><b>PURCHASING:</b> Increase the average score for suppliers referenced by the Group from 47/100 in 2016 to 48/100 in 2017.</p>	<p><b>PURCHASING:</b> Target met:</p> <ul style="list-style-type: none"> <li>■ Average overall CSR score for suppliers referenced by the Group: 48.2/100;</li> <li>■ Focus on the average environmental score for suppliers in 2017: 53.5/100.</li> </ul>	<p><b>PURCHASING:</b> Increase the average environmental score for suppliers referenced by the Group from 53.5/100 in 2017 (PCD scope) to 54/100 in 2018 (Groupe PSA scope).</p> <ul style="list-style-type: none"> <li>■ 60% of strategic and core suppliers must demonstrate a CO<sub>2</sub> trend which complies with the Paris agreement.</li> <li>■ Implement CSR processes for OV suppliers and purchasing teams, and boost PCD indirect suppliers in CSR implementation.</li> </ul>

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate the two scopes: **PCD** for the historical PEUGEOT/CITROËN/DS AUTOMOBILES brand scope and **OV** for the OPEL/VAUXHALL brand scope. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

## 4.0. Joint innovation with suppliers to prepare for the mobility of the future

**The Purchasing Department views the innovation process as preparing with its suppliers for a more sustainable, connected and appealing mobility of the future, as well as contributing to the development of the countries in which the Group is based.**

Following their joint "Drive for All" plan, Groupe PSA and two of its suppliers - Safran and Valéo - have decided to pool their resources to develop autonomous and connected driving. On 10 October 2017, Groupe PSA announced the creation of "JointLab" to carry out joint autonomous vehicle tests.

Moreover, in order to meet new environmental and automotive safety regulations and anticipate customers' future expectations, in 2017 Groupe PSA selected 22 suppliers for innovation contracts, in addition to the 400 suppliers already working with the Group on future technologies. The main areas of innovation are: autonomous vehicles and shuttles; all driver assistance and driver well-being technologies; energy transfer (fast charging, improved range, or even two-way chargers to turn cars into electricity generators).

The Purchasing Department also encourages its Suppliers to innovate by organising "Supplier Innovation Days". These events provide opportunities for Groupe PSA suppliers to present their new products and know-how to buyers, engineers, stylists, etc. About 10 Supplier Innovation Days are held each year with equipment manufacturers of all sizes. Between 150 and 200 Group employees attend each of these days, with an extremely high supplier satisfaction rate (up to 90%). After each of these days, 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.



On 7 July 2017, Groupe PSA signed an agreement with five Moroccan universities, two American universities based in Morocco, an engineering school several Ecoles Centrales based in Morocco and a technology centre from the International University of Rabat, for the purpose of launching a new OpenLab for research on sustainable mobility for Africa. The four-year research programme focuses on three main areas: future electric mobility for the African market, renewable energy and better alignment of production plant supply chain needs with local constraints.



"Groupe PSA creates a new OpenLab for research on sustainable mobility for Africa" 07/07/2017, press release: <http://media.groupe-psa.com/en/groupe-psa-creates-new-openlab-research-sustainable-mobility-africa>

4

## 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.

Groupe PSA has a direct contractual relationship with more than 8,000 tier-1 suppliers. It requires all of them to meet the CSR commitments set out in its responsible purchasing policy (see section 4.2.2.2). 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.

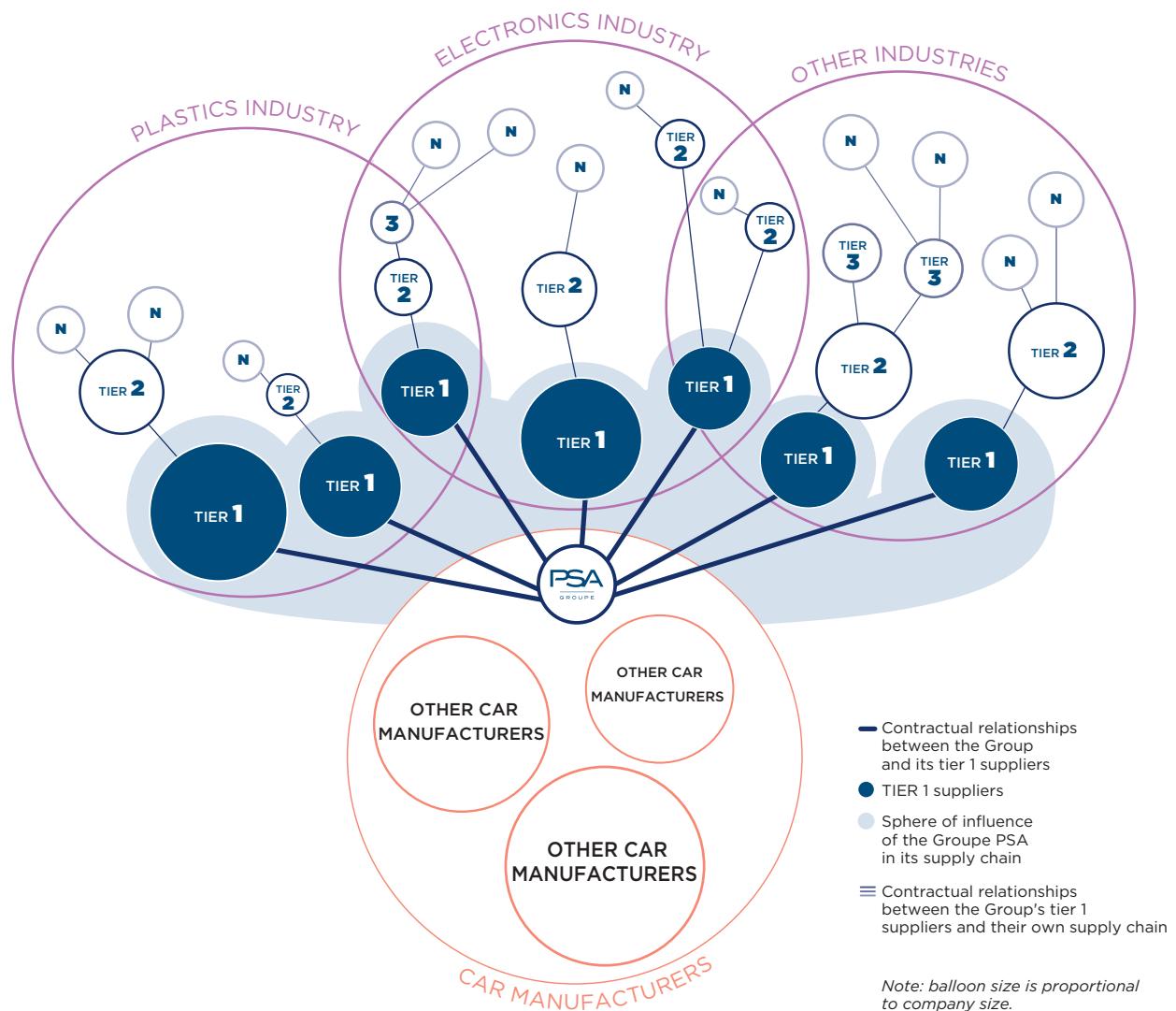
**Responsibility for managing the supply chain lies with each actor in the chain. However, given the emerging CSR issues (on the origin of raw materials, human rights, etc.), the Groupe PSA conducts targeted audits where risks are identified. The Group is vigilant and implements tailored measures within its sphere of influence.**

4.1. Suppliers: major links in the value creation chain

## SPHERE OF INFLUENCE OF THE GROUPE PSA IN ITS SUPPLY CHAIN

In 2016, Groupe PSA was the 11<sup>th</sup> largest global car manufacturer by revenue. It works both with major automotive equipment manufacturers 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 very often work either with other car manufacturers, or with other major economic actors in other key sectors such as electronics, plastics and casting.



## 4.1.1. The Group's supply chain

DPEF35 G4-12 G4-13

### CHARACTERISTICS OF THE GROUPE PSA'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 FIGURES



4

### TYPE OF PURCHASES

The Group's purchases include:

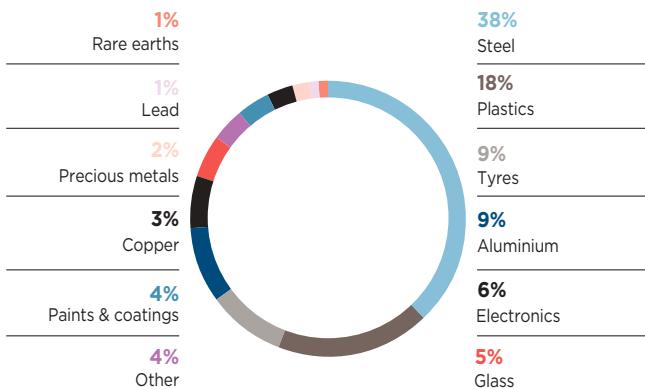
- Direct parts (72% of the total value of purchases), of which:
  - Vehicle direct parts and subassemblies (of which 22% corresponds to materials included in the price of parts).
  - Raw material purchases (15% of the total value of purchases);
- The direct parts purchased represent more than 75% of a vehicle's production cost;
- Spare parts and accessories (5% 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).

**MORE THAN 75%**  
OF A VEHICLE'S PRODUCTION COST  
= VALUE OF DIRECT PARTS PURCHASED

KEY FIGURES

PRESS RESOURCES

### DISTRIBUTION OF THE VALUE OF TOTAL PURCHASES BY MATERIAL PURCHASED



Article "The development of the electricity market could create tensions in the rare earths market" (interview with Louis David, materials expert master of Groupe PSA, on 07/12/16): <http://www.ccfa.fr/Le-developpement-du-Market-de-l-163491>  
 Document "Mineral resources for the transition to low carbon energy": [http://www.mineralinfo.fr/Plant/default/files/upload/comes012017\\_reduite.pdf](http://www.mineralinfo.fr/Plant/default/files/upload/comes012017_reduite.pdf)  
 02/10/2017 COMES seminar on the metals of the energy transition: <http://www.mineralinfo.fr/actualites/seminaire-comes-metaux-transition-energetique>

4.1. Suppliers: major links in the value creation chain

## WORLDWIDE PURCHASES BY MANUFACTURING REGION IN 2017

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

Purchases by the Group's Automotive Divisions in 2017 totalled €28 billion, equivalent to 43% of the Group's revenue. As at 1<sup>st</sup> January 2018, purchases of direct automotive parts worldwide came from 806 supplier groups and 180 independent suppliers, i.e. 2,494 supplier production plants.

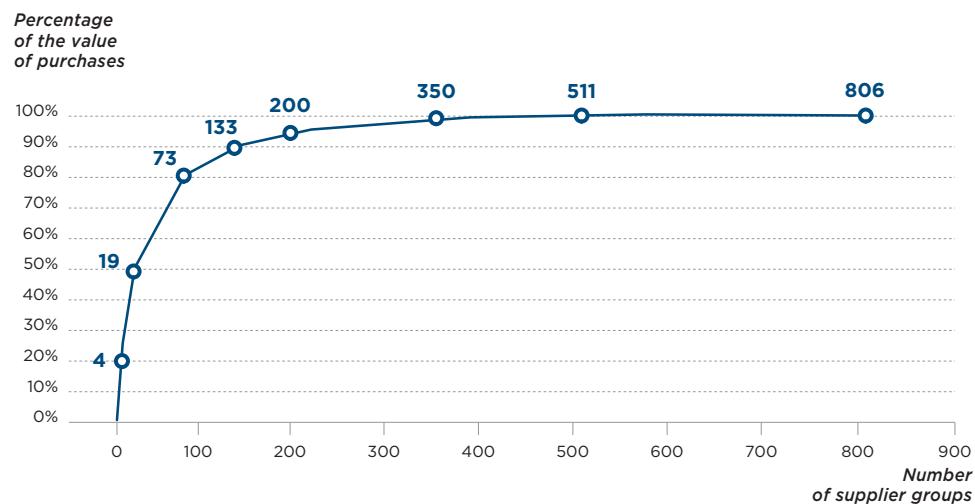
### GROUPE PSA SUPPLIERS

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 8,000 suppliers, helping to create value in 13 areas, including:

- innovation;
- optimisation of industrial capacity;
- optimisation of processes and development costs 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 graph above shows, for example, that 80% of purchases are made with only 73 supplier groups, out of the 806 listed for direct and spare parts.

KEY FIGURES

**90%**  
OF PURCHASES OF DIRECT MATERIAL AND SPARE PARTS ARE MADE WITH 133 SUPPLIER GROUPS,  
REPRESENTING 16% OF THE REFERENCED SUPPLIER GROUPS

In 2017, 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, Robert Bosch GmbH, Total SA, Valeo, Mahle Stiftung Gmbh, Zepplin-Stiftung and Benteler International AG).

## 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 Groupe PSA anywhere in the world	Key supplier in one or more regions	N/A
<b>Technical expertise</b>	Technical expertise in several product groups identified as strategic for the Groupe PSA	Supplier committed to the automotive industry for the long term (significant investment in resources and R&D) across its entire scope	N/A
<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 Groupe PSA	Close relationship with a group of components that the supplier develops and produces for the Group	N/A
<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 Groupe PSA	Recognised technical expertise managed and developed by the Groupe PSA to meet expected the quality standards	N/A
<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 Corporate Business Reviews (CBRs)	Managed as part of Executive Business Reviews (EBRs)	Coordinated via Performance Reviews
<b>Number</b>	17	50	+8,000

In 2017, strategic and core suppliers of direct parts together accounted for almost 58% of purchases. Corporate Business Reviews (CBRs) and Executive Business Reviews (EBRs) for key suppliers are aimed at sharing and aligning the strategies of the

Groupe PSA relies on individual supplier relationships to improve performance (see § 4.2.2.3). It has put in place a supplier classification which separates the strategic and core suppliers from the other suppliers for a given product group.

**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). 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 were 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 work together more effectively to anticipate data analysis risks caused by industrial processes?
- The topic: “How can we improve our innovation agility?” prompted a both-parties: the supplier and Groupe PSA to drive innovation for targeted projects.

**CSR within the French automotive industry**

The Groupe PSA 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). In 2016, this charter was based around six main CSR components, which are: human rights, labour rights, social responsibility, the 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/>

## 4.1.2. Purchasing and Group strategy

### 4.1.2.1. THE KEY ROLE OF PROCUREMENT IN THE RESULTS OF THE PUSH TO PASS STRATEGIC PLAN

The Push to Pass Plan is based on five pillars. Together with its suppliers, the Purchasing Department has implemented specific measures in order to make a proactive contribution to the plan.

Pillars of the “Push to Pass” plan	Supplier actions	Results
<b>Prioritising quality</b>	› Support the launch of best-in-class products	› Quality indicator after three months on the road up 7% on 2017
<b>A product strategy and targeted technology</b>	› Offer groundbreaking innovations to enable the Group to meet its goals related to: environmental performance, quality, connectivity and weight reduction › Offer on-board systems that tie in with the Group's roadmap for autonomous vehicles	› PEUGEOT 3008 Car of the Year 2017 › 1.2 litre 3-cylinder Turbo PureTech engine voted Engine of the Year for the 3rd year running › Cooperation contract entered into with Nidec to design and produce electric engines › Launch of the AVA (Autonomous Vehicle for All) programme
<b>Strong brands</b>	› Develop plug-in hybrid and electric vehicles with low CO <sub>2</sub> emissions	› Plug-in and rechargeable hybrid and electric vehicles to be put on the market in 2019 › Cooperation between Groupe PSA and Nidec on electric vehicles
<b>Operational efficiency</b>	› Offer the Group local production at competitive prices in order to reduce CO <sub>2</sub> emissions › Adjust production in line with the success of new product launches	› Saving of €1.16 per vehicle by sourcing the production of M59 instrument panels in Argentina › Saving of €0.11 per vehicle by sourcing window-lift motors in Brazil
<b>New frontiers</b>	› Support the Group's product launches worldwide by forming supplier clusters › Support the Group in each of its six regions by campaigning for human rights among local suppliers	› 13 suppliers have recently moved to Kenitra in Morocco to join the Groupe PSA cluster



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). This cross-cutting approach involves the active participation of employees and suppliers and aims to reduce waste throughout the entire value chain. By deploying 50 coordinators worldwide and with contributions from more than 100 suppliers, a gain of €178 million was achieved in 2017.

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 increased the rate of achievement of economically significant ideas by strategic suppliers by 78% in 2017. Overall, the efforts made by the Group and its suppliers helped to reduce the average vehicle production cost by €109 in 2017.

#### 4.1.2.2. LOCAL SOURCING: A KEY ELEMENT OF THE GROUPE PSA'S PROCUREMENT POLICY

DPEF.30 DPEF.34 G4-13 G4-EC7 G4-EC9

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 plants 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;  
 ■ Strengthen the Group's due diligence processes due to operational proximity with its partners.



The Group is focusing on growth in Latin America and Russia with a target of 80% local sourcing in Latin America and 70% in Russia by 2035.

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.

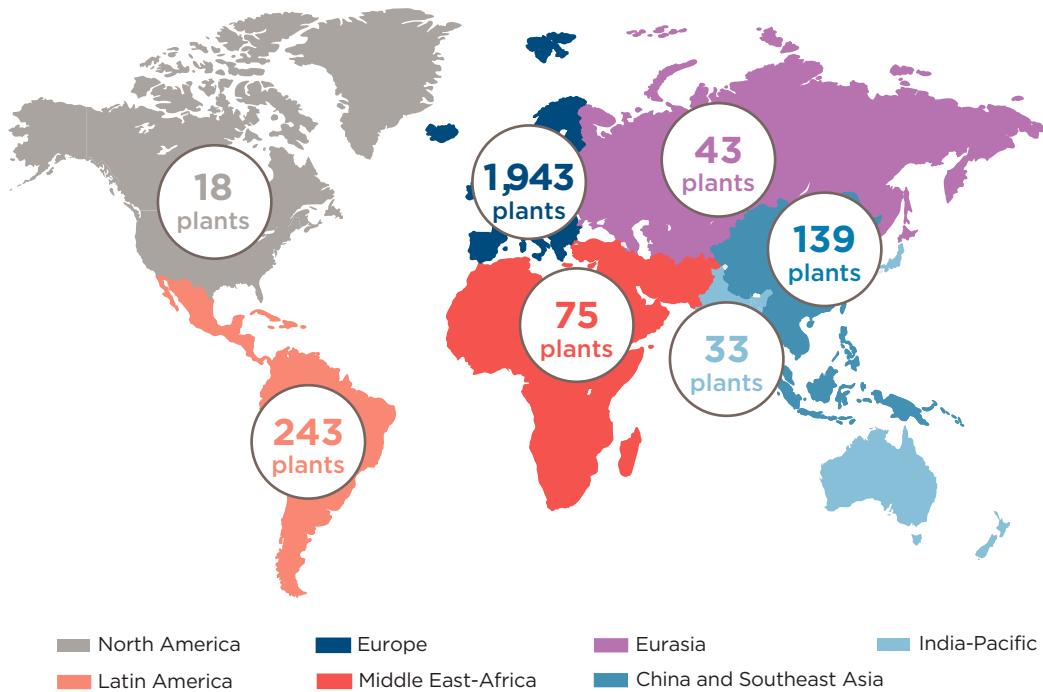
Local purchases boost the region's operating results by limiting the exchange-rate effect on imports, as well as saving on logistics costs, customs duties, etc. They also allow the Group to establish Russian manufacturing facilities, which can be used for future projects in the Eurasian region.

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 Groupe PSA production plant in Palomar, Argentina.

4.1. Suppliers: major links in the value creation chain

### MAP OF PRODUCTION PLANTS OF TIER-1 DIRECT MATERIAL SUPPLIERS



### ORIGIN OF PARTS (DIRECT MATERIAL AND SPARE PARTS) PURCHASED FROM TIER-1 SUPPLIERS BY GROUPE PSA PRODUCTION PLANT (AS A PERCENTAGE OF THE VALUE OF PURCHASES)

2017

Origin of the parts (tier 1 suppliers)	Groupe PSA plants				
	Europe	France	Rest of Europe	Eurasia	Latin America
Europe	<b>90.14%</b>	89.27%	92.25%	3.17%	19.50%
Of which France	<b>49.18%</b>		17.30%		
Of which outside France		40.10%	<b>74.95%</b>		
Eurasie	0.11%	0.15%	0.01%	<b>31.40%</b>	0.05%
Latin America	0.20%	0.25%	0.10%	0.25%	<b>59.29%</b>
Rest of the world	9.55%	10.33%	7.65%	65.18%	7.57%

The local sourcing rate corresponds to the value of a region's purchases from production plants 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 Groupe PSA 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 plants, 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.

KEY FIGURES

**90.14%**

OF THE DIRECT MATERIAL PARTS USED IN THE GROUP'S EUROPEAN PLANTS ARE SOURCED IN EUROPE

## In Europe

- 89% of the direct material 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 57% 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 trade balance, with an import/export surplus of 397,000 vehicles, up 21% on 2016 and a trade surplus of €5.54 billion in 2017, up 15% on 2016.

With over 1,138,000 vehicles produced in France in 2017, the Group is on track to fulfil the commitment it made as part of the "New Momentum for Growth" agreement in July 2016 to produce an average of 1 million vehicles in France over the next three years.

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.

The "Origine France Garantie" (Made in France) label provides a guarantee to 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.

### At year end 2017, 15 Group vehicles are currently certified:

- the PEUGEOT 508, new PEUGEOT 5008 and CITROËN E-MEHARI, produced in Rennes (35);
- the PEUGEOT 208 GTI and DS 3, produced in Poissy (78);
- the PEUGEOT 2008, CITROËN C4 and DS 4, produced in Mulhouse (68);
- the PEUGEOT 308, PEUGEOT 3008 and DS 5, produced in Sochaux (25);
- the PEUGEOT Expert and Traveller and the CITROËN Jumpy and SpaceTourer, produced in Sevelhord (59).

## In Russia

Given the economic environment, launches have been delayed. The latest vehicles launched in early 2018 achieved a local integration rate of 40%.

## In Latin America

- In Porto Real (Brazil), 76% of parts are purchased in Latin America and 75% are purchased in Brazil;
- In Buenos Aires in Argentina, the local sourcing rate (source Latin America) is approximately 65% for sourcing in Latin America and 48% for sourcing in Argentina.

The Group's development plan sets targets for the expansion of local sourcing beyond tier 1 suppliers.

## In Morocco

The Groupe PSA is building an engine and vehicle assembly plant in Kenitra (near Rabat) in Morocco. The production plant will cover a total area of 100 hectares, with 60 hectares for the Groupe PSA and around 40 hectares for suppliers. Work on the plant is set to finish in 2019, and over time the plant will produce 200,000 vehicles. The local sourcing rate is initially estimated at 60%, but will eventually rise to 80%. One of the major challenges concerns tier 2 and 3 suppliers, which are not yet widely established in Morocco.

## In Algeria

Groupe PSA plans to invest €100 million to build an assembly plant which will be operational in 2019, and which will have an initial annual capacity of 25,000 units, subsequently increasing to between 75,000 and 100,000 units per year. Its objective is to eventually achieve a sourcing rate of 40% in order to set up a proper local system, which grows local industry by offering incentives to French subcontractors to enter into partnerships in Algeria.

## TWO EXAMPLES OF STRONG COMMITMENT: THE FRENCH AUTOMOTIVE INDUSTRY AND SUPPLIER CLUSTERS

### The French automotive industry

Groupe PSA has steadily stepped up its commitment to the French automotive industry since it took part in the États Généraux de l'Automobile symposium in 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. In 2017, Groupe PSA met 96% of its payment deadlines;
- 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 are involved in the work and governance of the PFA, France's regional automotive industry associations (ARIAS) or competitiveness clusters. In 2015, the Purchasing Department boosted this system by introducing DAPIs (industrial purchasing representatives) for each industrial cluster in Europe). 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 plant excellence criteria of the Groupe PSA, one aspect of which is basing some suppliers within its plants.

One example is the work carried out in the stamping sector: a thorough review has been carried out of the stakeholders involved and capacity requirements over the coming years. Suitable consolidation proposals have been put forward and are currently undergoing research:

- Groupe PSA supports the work of the French government's automotive industry support platform (PFA) (national survey and working groups) on the quality of customer-supplier relations in the French automotive industry;
- 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 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). In 2017, a working group was set up to work on securing and safeguarding the raw materials supply chain.

4.1. Suppliers: major links in the value creation chain

## Supplier Clusters

### Cluster of automotive companies in Galicia, Spain (CEAGA)

The Groupe PSA's plant in Vigo is the second largest plant in Spain in terms of volume, and is a key participant in the Galicia cluster of automotive companies (CEAGA). In 2016, this cluster comprised 114 automotive component companies and created 14,150 direct jobs, with an average of 12,749 training hours per year. In 2016, vehicle production in Galicia accounted for approximately 15% of Spanish production. Revenue from the Galician automotive industry reached €8,320 million in 2016, a 1.6% increase on the previous year. At 31 December 2016, the sector accounted for 19,850 jobs (4% more than the end of the previous year). Companies in the sector invested €237 million in 2016 to adapt to new changes required by this cutting-edge industry. The sector has invested nearly €400 million over the past two years.

The Group has entered into a number of agreements with education and training centres and the Xunta de Galicia Ministry for Education, to help to develop academic programmes, training courses and even to organise plant visits for students. More than 2,300 students visited the Vigo centre between 2013 and 2016.



CEAGA (Cluster of Galician automotive companies)  
website: <http://www.ceaga.com/index.asp>

### The automotive cluster in Sul-Fluminense, Rio de Janeiro

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 equipment 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 Groupe PSA, 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.

### Extended plant in Argentina

The Palomar plant in Argentina is rolling out an "Extended plant" project to bring suppliers into the production line, whereby 2,300 m<sup>2</sup> of space has been made available to suppliers. This covers three projects launched to ensure that brake tubes, fuel hoses and tanks can be sourced internally from suppliers.

### Growth of Morocco's industrial network

Construction works on the Kenitra plant in Morocco have been entrusted to a Moroccan company. 1,500 operators and 100 companies have been involved in the works. The Group has set itself the target of achieving 60% local sourcing (vehicle and engine components) as soon as the first vehicle is produced, with a long-term goal of 80%. To achieve this goal, the Group will rely on existing Moroccan suppliers and actively develop the local industry to secure additional suppliers (tier 1 as well as tiers 2 and 3). The future plant will have an initial capacity of 90,000 vehicles per year and will create approximately 4,500 direct jobs and 20,000 indirect jobs (for equipment manufacturers in particular). Groupe PSA will be seeking 1,600 technicians and senior engineers from 2017 to 2019, as well as production operators, training officers and team leaders.



Article "ANAPPEC assists Groupe PSA in the recruitment of 1,600 profiles between 2017 and 2019" LesEco.ma of 09/18/2017: <http://www.leseco.ma/maroc/60020-l-anappec-assiste-psa-dans-le-recrutement-de-1600-profils-entre-2017-et-2019.html>

### 4.1.2.3. 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 Groupe PSA/supplier responsibilities;
- transparency and a duty of notification;
- provision for achievement of contractual obligations;
- application of Sustainable Development Objectives.

The Purchasing Department defines its strategy on the basis of technical and industrial 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.

## A partnership that promotes sustainable performance: supplier awards

The "Supplier Awards" are an opportunity to reaffirm the strategic importance of the supplier relationship as a fundamental driver in achieving Groupe PSA's strategic plan for profitable growth (Push to Pass) and developing differentiating technological innovations in response to the challenges of global competitiveness.

In 2017, the Purchasing Department rewarded the best suppliers in a number of categories:

- **pValue creation**: this category rewards suppliers for their ability to propose disruptive technical solutions, new value-added services, and innovations that meet customers' expectations;
- **pProgramme 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;
- **pAfter-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;
- **pTechnical 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;
- **pPerformance of industrial equipment and services**: this category rewards suppliers for their service performance, quality and responsiveness in terms of service provision and industrial equipment, helping to meet environmental commitments;
- **pCorporate Social Responsibility**: this category rewards outstanding suppliers according to four criteria (environmental, social and ethical performance, and handling subcontractors.). Performance is assessed by Groupe PSA's chosen service provider 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 2017, 11 suppliers were rewarded for their commitment and the quality of their response to the Group's expectations. The event is also an opportunity to award the "best supplier plants" prize, which recognises the performance of 79 industrial sites (5% of the Group's supplier base) for their industrial excellence and meeting the Group's quality requirements.



"Groupe PSA 2017 Supplier Awards": Excellence rewarded" 05/24/24 Press release: <http://media.groupe-psa.com/en/groupe-psas-2017-supplier-awards-excellence-rewarded>

4

## 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. Areas for improvement are identified by analysing supplier responses, providing a basis for action plans and changes to the Group's practices. (see § 4.1.1. on Supplier Think Tank).



### Supplier mediation

In the context of the CCFA and PFA, the Automotive Sector Mediation Centre was set up in October 2014. This independent entity provides support to automotive companies for amicable dispute resolution (in disputes relating to the business relationship between customer and supplier). The main complaints relate to payment terms or dependence between companies. There were no referrals in 2017 for Groupe PSA.

The Groupe PSA believes that there can be no performance without responsibility. Therefore, Groupe PSA, which is a signatory of the Global Compact, has also set out its procurement policy in compliance with International Labour Organization (ILO) rules (human rights such as child labour and forced labour), health and safety standards, standards relating to environmental practices (ISO 14001) and the most stringent standards for use and disposal of substances (e.g. REACH regulations) as well as the supply of specific materials such as conflict minerals which also require particular attention. This policy is publicly available on the Group's website.



The responsible purchasing policy is available on the Group's website: <https://www.groupe-psa.com/en/automotive-group/responsibility/societal-commitment/>

**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 Groupe PSA follows the due diligence approach advocated by the OECD.

### 4.2.1. The Groupe PSA procurement policy: performance and responsibility

In line with the missions and objectives of the Groupe PSA, the Purchasing Department defines and manages the procurement policy for goods and services worldwide as part of the Groupe PSA's Automotive Division. It acts as the interface between the Groupe PSA and its suppliers.

As such, in conjunction with the other departments concerned, the Purchasing Department is responsible for:

- **p**involving suppliers in the design of products and manufacturing facilities;
- **p**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:

- **p**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;
- **p**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;

- **p**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;
- **p**ensure that the Groupe PSA 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;
- **p**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;
- **p**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 Groupe PSA;
- **p**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: centrally, in its international sites and within its various local offices.

#### 4.2.1.1. PROCUREMENT POLICY SOCIAL, ETHICAL AND ENVIRONMENTAL STANDARDS

DPEF.34	DPEF.35	G4-DMA	G4-EN17
G4-EN32	G4-EN33	G4-LA14	G4-LA15
G4-HR10	G4-HR11	G4-SO9	
G4-SO10	SASB13		

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 in 2003 the Group promised to adhere to and promote to its suppliers the ten principles based on the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the 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 Groupe PSA policy on human rights is based on the recommendations of the OECD.

**1. A public commitment to human rights:** each year, Groupe PSA renews its commitment to the Global Compact. It has recently signed a new version of its Global Framework Agreement with the relevant stakeholders, and requests that its suppliers also meet this commitment through its "responsible purchasing policy". This commitment is incorporated in operational terms into the procurement process. Human rights compliance is an overriding criterion, both when selecting new suppliers and deciding whether to keep suppliers already listed in the supplier base.

**2. Risk mapping for human rights infringements:** the Group has set up a risk mapping process for each procurement category, using the EcoVadis Rating Framework methodology as explained in § 4.2.2.1. This mapping process enables procurement teams to focus their due diligence on purchases identified as being potentially high-risk.

**3. Preventive measures to address identified risks:** each new supplier must systematically comply with the following criteria in order to be listed in the supplier base: environmental, employment practices, human rights (non-discrimination, freedom of association and right to collective bargaining, abolition of child labour, abolition of forced or compulsory labour, safety practices and anti-corruption). 100% of new suppliers are assessed by a third party before they are admitted to the panel. The Groupe PSA 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 Groupe PSA'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. In 2017, 63% of suppliers had specific measures in place to combat forced labour and child labour.

**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. For example, in 2016 and 2017, following reports by stakeholders, Groupe PSA implemented a special process to identify any suppliers extracting raw materials such as Mica and Cobalt, and to ensure that these materials are responsibly supplied.

**5. Action plan monitoring:** any supplier involved or potentially involved of human rights breaches must prove that the corrective measures agreed with Groupe PSA 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 of measures put in place:** each year, an overview is provided to the employee representatives according to the commitments set out in 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.



The Conflict Minerals Policy Charter is available 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 2017

Number of supplier groups unaware of whether they use these minerals	38
Number of supplier groups declaring that they use these minerals	218
Of which: number of supplier groups having a policy for these minerals	89
Of which: number of supplier groups having taken corrective measures to manage risks on these minerals	140
Of which: number of supplier groups having disclosed the results of their policy for these minerals	81

## 4.2. Suppliers: key players in the chain of responsibility

## Suppliers make a significant contribution to the Group's environmental targets

Most of the Group's suppliers form part of industries which face the same environmental issues as it does, such as reducing their carbon footprint and water consumption, managing their industrial waste, improving waste recycling and protecting biodiversity. The Groupe PSA 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). Furthermore, suppliers also have a key role to play in the Group's commitments on reducing hazardous substances, in two main areas: firstly, the elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium), and secondly, compliance with REACH regulations based on the recommendations issued by ACEA, of which the Group has been a member (see Chapter 2);

- Regarding CO<sub>2</sub> emissions linked to the Group's purchases (scope 3) from its suppliers, the Purchasing Department encourages suppliers to draw up an emissions reduction plan. In 2017, 73% of the Group's suppliers set up a reporting process for energy consumption or greenhouse gas emissions. 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 (see § 5.2.5). 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> )	2016
Production of parts	4,452

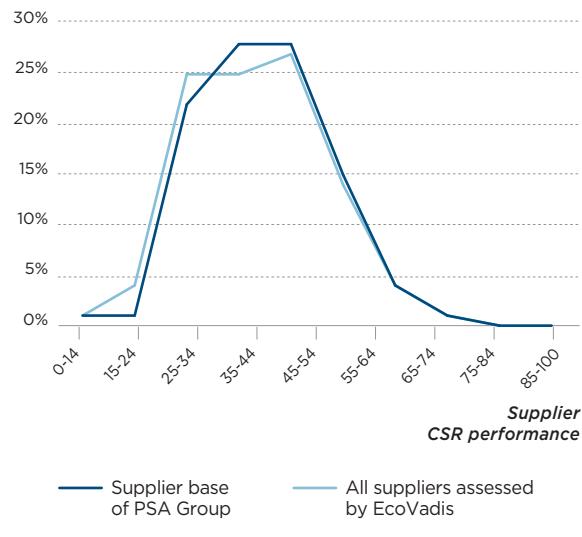
These CO<sub>2</sub> emissions correspond to 47% of the purchases made in 2016.

## A supplier selection method designed to improve CSR performance

The Group's suppliers outperformed other suppliers assessed by EcoVadis, with average scores of 48.2 and 43.1 respectively.

### CSR PERFORMANCE: SCORES OF GROUPE PSA SUPPLIERS COMPARED WITH THE SCORES OF ALL SUPPLIERS ASSESSED BY ECOVADIS IN 2017

*Supplier Distribution*



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. GROUPE PSA'S STRONG COMMITMENT TO THE ADAPTED SECTOR

DPEF.33 G4-EC9

For over 20 years, the Group has been sourcing direct parts (e.g.: instrument panels, interior trim, pedals etc.) from the adapted and sheltered sector. Subcontracting to this sector is one aspect of the Group's agreement for the social and occupational inclusion of people with disabilities. The 6<sup>th</sup> agreement was signed on 21 February 2017.

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 Groupe PSA 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. A decision has also been made to bring workers with disabilities from the Bretagne Ateliers supplier to work in the Rennes plant in 2018, in order to carry out all assembly tasks which were previously completed off-site.

Key figures:

- The services bought from the adapted and sheltered sector have generated €45.4 million in added value for these companies;
- The Group works with:
  - 6 major French 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, together with Spanish association ILUNION;
  - 2,329 units covered (full-time equivalent for ESAT or EA workers with disabilities), including 2,306 units covered in the industrial sector, with a 3.95-point disabled employment rate for Groupe PSA 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 2017. This has been accomplished as a result of the strategy adopted by the Group, which decided over ten years ago

## 4.2.2. Exercising due diligence



RELATIONS WITH STAKEHOLDERS

In addition to applying its social policy to all entities and employees, Groupe PSA also applies due diligence to ensure that its social demands are met by its suppliers. The system put in place by the Purchasing Department to ensure that suppliers fulfil social and environmental commitments has been boosted to form a robust due diligence plan. The plan identifies, prevents and mitigates the risks of non-compliance and any failure to comply with basic human rights. The plan also provides the option to perform on-site audits.

Groupe PSA's Global Works Council meeting was held in Paris in June 2017 to carry out an annual review of how the Global Framework Agreement is applied to the Group's social responsibility processes. During this Works Council, the Audit Development Manager from firm SGS was asked to present the audits that the Group had commissioned, and the audit methodology used.

The Groupe PSA follows the OECD Due Diligence Guidance for its supply chain. In accordance with Act no. 2017-399 of 27 March 2017 on the duty of care of parent companies and instructing companies, the due diligence plan introduced by this chapter comprises reasonable due diligence measures to identify risks and prevent serious infringements of human rights and fundamental freedoms, and personal and environmental health and safety, arising from the activities of subcontractors or suppliers with whom there is an established business relationship.

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

In 2017, on the basis of its experience in France, Groupe PSA extended its employment policy to the adapted and sheltered sector for direct material parts in Spain, by adding a new supplier, ILUNION, which represents 70 full-time-equivalent workers with disabilities.



GESAT network's website:  
<http://www.reseau-gesat.com/>

4

### 4.2.2.1. IDENTIFYING CSR RISKS

IN THE SUPPLY CHAIN DPEF.30 DPEF.31  
G4-EN33 G4-HR11 G4-LA15 G4-SO10

Groupe PSA uses risk analysis (mapping) to identify and prioritise actual or potential adverse impacts of suppliers' operations.

Where a risk is identified, the Groupe PSA 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 Groupe PSA 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.

#### Risk mapping

Groupe PSA has opted to identify risk by procurement commodity, for both direct and indirect purchases. The methodology used is built around the EcoVadis Rating Framework, and is based on:

- CSR risk profiles according to the international standard industrial classification (ISIC) developed by the United Nations (as a single reference guide in order to generate a cross-reference table with Groupe PSA procurement commodities);
- CSR risk profiles by country (according to the EcoVadis listing of more than 150 countries);

## 4.2. Suppliers: key players in the chain of responsibility

- p the database created by EcoVadis for supplier CSR performance assessments (over 40,000 suppliers assessed);
- p additional sources including information from unions, NGOs, the press or even data collection specialists (2,500 additional sources have been considered).

First of all, a CSR risk level is established for each procurement commodity. This risk level is then enhanced through data from supplier performance assessments carried out for the relevant procurement commodities, followed by risks inherent to the country in which the supplier is located. Procurement risks specific to each commodity are incorporated, such as expenditure volumes, exposure and the strategic importance of each commodity, with a view to refining the risk level obtained. All of these components combined enable the risks to be ranked over six levels, in order to create an action plan based on the highest-risk procurement commodities.

The mapping process was examined as part of a critical review, and approved internally by the Group Managing Board.

### The risk detection process and impact analysis

As a result of the several crises the automotive industry which occurred 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 660 different commodities to which the Purchasing Department applies a multi-criteria risk analysis (quality, logistics, financial, CSR, etc.) to define a "technical and industrial purchasing policy" for each product group. The policy is drawn up by the buyers in collaboration with experts from other divisions of the Group, including financial analysts, logistics experts, quality experts and engineers.

### 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. There are 3 categories of high-risk suppliers:

- p suppliers who are the only source of a product or component;
- p suppliers for whom Group purchases represent over 30% of their annual revenue;
- p 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 Groupe PSA has identified four types of potential negative impacts that could occur:

- p **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.
- p **Focus on industrial supplier risks:** Groupe PSA has implemented a special industrial risks prevention mechanism based on feedback from past crises (including the Ibaraki (Japan) earthquake in 2016). This mechanism enables the buyer

to quickly identify the Group's exposure to the risks linked to each supplier production plant, using a matrix which takes into account criteria such as: geographical location (risk of natural disaster), the Group's share in the plant's production, how specific the technology used by the supplier is, how many of the Group's vehicles are affected by production at this plant, etc. This assessment method is used systematically to prepare technical and industrial procurement policies for each product group and each call for tenders. The result is taken into consideration when selecting suppliers.

■ p **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);

■ p **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.

■ p **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.



Groupe PSA's policy on the fight against forced or compulsory labour practices and modern slavery is available on its website: <https://www.groupe-psa.com/en/automotive-group/responsibility/societal-commitment/>

■ p **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;

■ **p****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).

■ **p****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 plants. Each supplier plant has a single point of contact from 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.

■ **p**The SQM is based on compliance with the following fundamental principles: customer satisfaction and safety, goal achievement planning, compliance of all goods delivered, transparency, duty of notification and responsiveness.

■ **p**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 6.5% of Groupe PSA's global supplier base.

■ **p****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 stakeholders whose responsibility weighs heavily on the subcontracting chain, in terms of technologies (investments in R&D and training), production capacities (meeting the needs of several competing car manufacturers), confidentiality, societal issues (acceptability for countries in which the Group operates and CSR impacts), etc. In view of this risk, the Group has implemented operating procedures with these global players that ensure a quality long-term relationship, and involve said suppliers in the risk management process (including CSR risks) across the subcontracting chain. Worldwide, 19 supplier groups represent 51% of the value of Group purchases (excluding joint ventures).

■ **p****Focus on the risk of financial sustainability of suppliers:** the Group has implemented a systematic tracking system. 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 2017, the curative or preventive monitoring of suppliers with a high risk of failure based on financial criteria covered 45 companies representing approximately 7.7% of the purchasing costs;

■ **p****social damage in areas where suppliers have production plants,** 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).

■ **p****Focus on country risk:** The country risk is fully integrated into the process of listing suppliers on multiple levels. During calls for tender, suppliers are assessed based on their financial sustainability. This listing is completed with the help of a specialist third party, and takes into account the country risk. Similarly, suppliers are assessed based on their social, environmental and ethical performance, and their ability to manage their supply chain. Yet again the supplier's host country is taken into account.

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 4.2.2.3.

#### 4.2.2.2. ASSESSMENT OF SUPPLIERS' CSR PERFORMANCE

G4-DMA	G4-EN32	G4-EN33	G4-LA14	G4-LA15
G4-HR4	G4-HR5	G4-HR6	G4-HR10	G4-HR11
G4-SO4	G4-SO9	G4-SO10		

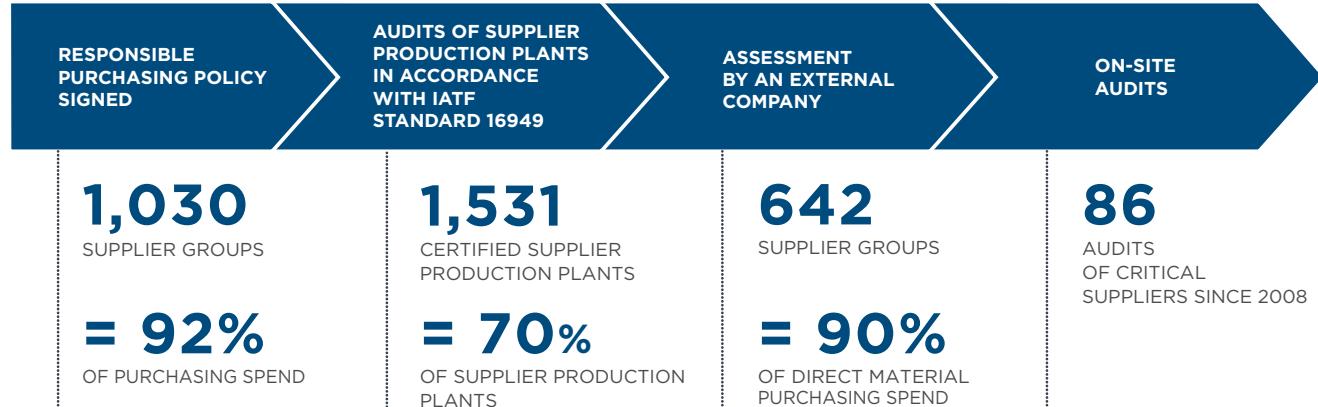
For the Groupe PSA, assessing the CSR performance of suppliers is a key factor in the supplier selection process. For example, 94% of suppliers were selected in 2017 on the basis of their CSR rating.



**94%**  
OF PARTS SUPPLIERS  
SELECTED ON THE BASIS OF CSR CRITERIA  
IN 2017

In 2017, self-assessment questionnaires for supplier production plants were replaced by audits performed on the basis of IATF standard 16949. The CSR rating is based on the following components:

#### SUPPLIER CSR ASSESSMENT SYSTEM



#### Signature of the responsible purchasing policy

In 2017, the "Social and Environmental Guidelines for Groupe PSA Suppliers" were reviewed and renamed as the "responsible purchasing policy". The principles of the Group's CSR policy are listed in this document, which stipulates the commitments which suppliers working with Groupe PSA must adhere to.

The Purchasing Department has responsibility for this document which requires:

- pcompliance with law;
- ppromotion of and compliance with internationally-accepted human rights;
- pfreedom of association and the effective recognition of the right to collective bargaining;
- pelimination of any forms of forced or compulsory labour;
- peffective fight against child labour;
- pelimination of discrimination in terms of hiring and occupation;
- panti-corruption measures and the prevention of conflicts of interest;
- pcompliance with the legal minimum wage;
- pworking hours not exceeding those set out in national legislation or collective bargaining agreements;
- pcompliance with health and safety at work;
- pimplementation of an Environmental Management System (ISO 14001 Certification);
- pdiscontinued use of prohibited substances and materials;
- psuppliers to obtain CSR commitment from their own suppliers.

The following points were added in 2017:

- pcombating the use of minerals originating from areas of conflict;
- pstorage and use of personal data;
- pimplementation of an environmental policy for research on green or recycled materials and the reduction of CO<sub>2</sub> emissions;
- pprotection of animal welfare.

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 2017, 1,030 suppliers had committed, equating to 92% of purchases.

78% of the revenue generated by Mister Auto (equivalent to 0.35% of the annual value of Groupe PSA purchases) consists of parts purchased from major equipment manufacturers who have signed the "responsible purchasing policy" 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.

#### Audits of production plants in accordance with IATF standard 16949

Groupe PSA demands that its suppliers and their production plants are IATF 16949-certified. In October 2017, this new reference guide replaced the ISO TS 16949 standard previously required by Groupe PSA. This new IATF standard meets the growing expectations of markets and governments in relation to ethical business practices. It also incorporates changes and complexities specific to the automotive sector, such as requirements for onboard software, and strengthening product traceability in accordance with regulatory changes.

Groupe PSA has opted to set out specific requirements for this certification, including adherence to its 2017 responsible purchasing policy. (External) IATF certifying bodies carry out audits to ensure compliance with the specific requirements.

IATF 16949 certification is granted for three years, and the certifying body conducts an annual monitoring audit. The certificate will be suspended in the event of any core compliance failure, and additional audits will be carried out to lift these compliance failures. 70% of Groupe PSA supplier production plants are ISO/TS16949 or IATF16949-certified, while the other plants have a minimum of ISO 9001 certification.



IATF's website: <http://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/>

Specific requirements of Groupe PSA: [http://www.iatfglobaloversight.org/wp/wp-content/uploads/2016/12/PSA-Group-CSR-IATF16949\\_2017\\_02\\_15.pdf](http://www.iatfglobaloversight.org/wp/wp-content/uploads/2016/12/PSA-Group-CSR-IATF16949_2017_02_15.pdf)

## Assessment by an external company

To supplement the supplier assessment process and make it more robust, 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 2017, 642 supplier groups were assessed or 90% of the value of purchases of direct parts.

## 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 local auditors who speak the language of the audited site, are fully knowledgeable with the applicable local laws, regulations and practices applicable to the site must be carried out the audit.

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 if the action plan has been implemented.

Since 2008, 86 social and environmental audits have been performed at tier 1, 2 or 3 suppliers.

### 4.2.2.3. STEPS TAKEN TO PREVENT RISKS: GOVERNANCE OF THE SUPPLIER RELATIONSHIP G4-DMA

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 Groupe PSA'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, 495 people have been trained in Europe and 141 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.).

Buyers are offered e-learning in multiple languages on assessing suppliers' social, environmental and ethical performance and handling subcontractors.

## 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.
- In 2017, a workshop was held with EcoVadis to share good CSR practice with German suppliers. 165 buyers and suppliers took part in the event.



"EcoVadis' First ever CSR Day: Bringing Buyers and Suppliers together": <http://www.ecovadis.com/blog/ecovadis-first-ever-csr-day-bringing-buyers-suppliers-together/>

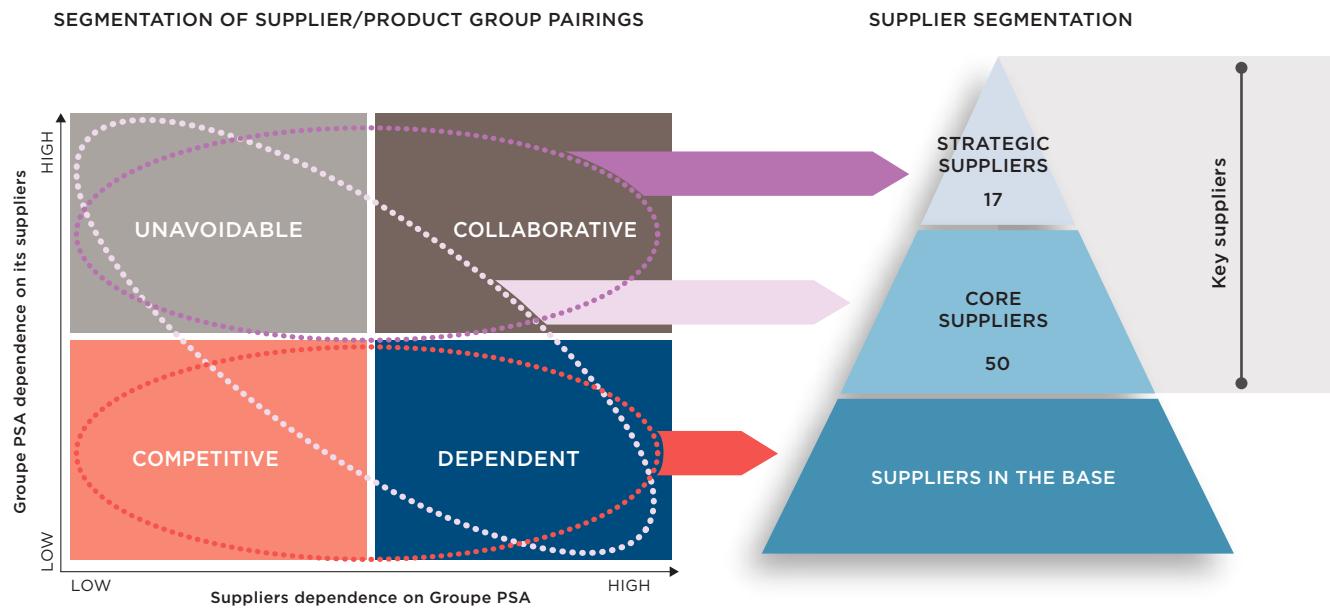
## The "Excellence in the Supplier Relationship Management (SRM)" approach through segmentation of the supplier base: Better governance at the right level

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 relationship: the Group relies heavily on the supplier for this product group;
- category B - Collaborative relationship: Groupe PSA and its supplier rely heavily on each other for this product group;
- category C - Dependent relationship: the supplier relies heavily 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.

## SEGMENTATION OF THE SUPPLIER PANEL



The aim of the SRM ("Supplier Relationship Management") initiative is:

- **p** 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.);
- **p** to 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:

- **p** Corporate Business Reviews (CBR) for strategic suppliers;
- **p** Executive Business Reviews (EBR) for core suppliers;
- **p** Performance Reviews for the other suppliers.

The CBRs and EBRs for key suppliers are aimed at sharing and aligning the strategies of the Groupe PSA and its key suppliers right to the upper echelons of the Company. They aim to identify value creation initiatives that are of mutual benefit.

## FURTHERING THE SUPPLIER RELATIONSHIP

## GOVERNANCE



#### 4.2.2.4. MONITORING SIGNS OF WEAKNESS TO ELIMINATE THE CAUSES OF RISK

G4-DMA

Several tools are in place to identify a potential risk:

- **the discovery report:** this is an internal tool used by Groupe PSA and available to anyone visiting a supplier production plant (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 plant. 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 6.1.3.1);
- **a global external online warning** system is being implemented and gradually rolled out to all countries. It is initially aimed at the Group's administrative employees, but may be opened up to external partners (including suppliers and NGOs) wishing to report infringements of laws or national conventions to Groupe PSA, in accordance with the relevant regulations and national requirements;

#### 4.2.2.5. MONITORING AND MEASUREMENT INITIATIVES IMPLEMENTED AND ASSESSMENT OF THEIR EFFECTIVENESS

G4-LA16 | G4-HR12

Internal control verifies the effectiveness of the measures implemented, as shown below.

##### Transparent communication on the results of due diligence

G4-EN33 | G4-LA15 | G4-HR11 | G4-SO10

##### RESULTS FROM 2017 ON IATF AUDITS OF SUPPLIER PRODUCTION PLANTS

2017 IATF audit of supplier production plants	Certified	Missing certificates*
Active supplier production plants	70%	30%

\* Missing certificates are those that cannot be found in the IATF database.

##### CSR PERFORMANCE OF GROUP SUPPLIERS ASSESSED BY AN EXTERNAL COMPANY (ECOVADIS)

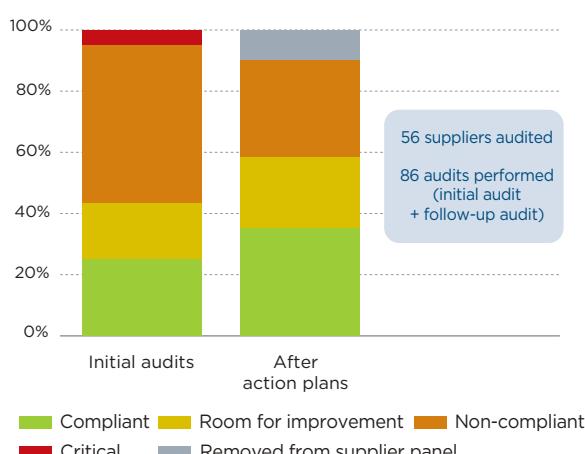
	Compliant	Minor non-compliances	Core non-compliances
Global CSR performance	61%	38%	1%
Environmental performance	70%	28%	2%
Social performance	58%	40%	2%
Ethical performance	44%	52%	4%
Subcontracting chain management	41%	52%	5%

## 4.2. Suppliers: key players in the chain of responsibility

## SUMMARY OF 2017 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	1	4	0	0	5
	Uphold freedom of association and the effective recognition of the right to collective bargaining	1	0	0	0	
	Elimination of any forms of forced or compulsory labour	0	0	0	0	
	Abolition of child labour	0	1	0	0	
	Elimination of discrimination in terms of employment and occupation	0	1	0	0	
	Anti-corruption measures and the prevention of conflicts of interests	0	4	0	0	
<b>Human rights</b>	Labour organisation and disciplinary practice	0	1	1	0	9
<b>Working conditions</b>	Remuneration	0	3	4	0	
	Working hours	0	2	11	3	23
	Organisation	1	3	0	0	
	Buildings	0	1	2	0	
	Fire Prevention	1	6	2	0	
	Machines/electrics	0	2	1	0	
	Hazardous substances	0	0	3	0	
<b>Workplace health and safety</b>	Canteen	0	0	0	0	
	Dormitories	0	0	0	0	22
	General organisation	0	0	0	0	
	Waste	0	0	0	0	
	Waste water	0	0	0	0	
	Air emissions	0	0	0	0	
	Soil	0	0	0	0	
<b>The environment</b>	Water and energy consumption	1	0	0	0	1
<b>Management system</b>	Supply chain	2	4	0	0	6
<b>TOTAL</b>		<b>7</b>	<b>32</b>	<b>24</b>	<b>3</b>	

## CHANGE IN CSR PERFORMANCE OF SUPPLIERS ASSESSED BETWEEN 2008 AND 2017



## 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 4.2.2.5).

A few examples of actions taken by suppliers following CSR audits carried out by the Group in 2017:

- **p**managerial restructuring to ensure that administrative employees have access to the safety equipment that they require for their role;

- **p**creation of a specific waste storage area with secondary containers for hazardous products;

- **p**implementing a tracking system for the social and environmental commitments of the supplier's subcontractors: formalising subcontractors' commitments by asking them to sign a policy and carrying out Internal Audits.

## Complaints made against the Group for CSR infringements and measures taken

- **p**Environmental impacts: no complaints were filed against the Group through official channels in the reporting period.

- **p**Impacts on employment: a dedicated team works alongside suppliers to develop alternative solutions to minimise impacts (see section 4.1.2.2 on the French automotive industry).

- **p**Human rights impacts: no complaints were filed against the Group through official channels in the reporting period.

- **p**Social impacts: no complaints were filed against the Group through official channels in the reporting period.

## 4.3. Reporting scope and methodology

G4-20 G4-22 G4-23

The Purchasing Department covers procurement for PSA Automobiles S.A. (which includes the Group's industrial and support activities) and on behalf of the central brand divisions. It is also responsible for the core purchases made by BANQUE PSA FINANCE (BPF).

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.

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.





# 5

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND LOGISTICS OPERATIONS

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The Groupe PSA has identified six material environmental issues concerning its manufacturing operations:

#### ■ **Issue “Energy/industrial carbon footprint” – Internal and external impacts**

Due to its energy consumption, the car manufacturing process generates greenhouse gases. Although the 550,000 tonnes released by the plants every year account for only 2% of the total carbon footprint for vehicles produced by Groupe PSA, it represents a challenge for each manufacturing plant. In accordance with the guidelines published as part of the COP 21 Paris Agreement, the Group's plants have committed to reducing their emissions by 2.1% every year.

This ambition, which relies on reduced energy consumption through controlled production processes, reduced surface areas through more compact workshops, and the use of carbon-free energy, will prevent the expected tax increases on fossil energies from adversely affecting operating costs. By 2050, all plants will be carbon-neutral, either by using renewable energies or by offsetting inevitable emissions.

These points are detailed in section 5.2 of this chapter.

#### ■ **Issue “Environmental performance in the supply chain: purchasing and logistics” – Internal and external impacts**

The environmental impact of transport is far-reaching, from localised pollution (sound, air pollution, etc.) to global warming. This impact accounts for 1.5% of the Group's CO<sub>2</sub> emissions. The challenge for car manufacturers is to optimise transport plans, the loads and volumes carried, and the use of multimodal transport, in order to reduce not only their cost and environmental impact, but also upstream and downstream delivery times, which is a decisive factor in customer satisfaction. Exposure to ecotaxes levied on transport, as well as fossil energy price fluctuations, are major factors for consideration.

The carbon impact of logistics is addressed in section 5.2.5 of this chapter. The environmental issues related to purchasing are discussed in Chapter 4.2.11.

#### ■ **Issue “Control of industrial discharges and nuisances” – Internal and external impacts**

Although none of the Group's sites is SEVESO-classified, the automotive production processes involve many substances and products that generate potentially pollutant emissions affecting air quality, natural environments <sup>(1)</sup> and the quality of life in the neighbourhood. Air emissions are the result of combustion products, which are limited through the exclusive use of gas for fuel and through volatile organic compounds (VOCs) in the painting workshops, which account for only 1% of VOC emissions in France.

The target for 2050 is “zero waste” for all manufacturing operations, with the roll-out of clean painting processes and/or the post-processing of residual emissions. Lastly, noise and odour levels are monitored to control pollution in local communities.

These points are detailed in section 5.3 of this chapter.

#### ■ **Issue “Optimisation of material cycles in industrial processes (including waste)” – Internal and external impacts**

Industrial efficiency can also be assessed based on the optimisation of materials used in processes and the recovery of waste produced. This is especially true given that waste management regulations are becoming more stringent in many countries where the Group has operations.

Today, 75% of the waste produced is 100% recycled metal waste. Other waste, which accounts for 120 kg/car, is recovered at a rate of 96%. The Group's ambition is to achieve 100% recovered waste in the medium term (2035) with positive economic performance (2050). This will be achieved through short circular economy cycles, a suitable definition of packaging (50% of waste from bodywork plants), and less diversity in the use of materials.

Furthermore, it will have a positive impact on a vehicle's production cost. 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.

These points are detailed in section 5.4 of this chapter.

#### ■ **Issue “Sustainable water management” – Internal and external impacts**

Water only became a major issue in recent years. Previously, the resource was inexpensive and available, and consumption amounted to about 4 m<sup>3</sup>/car. The prospect of the Group's establishment in more sensitive regions has changed this perception, and the consumption curve has begun to show a downward trend.

To anticipate conflicts of use in water stressed areas, which could have significant repercussions (adverse environmental effects due to reduced water availability, change in ecosystem functioning, change in relations with stakeholders due to economic and social impacts), and to comply with a developing regulatory framework, the Group is continuing its efforts in this direction through more thorough assessments of its energy-consuming activities, by establishing less water-dependent processes, and by considering the recycling of its industrial water to target zero water withdrawals by 2050, with the exception of evaporated water during the manufacturing process.

Lastly, discharges into water will not have any impact on the receiving environment. (The quantity and quality of water discharged by an organisation directly influences its ecological impact, since effluent discharges are laden with chemicals, and its immediate operating expenses.)

These points are detailed in section 5.5 of this chapter.

#### ■ **Issue “Biodiversity” – internal and external impacts**

The loss of biodiversity is becoming a major concern in civil society. The impact of the Group's manufacturing operations is relatively limited, due to the 3,700 ha covered by all its sites. Furthermore, the automotive industry does not depend on biodiversity for its manufacturing operations. However, it must work towards preserving the balance of ecosystems.

The understanding and protection of the existing biodiversity within the sites' locations is the first step towards including biodiversity in the Group's environmental priorities. These assessments will help us to determine lines of action for the years to come, over and above the Amazon carbon sink established by the Group several years ago.

These points are detailed in section 5.6 of this chapter.

Faced with these issues, the Groupe PSA has set up the following systems.

<sup>(1)</sup> In particular, sulphur oxides (SO<sub>x</sub>) and nitrous oxides (NO<sub>x</sub>), 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).

## COMMITMENTS SCOREBOARD

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS <sup>(1)</sup>	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018 <sup>(1)</sup>
<b>CLIMATE CHANGE</b> 	<b>ENERGY/INDUSTRIAL CARBON FOOTPRINT</b> Organiser: Industrial Director	<b>BY 2050</b> Guarantee the carbon neutrality of the Group's plants (zero CO <sub>2</sub> emissions) through: <ul style="list-style-type: none"> <li>■ the use of renewable energies mostly in self-energy supply;</li> <li>■ offsetting residual emissions (reselling the excess energy produced, developing forests, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>■ Energy consumption of 2.04 MWh, i.e. 270 kg CO<sub>2</sub> eq. emitted per vehicle produced, in line with the 2025 roadmap.</li> <li>■ Increasing the share of renewable energies in electricity consumption to 19%.</li> </ul>	<u>Target partially met:</u> <ul style="list-style-type: none"> <li>■ Energy consumption: 1.96 MWh, and 259 kg CO<sub>2</sub> eq. emitted per vehicle produced;</li> <li>■ Share of renewable energy in electricity consumption: 14.6%</li> </ul>	<ul style="list-style-type: none"> <li>■ Energy consumption of 2.14 MWh, i.e. 370 kg CO<sub>2</sub> eq. emitted per vehicle produced (of which PCD: 2 MWh, i.e. 263 kg CO<sub>2</sub> eq.)<sup>(2)</sup>.</li> <li>■ Increasing the share of renewable energies in electricity consumption to 22% (of which PCD: 19%)<sup>(2)</sup>.</li> </ul>
	<b>ENVIRONMENTAL PERFORMANCE IN THE SUPPLY CHAIN: PURCHASING AND LOGISTICS</b> Organisers: Industrial Director and Head of Purchasing	<b>BY 2035</b> <b>PURCHASING:</b> Systematically include suppliers in the drive to meet the Group's environmental objectives by selecting suppliers: <ul style="list-style-type: none"> <li>■ based on their compliance with the Group's environmental requirements (including the guarantee of compliance and transparency of their own supply chain), to achieve an average supplier score of 50/100 in terms of environmental considerations (EcoVadis assessment);</li> <li>■ for strategic and core suppliers (including logistics providers) <ul style="list-style-type: none"> <li>- based on their CO<sub>2</sub> trajectories in compliance with the Paris agreement (COP21),</li> <li>- based on their suggestions to help the Group meet its circular economy targets (green or replacement materials and recyclability).</li> </ul> </li> </ul> <b>LOGISTICS:</b> Reduce CO <sub>2</sub> emissions for each vehicle transported by 33% between 2016 and 2035 (i.e. -2.1% per year, in line with the Paris Agreement), primarily by limiting intercontinental flows through the regionalisation of the Group's activities and by optimising transport patterns (routes, transportation mode, filling rate and packaging).	<b>PURCHASING:</b> The PURCHASING KPIs are presented in the scoreboard in the introduction to Chapter 4.	<b>PURCHASING:</b> The PURCHASING KPIs are presented in the scoreboard in the introduction to Chapter 4.	<b>PURCHASING:</b> The PURCHASING KPIs are presented in the scoreboard in the introduction to Chapter 4.
			<b>LOGISTICS:</b> 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>LOGISTICS:</b> <u>Target partially met:</u> <ul style="list-style-type: none"> <li>■ Upstream (parts): 141 TCO<sub>2</sub> per vehicle and kilometre versus 133 in 2016, i.e. a 6% increase, despite a 9.1% increase of the average upstream m<sup>3</sup> transported by vehicle, due to the success of crossovers, such as the PEUGEOT 3008 and 2008, which are bulky;</li> <li>■ Downstream (vehicles): 19.8 TCO<sub>2</sub> per vehicle and kilometre versus 21.2 in 2016, i.e. a 6.5% decrease.</li> </ul>	<b>LOGISTICS:</b> <ul style="list-style-type: none"> <li>■ for PCD: Reduce the Group's CO<sub>2</sub> emissions in the upstream and downstream supply chain worldwide, per vehicle and per kilometre by 2.1% per year compared with 2016 to meet the 33% reduction target between 2016 and 2035;</li> <li>■ for OV: Define the benchmark and roadmap for the reduction of CO<sub>2</sub> emissions in upstream and downstream supply.</li> </ul>

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACE! plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate between the two scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

(2) These values will be the different starting points for the 2035/2050 roadmaps including PCD and OV.

 <b>MACRO-RISKS</b> <small>NATURAL RESOURCE SCARCITY</small> 	 <b>CSR ISSUES</b> <small>OPTIMISATION OF MATERIAL CYCLES IN INDUSTRIAL PROCESSES (INCLUDING WASTE)</small> Organiser: Industrial Director	 <b>AMBITIONS<sup>(1)</sup></b> <b>BY 2035</b> <ul style="list-style-type: none"> <li>■ Minimize waste volume for all industrial processes, from conception to mass production.</li> <li>■ Ensure 100% waste recovery in local loops of circular economy.</li> </ul>	 <b>TARGETS 2017</b> Reviewing assembly plants disposing of waste in landfills and conducting technical and economic analyses of alternative solutions.	 <b>RESULTS 2017</b> Target partially met: <ul style="list-style-type: none"> <li>■ 39 kg of waste per vehicle produced;</li> <li>■ 4 assembly plants in Europe do not dispose of waste in landfills;</li> <li>■ Technical and economic analysis of alternative solutions conducted in three of the five sites concerned.</li> </ul>	 <b>TARGETS 2018<sup>(1)</sup></b> <ul style="list-style-type: none"> <li>■ Reduce the waste per vehicle produced to 45 kg.</li> <li>■ Zero landfill waste in assembly plants in Europe</li> </ul>
 <small>HEALTH AND SAFETY: GROWING DEMAND OF CIVIL SOCIETY</small>	<b>SUSTAINABLE WATER MANAGEMENT</b> Organiser: Industrial Director	<b>BY 2050</b> Limit the puncture of water to the sole compensation of the evaporated water during industrial processes (closed cycle -0.5 m <sup>3</sup> /vehicle produced). Prohibit any discharge into water.	Water consumption stable at 3.6 m <sup>3</sup> per vehicle produced.	Target met: Water consumption stable at 3.43 m <sup>3</sup> per vehicle produced.	<ul style="list-style-type: none"> <li>■ Water consumption at 3.8 m<sup>3</sup> per vehicle produced (of which PCD: 3.3 m<sup>3</sup>)<sup>(2)</sup>.</li> <li>■ Map the water emissions of all PCD + OV industrial plants.</li> </ul>
	<b>CONTROL OF INDUSTRIAL DISCHARGES AND NUISANCES</b> Organiser: Industrial Director	<b>BY 2050</b> Protect residents from all noise and odor nuisances and all soil and air pollutions: <ul style="list-style-type: none"> <li>■ right from the choice of each new location;</li> <li>■ through continuous monitoring and corrective plans if discrepancies are observed in operating sites;</li> <li>■ in particular by improving VOC treatment processes down to zero emission.</li> </ul>	Stabilising VOC emissions at 2.75 kg per vehicle produced (taking into account changes in the two-tone product offer).	Target not met: VOC emissions of 2.82 kg per vehicle produced, due to the increase in vehicle sizes and the expansion of the two-tone (two colours) offer.	Limit VOC emissions to 2.8 kg per vehicle produced <sup>(2)</sup> .
	<b>BIODIVERSITY</b> Organiser: Industrial Director	<b>BY 2035</b> Ensure each of the Group's plants commits to biodiversity knowledge and protection actions relevant to its geographic scope, resulting in the annual publication of a fauna/flora review (prepared by a third party - universities or local associations).	<ul style="list-style-type: none"> <li>■ The production plants start or continue biodiversity actions.</li> <li>■ The Group continues its "Carbon Sink" initiative and reports the results achieved.</li> </ul>	Target met: <ul style="list-style-type: none"> <li>■ Two manufacturing plants prepared fauna and flora reviews;</li> <li>■ At the end of 2015, when the "Carbon Sink" had already existed for 17 years, the total estimated sequestration was 702,974 tons of CO<sub>2</sub> eq.</li> </ul>	15% of the plants have prepared their first fauna and flora review <sup>(2)</sup> .

(1) The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, the adjustment of OPEL and VAUXHALL operations under the PACEI plan means that it will not always be possible to identify a consolidated target for each issue. In addition, two acronyms are used where required to differentiate between the two scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

(2) These values will be the different starting points for the 2035/2050 roadmaps including PCD and OV.

## 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, 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 are part of a vision looking ahead to 2050. 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

For many years, the Group has been engaged in proactive environmental stewardship at its production and research and development sites, 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 PCD 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.

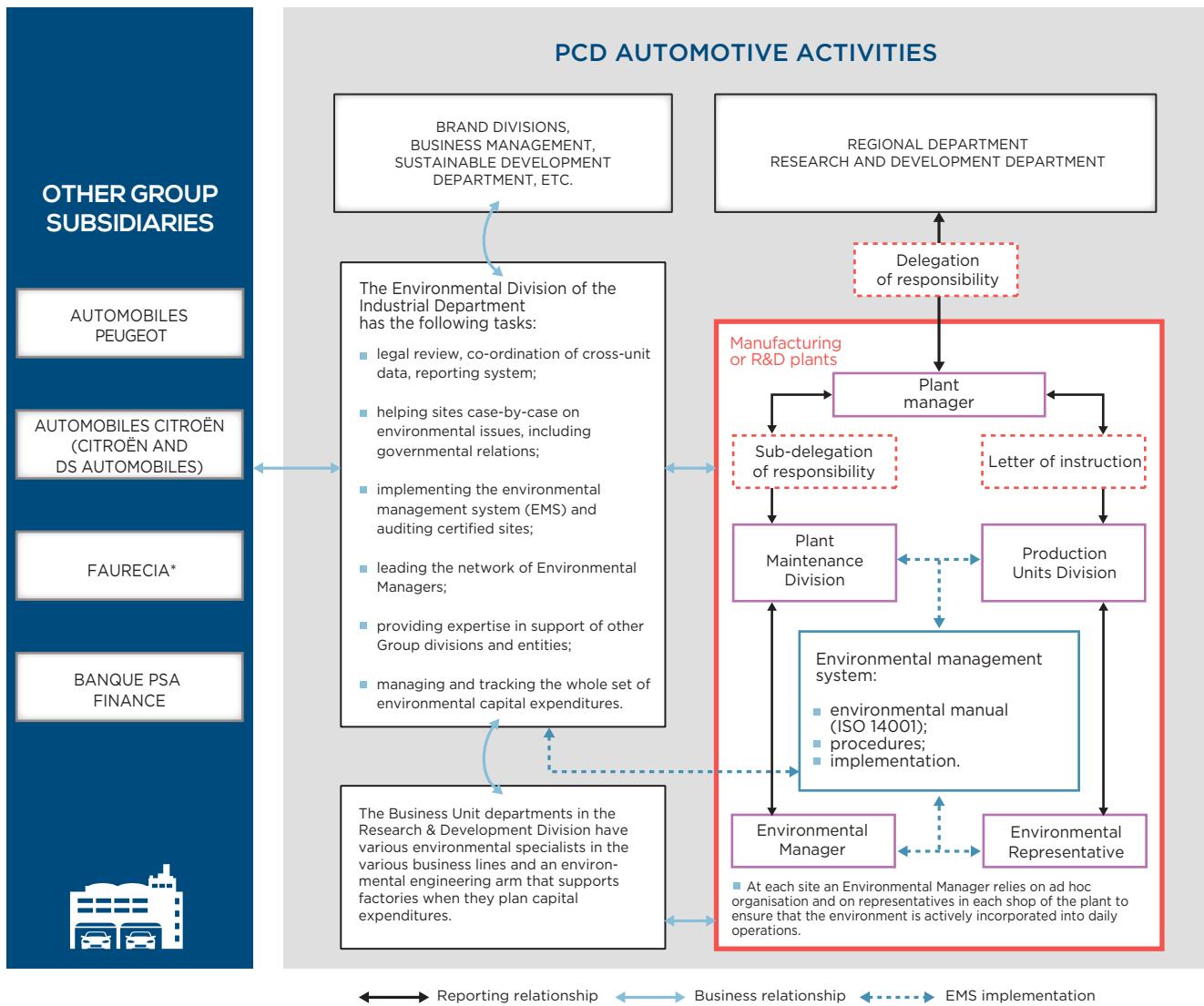
Finally, the Research and Development Department also has environmental specialists who provide technical support to the plants, particularly during capital projects.

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

In November 2017, the Kaluga plant came second in the "Eco-organisation 2017" regional competition, supported by the Ministry of Natural Resources and Ecology of the Kaluga region, for introducing the most resource-efficient technologies.

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 plants and helps reduce environmental impacts.

 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 Groupe PSA's social responsibility every year at the plenary meeting of the Group's European Works Council (expanded to include the Global Works 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 worldwide indicators (water and energy use, greenhouse gas emissions, volatile organic compound emissions, waste production and recovery rates) are presented to the employee representatives and compared with the Group's commitments in the field.

#### 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 Automobiles to produce vehicles from the DS AUTOMOBILES 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.

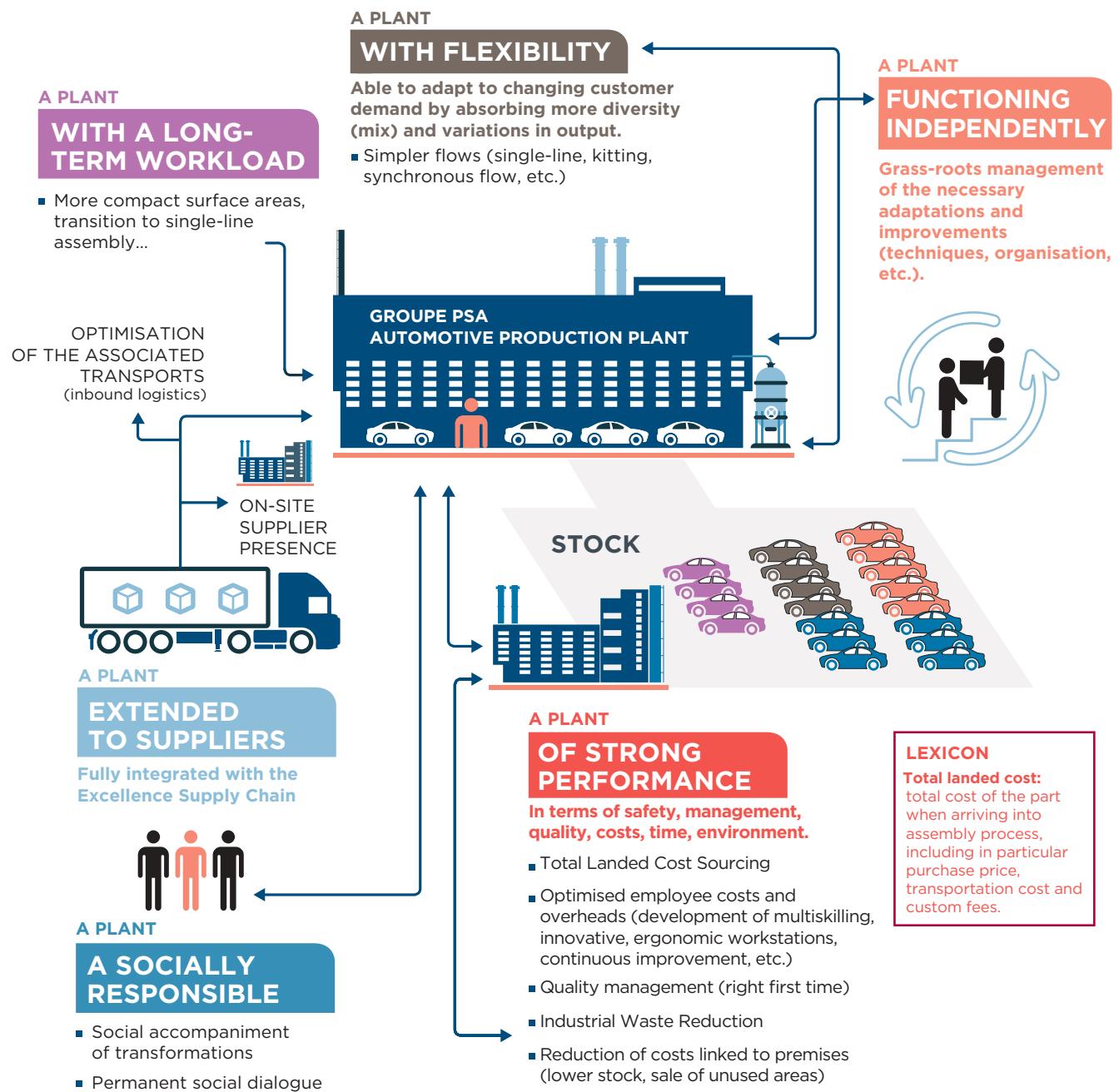
The Shenzhen plant is an example of the Group's commitment to using the best environmental practices in all its plants.



"The Excellent Plant - Groupe PSA" video: <https://www.youtube.com/watch?v=oXGoxxVTDe4&index=10&list=PL7E48342FA2A19DE8>

5.1. The Group's environmental protection policy at manufacturing level: organisation and strategy

### THE GROUP'S INDUSTRIAL STRATEGY: THE EXCELLENT PLANT



## 5.1.3. Resources implemented G4-DMA

### 5.1.3.1. ENVIRONMENTAL RISK ANALYSIS

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 an accredited testing laboratory (UTAC) provide assurance that the Environmental Management System is properly applied.**

### 5.1.3.2. AN ACTIVE CERTIFICATION POLICY

DPEF.10 DPEF.15

Within PSA Automobiles, an Environmental Management System is in place at all Group production plants. 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 roll-out of this new standard began in 2016 with the first certified plant (Sept Fons). In 2017, the implementation was expanded to cover at least one plant for each technology (assembly, components, research and development, spare parts). The results of these audits, all crowned with success, made it possible to consolidate the management system and supplement it with feedback. At the end of 2017, half of the plants were certified according to this new standard, and the other plants are actively preparing for such certification and will all be audited during the first half of 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 OPEL VAUXHALL plants are also all certified according to the same ISO 14001 standard, and EMAS for the Saragosse plant. **The convergence and harmonisation of environmental management systems will be one of the projects initiated in 2018 to successfully establish a uniform system shared by all manufacturing plants by 2022.** At that time, the plants will all be audited according to the same process and by the same external third party.

5

#### The involvement and skills of all

The key elements in successfully controlling the environmental impact at the sites are the competency and involvement of the individuals in the environmental sector.

In 2017, 4,991 hours of training were provided to increase the up-skilling of employees with respect to environmental issues. In addition, training was provided directly in the workshops by unit managers as part of the "PSA Excellence System" management control. These very operational training sessions foster the control of environmental impacts at the workplace. Lastly, under ISO 14001, each employee, whether they are on permanent or fixed-term contracts, temporary or work experience contracts, receives environmental awareness 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.



**4,991**  
HOURS DEDICATED TO ENVIRONMENTAL  
TRAINING IN 2017

**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 (Trnava in 2017 for

## 5.1. The Group's environmental protection policy at manufacturing level: organisation and strategy

its 2016 results), a components plant (Hérimoncourt) and an office and research facility (Belchamp, Research and Development centre).

In 2018, this good practice, which already existed in a different format in the OPEL VAUXHALL plants, will be extended to them to enhance this continuous improvement process.

### 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 plant must comply.

### SCHEDULE OF THE FIRST ISO 14001 CERTIFICATIONS OF MANUFACTURING PLANTS

1999	2000	2001	2002	2003	2004	2007	2010	2014
Mulhouse*	Poissy*	Aulnay <sup>(1)</sup>	Caen	Metz*	Saint-Ouen*	Trnava	Belchamp*	Kaluga
Sochaux	Vigo	Rennes*	Charleville-Mézières	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) Plant shut down at end-2013.

(2) Plant included in PSA Automobiles data as of 2005.

(3) Plant included in PSA Automobiles data as of 2012.

(4) Plant included in PSA Automobiles data as of 2014.

\* Plants with ISO 14001 (2015 version) certification.

Beyond this scope, the automotive industry joint ventures are certified: TPCA with Toyota located in Kolin, Czech Republic, DPCA with Dongfeng Motor Corp. located in Hubei Province (Wuhan and Xiangfan) in China, Kaluga with Mitsubishi located in Russia, and Sevelsud with Fiat located in Val Di Sangro, Italy.

#### 5.1.3.3. USING THE BEST AVAILABLE TECHNIQUES AT AN ACCEPTABLE ECONOMIC COST DPEF.15 | DPEF.16

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 plants 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-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 2017, we can estimate that 1% of total 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 €0.5 million in Europe in 2017;
- a specific training plan that guarantees the implementation and development of employees' environmental skills (see § 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. Based on the circular economy principle, the approach consists in recycling and adapting machines rather than purchasing new equipment. Machines and tools that are no longer used can be reused within the same plant, in other Group plants, or even sold outside of the Group. This approach is currently being rolled out at OPEL VAUXHALL, to create a shared pool of available assets.

The advantages of Carry Over practices are numerous:

■ decreased environmental footprint at the plants: 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:** Carry Over practices helped to save 30% on capital expenditure costs to launch new projects in assembly plants in 2017.

The Company's management (up to the highest level) is currently committed to encouraging this economical approach.

## KEY FIGURES

**-30%**

**ON THE CAPITAL EXPENDITURE COST FOR NEW PROJECTS IN ASSEMBLY PLANTS DUE TO THE REUSE OF INDUSTRIAL EQUIPMENT**

## IMPACT MEASUREMENT AND ECONOMIC ASSESSMENT

Over the next few years, productivity gains will lead to a substantial decrease in manufacturing costs through 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 led to a 30% reduction in 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, Groupe PSA 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. INDUSTRIAL INNOVATION

In September 2016, Groupe PSA partnered with other manufacturers to create Factory Lab, an innovation platform managed by companies expressing a set of practical needs and problems to be resolved. Groupe PSA participates in the Factory Lab to accelerate the implementation of innovative and effective solutions to increase the flexibility of its manufacturing facilities and the reliability of assembly lines, while pooling prototyping and development costs. The watchword at Factory Lab is pragmatism: the solutions put forward are immediately tested on the ground and approved by the operators. The results are tangible. For example, one of the projects led to a significant reduction in hoist handling time (which now takes 15 minutes, compared with 3 hours previously) while making the process safer for operators.

In order to support the modernisation of its plants, the Group created the Factory Booster in 2017, a unique place that accelerates the development of cross-business subjects deemed a priority in the "Plant of the Future" project. Located in the heart of the Group's research and development centre, in Vélizy, it is a place for sharing that brings together all stakeholders striving to accelerate the industrialisation of innovations within the plants.



## RELATIONS WITH STAKEHOLDERS

On 20 September 2017, Groupe PSA organised a "Plant of the Future" day in Poissy. This "Booster Day" brought together 80 major technology and innovation partners and stakeholders: suppliers, integrators, start-ups, laboratories and universities, research institutes and public bodies.

Organised in a consortium, suppliers and SMEs addressed 14 challenges set by Groupe PSA by creating more than 20 demos for industrial applications, focusing on topics like operator assistance and training, controlling the appearance or geometric dimensions of parts, self-sufficient energy production and storage, automated supply chain flows, and predictive maintenance. Within this framework, the Business Lab requested its network of partners in France and abroad to identify and select the right start-ups to tackle these challenges.

In the Manufacturing Division of Mulhouse, major changes are under way to establish the plant as a leader. In order to increase flexibility and optimise space, two production lines have been merged. Some of the vacated space will be allocated to suppliers, thereby reducing flow disruptions and truck traffic between plants, and further boosting the reduction of CO<sub>2</sub> emissions related to logistics.

Many innovations have been tested in Mulhouse: screwdrivers operating on an industrial Wi-Fi to ensure the right settings and recover traceability data, collaborative robots hand-guided by operators to learn the right path, RFID technology to implement a connected logistics system, etc.

5

## PRESS RESOURCES



"The Future's Plant by Groupe PSA" video: <https://www.youtube.com/watch?v=ISrFv9bA1CO&t=65s>

The Manufacturing Division of Trémery-Metz is managing an electromobility project with several local players, including the City of Metz, energy supply companies, as well as manufacturers of electric car charging points, electric vehicles and supervision solutions for all of these vehicles. This project demonstrates the cooperation sought with the local economic community with a view to increasing the Research and Development capabilities, defraying implementation costs, and developing solutions that can be standardised on a large scale in order to be competitive.

The Trémery-Metz division also includes an innovative industrial ecosystem with FFLO (Future Factory @Lorraine), an original platform for the integration of new technologies, which fosters industrial collaboration and enables the development of innovation on the ground to meet actual requirements. For example, this ecosystem gave rise to full kitting: the process of supplying parts at the edge of the assembly line using automated trolleys (automated guided vehicles) that simplify the work of operators and make it possible to quickly adapt the production to any variations in commercial demand.

PRESS  
RESOURCES

"The Full Kitting" video: <https://www.youtube.com/watch?v=Uma7uAqSahA>

Lastly, some highly operational actions are also being rolled out in the plants. 3D printing is rapidly expanding, and has applications across all sectors of industry. **Today, all European bodywork plants have the necessary equipment to manufacture, quickly and upon request, replacement parts used in the production processes, mainly in bodywork welding and assembly processes.** This solution enables small parts to be manufactured when the need arises.

Due to this development, plants no longer need to source parts from external workshops; this reduces CO<sub>2</sub> emissions related to local transport and removes the need for packaging and for managing these products in the inventory. Moreover, the material used (a plant-based plastic) improves the end-of-life recycling of these parts.

### 5.1.3.6. THE ENVIRONMENTAL APPROACH IN THE BRAND DEALERSHIP NETWORKS

The environmental policy of the PSA AUTOMOBILES plants is also rolled out in the brand dealership networks. PSA Retail 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.

After-sales representatives from PSA Retail France points of sale are encouraged to hone their environmental skills within the framework of programmes deployed by the brands: Osmose for CITROËN and Odas for PEUGEOT (see § 5.4.3).

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.

Since 2008, the Group has been using an information system enabling the collection, monitoring and consolidation of environmental data from its whole proprietary network. Since 2016, a multi-annual capital expenditure budget has been established to maintain our assets while also fostering the integration of new technologies (for example LED) and the self-sufficiency of buildings, thereby improving the energy footprint.

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

DPEF.27 | 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. (see § 5.2.4)

### Greenhouse gas emissions assessments

DPEF.26

Pursuant to Article L. 75 of the French Environmental Code, which resulted from the Grenelle environment laws, PSA Automobiles 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.

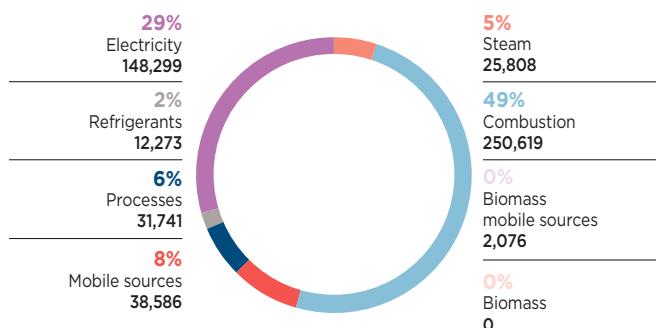
These checks have taken into account the following sources, under operational control of the respective companies:

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.

## GREENHOUSE GAS EMISSIONS ASSESSMENTS FOR PSA AUTOMOBILES SA AND ITS FRENCH SUBSIDIARIES

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 PSA Automobiles' 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, in 2016 the Group established a forecast of the CO<sub>2</sub> emissions of its manufacturing operations 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.**

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

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%**

**IN INDUSTRIAL CO<sub>2</sub> EMISSIONS  
BETWEEN 2010 AND 2050**

## 5.2.1. Managing energy use in manufacturing activities DPEF.24

### 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					
<b>PCD Automotive Division</b>	<b>2017</b>	<b>794</b>	<b>1,770,354</b>	<b>86,733</b>	<b>15,968</b>	<b>2,226,320</b>	<b>324,162</b>	<b>159,603</b>	<b>4,259,772</b>	
	2016	2,587	1,758,271	80,430	16,881	2,175,096	397,825	154,815	4,188,082	
	2015	0	1,383	1,673,163	75,848	15,893	2,209,836	343,323	132,146	
<b>Of which PSA Automobiles SA</b>	<b>2017</b>	<b>650</b>	<b>1,214,798</b>	<b>86,733</b>	<b>15,968</b>	<b>1,649,394</b>	<b>108,614</b>	<b>159,603</b>	<b>3,127,146</b>	
	2016	1,045	1,191,827	80,430	16,881	1,591,835	181,520	154,815	3,036,833	
	2015	0	1,019	1,126,917	75,848	15,893	1,623,546	238,033	132,146	
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>417</b>	<b>4,383</b>	<b>103,764</b>		<b>85,517</b>	<b>20,900</b>	<b>2,485</b>	<b>196,566</b>	
	2016	432	7,290	103,540		100,090	27,768	2,542	213,893	
	2015	436	8,886	111,783	0	0	115,095	16,741	240,154	
<b>TOTAL</b>	<b>2017</b>	<b>417</b>	<b>5,177</b>	<b>1,874,118</b>	<b>86,733</b>	<b>15,968</b>	<b>2,311,837</b>	<b>3 45,103</b>	<b>162,088</b>	
	2016	432	9,877	1,861,811	80,430	16,881	2,275,186	425,593	157,357	
	2015	436	10,269	1,784,946	75,848	15,893	2,324,931	360,064	136,100	

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.

Overall energy consumption increased by 1.5%, whereas production increased by 6.6%. Accordingly, the ratio is 1.96 MWh per vehicle produced, declining to below 2 MWh. This performance relies on the following points:

- the increased consumption (+2.3%) is due primarily to electricity, the energy most directly associated with manufacturing processes. The other sharp increase concerns coke (+8%), used exclusively by the Sept Fons casting facility to develop iron, and therefore also directly associated with production volumes. Lastly, gas and steam consumption saw a moderate increase. The slightly less favourable weather conditions in 2017 compared with 2016, mainly in the East, largely explain this change in gas consumption, since a significant portion was used to heat buildings;
- the plants control their energy consumption. Those subject to increased production benefited from this development to sharply improve their energy per production unit ratio, while plants with lower activity were able to adapt. As such, the good practices

established in the Business Clubs and the energy control strategy have demonstrated their relevance;

- the first effects of more compact plants are being seen. Française de Mécanique decreased its overall energy consumption by 10% while maintaining virtually stable production levels. The closing of a production building boosted this performance.

The share of renewable energies decreased in 2017. Apart from the Trnava and Porto Real plants, which purchased green electricity, the other sites purchased "standard" electricity delivered by their suppliers, and therefore rely on the latter's production mix. The small share of renewable energy in French electricity is responsible for this decline in performance.

Data from the PEUGEOT and CITROËN brands relate on average to 100% of plants in 2017 (98% in 2016, 97% in 2015) for direct energy consumption and 99% of plants in 2017 (98% in 2016, 94% in 2015) for indirect energy consumption. Changes in the PSA Retail dealership network's energy consumption are commented in section 5.2.1.2.



IMPACT MEASUREMENT  
AND ECONOMIC ASSESSMENT

In 2017, actions to control energy consumption led to savings of about €2 million on an overall bill of about €220 million, representing a cost saving of about 1%.

These savings are broken down as follows:

the main actions were implemented at Vigo, with a measure to recover heat from the paint ovens to preheat the air during painting processes, and the streamlining of superheated water. That generated savings of approximately 20,000 MWh of gas in a full year. Charleville-Mézières optimised its internal gas flows to improve furnace yields, thereby saving about 6,000 MWh. In addition to these significant measures, LED lighting continues to be implemented in plants, and several good practices are implemented (lighting control based on the presence of people, and lower settings during the weekend for compressed air and superheated water). All of these initiatives led to a drop in energy consumption of about 40,000 MWh, of which 75% concerns gas consumption, corresponding to a capital expenditure of €3 million, generating returns in less than two years; daily management actions were continued regarding increased production, with savings of about 0.1 MWh per vehicle produced.

These figures are included in the vehicle production costs and affect the Group's overall economic performance. The actions implemented in the plants and listed above generate savings of about €1 per car. The strong commitment of plants and strict application of daily management rules contribute €2 per car.

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**€3 MILLION**  
INVESTED IN ENERGY SAVINGS,  
MAKING A €3 CONTRIBUTION TO  
PRODUCTION COST CONTROL PER VEHICLE

### 5.2.1.2. CHANGE IN ENERGY CONSUMPTION AND ENERGY INTENSITY G4-EN5 G4-EN6

The Group is in the process of thoroughly reviewing its energy efficiency: a consumption control plan has allowed the Group to map the performance of the largest plants in order to identify the lines of action necessary for the full overhaul of their energy patterns, as well as the related short-term capital expenditure required to reduce consumption.

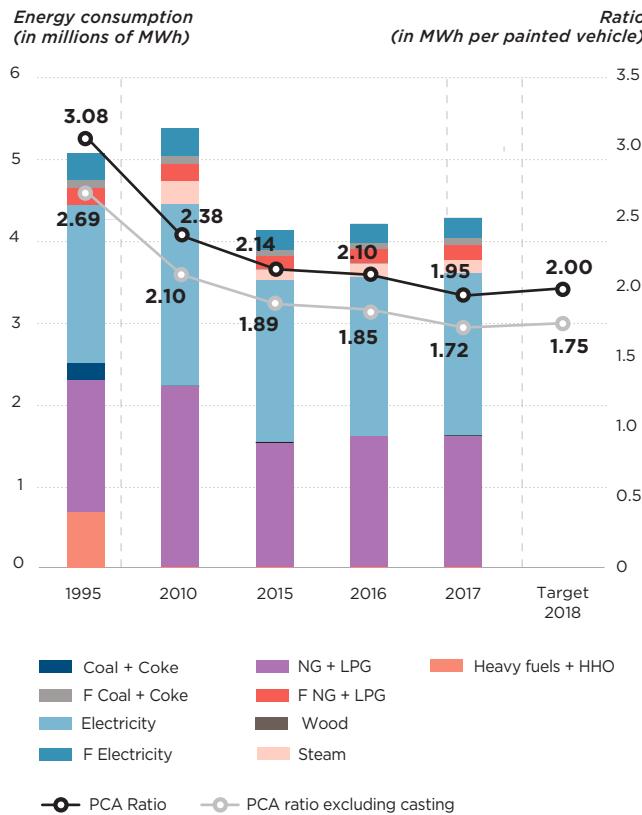
Plans are being implemented at each plant to rationalise production space, mainly by making plants more compact (retaining the same production capacity), thereby saving energy, particularly on heating and air conditioning of facilities.

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. Four of the Group's plants successfully received ISO 50001 certification. The assessment after a full cycle did not show an acceleration in these plants' energy performance compared with the Group's other plants committed to the energy management strategy. It was decided not to continue this certification at the Mulhouse and Sochaux plants.

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

## CHANGE IN ENERGY CONSUMPTION



This graph shows the energy consumption of the PCD 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 PCD Automotive Division, vehicle manufacturing uses energy for a wide range of industrial processes: casting, machining, paint curing, heat treatment, etc., as well as the lighting and heating of 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:

- p increased vehicle production;
- p 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;
- p 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 stages: 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 2017, the PCD 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 with co-generation contracts at Sochaux, Rennes and Mulhouse, and has begun to install a facility at the SevelNord plant. The hot water produced will fuel the painting process, reducing the plant's heating requirement while offering a satisfactory overall performance, with electricity for the neighbouring community.

For PSA Automobiles, the geographic breakdown of overall energy consumption in 2017 was as follows: 94.7% for the European Union and 5.3% for the rest of the world.

## Reduction in energy consumption

## Within the PCD Automotive Activities

In 2017, the plants continued to implement solutions aiming to reduce their energy consumption while building on the achievements of previous years. The actions implemented can be divided into three categories:

- p the continued roll-out of LED lighting as part of a multi-annual plan in Madrid, Française de Mécanique and Bessoncourt. An estimated 1,000 MWh is saved per year;
  - p the roll-out of good management practices for some production-related facilities (controlled valves, indexing the functioning of air conditioning equipment depending on the outside temperature, revising the conditions for distributing compressed air or superheated water – lowering the settings, etc.) helps to reduce energy consumption outside of the production process;
  - p actions specific to each site, in particular in casting processes, at Sept Fons and Charleville-Mézières to optimise molten metal flows as a way of reducing preheating operations, or in cooling systems. These actions generated electricity savings of 9,000 MWh and approximately 30,000 MWh NCV of natural gas.
- To strengthen its energy efficiency approach, Groupe PSA initiated a pilot project at the Poissy plant in 2017: it adopted the "Blue by ENGIE" Big Data solution that enables the independent monitoring of energy consumption across all links in the production chain and simplifies data analysis.** The first findings were promising and will be consolidated through a few additional analyses. A first full assessment will be prepared in September 2018, following which expansion to other sites will be considered.

## Moreover, all the plants initiated compaction plans to reduce their production areas, thereby reducing the surface to be heated.

These highly ambitious plans are beginning to take shape 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.

### Within the PCD Automotive Trade

Since 2016, the work conducted on bulk energy purchases and on coordinating consumption and rolling out new technologies enabled PSA Retail to meet the reduction targets set by the Push to Pass Plan for the 2017 financial year, with a 9% reduction of energy consumption on a comparable basis. This reduction even reached 12% for the electricity share, and the main contributors to this progress were France and Germany. In terms of electricity, we can highlight the contribution of the LED lighting plan rolled out across the entire network (phase 1: office premises). In 2018, a second phase will involve expanding this solution to workshops.



The drive in points of sale aimed at controlling their energy consumption helped achieve the targets of the Push to Pass Plan concerning the reduction of fixed costs, with savings of more than €600k on energy bills for the PSA Retail network in 2017.

Data from the PEUGEOT, CITROËN and DS AUTOMOBILES brands related on average to 100% of plants in 2017 (98% in 2016 and 97% in 2015) for direct energy consumption and 96% of plants in 2017 (98% in 2016 and 94% in 2015) for indirect energy consumption.

## 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 less than 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 and beyond. The 2018 intermediate target, initially set at 300 kg per vehicle produced in accordance with the Group's commitments and pursuant to the Paris agreement, was revised to 263 kg/v to integrate the progress already achieved. 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

DPEF.16 | G4-EN15 | G4-EN16 | G4-EN18 | G4-EN19

5

*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>PCD Automotive Division</b>	<b>2017</b>	<b>398,201</b>	<b>16.17</b>	<b>27.28</b>	<b>403,786</b>	<b>5,289</b>	<b>160,080</b>	<b>563,866</b>
	2016	394,434	16.08	27.21	399,991	5,591	161,513	561,504
	2015	374,740	15.3	25.87	380,025	5,263	185,312	565,338
<b>Of which PSA Automobiles SA</b>	<b>2017</b>	<b>283,857</b>	<b>11.17</b>	<b>19.33</b>	<b>287,724</b>	<b>5,289</b>	<b>71,059</b>	<b>358,783</b>
	2016	277,471	10.98	19.09	281,274	5,591	68,050	349,325
	2015	262,265	10.4	18.1	265,862	5,263	73,131	338,994
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>22,633</b>	<b>0.96</b>	<b>1.52</b>	<b>22,951</b>		<b>22,468</b>	<b>45,419</b>
	2016	23,375	0.97	1.53	23,697		25,456	49,154
	2015	25,516	1.06	1.65	25,867	0	29,970	55,836
<b>TOTAL</b>	<b>2017</b>	<b>420,834</b>	<b>17.15</b>	<b>28.80</b>	<b>426,737</b>	<b>5,289</b>	<b>182,548</b>	<b>609285</b>
	2016	417,809	17.05	28.74	423,688	5,591	186,969	610,658
	2015	400,256	16.4	27.52	405,892	5,263	215,282	621,174

\* 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.

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

**Within PCD Automotive Activities, GHG emissions in 2017 amounted to 259 kg per vehicle produced, illustrating the aforementioned energy consumption performance.** This performance positions the Group slightly ahead of the reduction forecast established for 2025 and beyond. 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 SBT (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. It should also be noted that this performance in terms of GHG emissions was achieved while the share of renewable energies in the plants'

electricity supply declined significantly. In this regard, the plants' energy performance in terms of controlled consumption more than offset the under-performance of the national electricity supplier.

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%.

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.

**PCD Automotive Trade 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

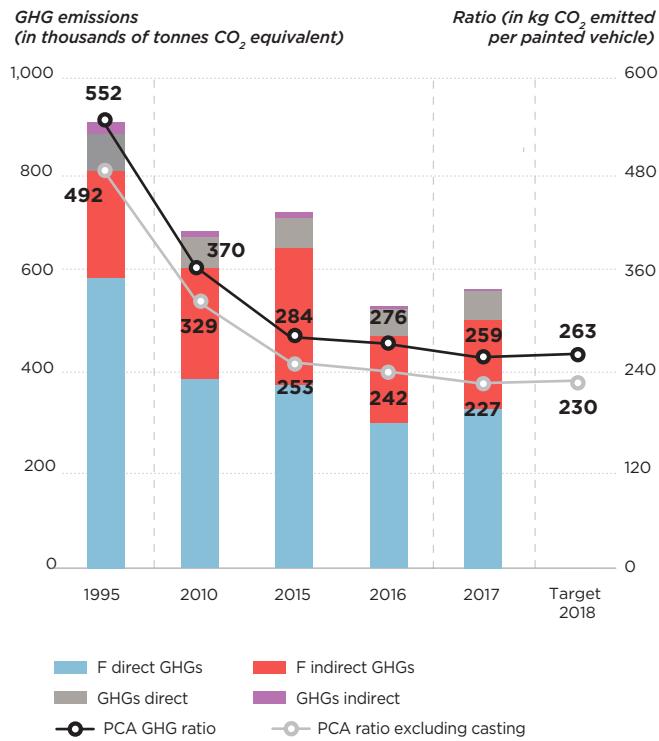
DPEF.27

G4-EN18

G4-EN19

## CHANGES IN GREENHOUSE GAS EMISSIONS (GHG)

(PCD Automotive Division)



This graph shows the energy consumption for PSA Automobiles SA, including and excluding casting. 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 2017 was as follows: 94% for the European Union and 6% 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.

Note: data for indirect emissions for 1995 were calculated using electric emissions factors proposed by the IEA for this same year.

### 5.2.2.3. A ROADMAP IN LINE WITH THE COP21 COMMITMENTS: AVOIDING GREENHOUSE GAS EMISSIONS

Based on the CO<sub>2</sub> emissions per vehicle produced ratio in 2016, industrial emissions increased to 600,000 tonnes in 2017. At 569,000 tonnes, the result achieved demonstrates significant progress with the prevention of more than 30,000 tonnes of CO<sub>2</sub>. The factors enabling this performance were as follows:

- the above-mentioned energy-saving actions enabled a reduction of about 7,000 tonnes of CO<sub>2</sub>, almost exclusively related to reduced gas consumption. This reduction is sustainable, since it is due to changed processes;

- 7,000 tonnes correspond to the continued roll-out and strict application of good practices defined in the Business Club, which can also be considered sustainable;

- on the other hand, weather conditions, illustrated by an increase in total degree-days in 2017, had an adverse effect of about 3,000 tonnes of CO<sub>2</sub>;

- the remaining avoided emissions, i.e. approximately 19,000 tonnes of CO<sub>2</sub>, were achieved through the improved used of production facilities related to the increase in volumes produced. As such, the effect is circumstantial.

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

DPEF.15 | DPEF.26

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> )
2015	359,802	257,558
2016	353,181	265,816
<b>2017</b>	<b>361,375</b>	<b>273,664</b>

\* Sum of verified Groupe PSA emissions and theoretical emissions related to purchased steam, for which 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

DPEF.15 | DPEF.26

The share of renewable energies used by the Group, beyond the electricity generated by photovoltaic panels at the Sochaux site, amounted to 324,162 MWh for manufacturing facilities, i.e. 14.5% of the electricity used. The share of renewable electricity is increasing in all countries, except France, and more marginally in Spain.

**As part of establishing the Group's CO<sub>2</sub> roadmap, 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 from 2016. In Brazil, the Porto Real plant is also powered by 100% renewable electricity.



**2 MANUFACTURING PLANTS POWERED BY 100% 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 2017, 15,968 MWh were thus produced from wood waste generated at the Vesoul plant.

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

This approach helps to achieve two targets: reducing the volumes of waste transported and eliminated elsewhere, and reducing CO<sub>2</sub> emissions (5,289 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 19,000 t CO<sub>2</sub> eq.



**15,968 MWH**  
GENERATED AT THE VESOUL PLANT IN 2017  
THROUGH THE ON-SITE RECOVERY  
OF ENERGY FROM WOOD WASTE,  
REPRESENTING MORE THAN 20% OF THE  
PLANT'S OVERALL ENERGY CONSUMPTION

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. 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 renewable energy supply will continue to be rolled out in the coming years.

## 5.2.5. Environmental optimisation of logistics and travel

DPEF. 26 | DPEF. 27 | G4-DMA | G4-EN17 | 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.

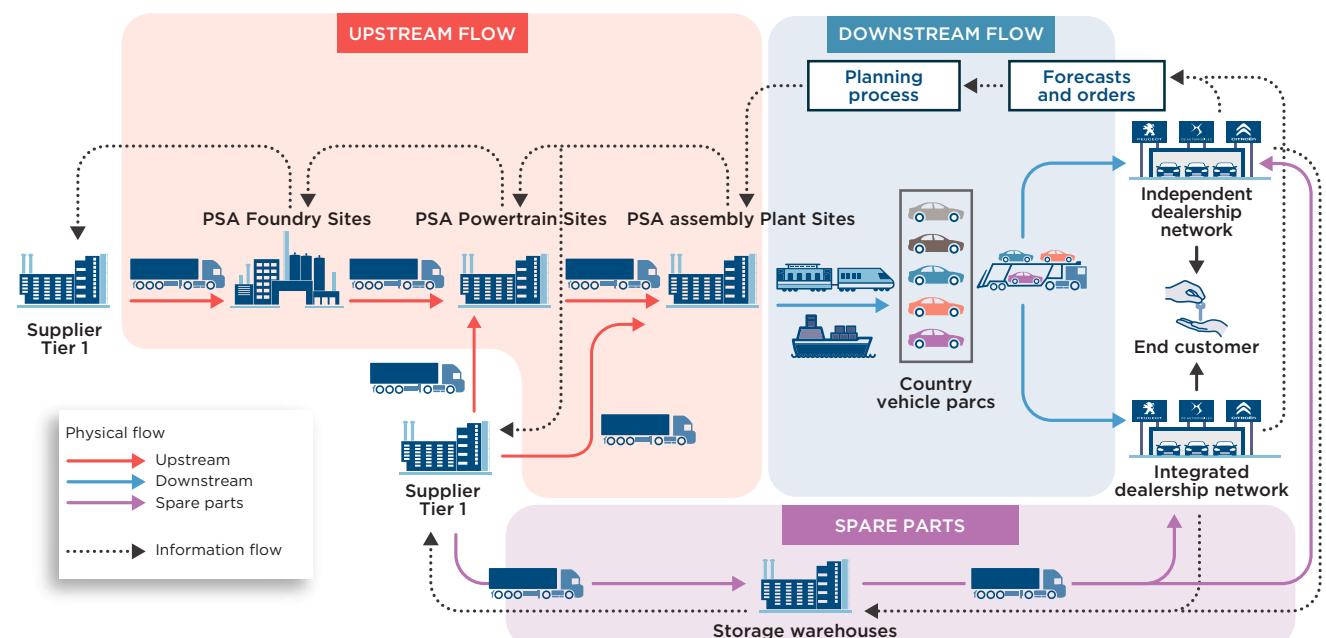
### 5.2.5.1. IMPACT OF LOGISTICS OPERATIONS ON THE CARBON FOOTPRINT OF THE GROUP'S MANUFACTURING OPERATIONS

The Groupe PSA's logistics operations are part of scope 3 and represent only a small share (1.5%) of the Group's total CO<sub>2</sub> emissions (see § 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 Groupe PSA's transport policy

The Groupe PSA 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

In 2016, Groupe PSA and GEFCO 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 Groupe PSA. 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 AUTOMOBILES.

### Governance of the exclusivity agreement with GEFCO

**GEFCO is a strategic supplier of the Groupe PSA. 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 § 4.2.2.3.).

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:

- 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.

In 2017, Groupe PSA created a vehicle distribution Lab in collaboration with GEFCO. This common entity brings together the Group's teams and GEFCO's team in the same place, with shared targets. It aims to improve performance and accelerate the implementation of ideas. Environmental performance is also monitored on a monthly basis with respect to the transport of components and vehicle distribution. The CO<sub>2</sub> emissions generated by OPEL VAUXHALL transport will be monitored by the OPEL/VAUXHALL teams as from 2018. This will help define OPEL VAUXHALL's starting point and roadmap.

Since 2014, Groupe PSA has also been rolling out a target architecture of the vehicle procurement and distribution flows, with the aim of improving transport costs both upstream (parts) and downstream (vehicles) and of reducing the environmental impact:

- to further improve efficiency, all parts transported from suppliers to all Groupe PSA 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 by increasing its use of rail and river transport.

## THE DIFFERENT FLOWS BROKEN DOWN BY MODE OF TRANSPORT (SCOPE: WORLD EXCLUDING JVS, 2017)

Breakdown in tonnes of goods or vehicles transported, by mode of transport	Upstream flow		Downstream flow	
	2016	2017	2016	2017
Air	0%	0%	-	-
Rail	0%	1%	15%	15%
Road	98%	98%	69%	72%
River/sea	2%	1%	16%	13%

## Actions undertaken by the Groupe PSA

Actions	Levers used	Gains/results obtained
<b>Optimisation of packaging and volumes transported</b>	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. For example, the replacement of PEUGEOT 508 will decrease the volume of parts transported by 5%.
<b>Reduced industrial waste</b>	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.
<b>Roll-out of the Groupe PSA CSR policy among transport and logistics suppliers</b>	Implementation of a joint monitoring system between Groupe PSA and GEFCO regarding upstream and downstream CO <sub>2</sub> emissions.	Improved awareness with a shared goal between Groupe PSA and its logistics provider. More frequent (monthly) monitoring of the indicator.

## Actions undertaken by the Groupe PSA in collaboration with GEFCO

Actions	Levers used	Gains/results obtained
<b>Fill rate of the trucks</b>	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, Milk runs, 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.
<b>Intercontinental flows</b>	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>› In 2017, direct flows between the components factories and the Kaluga plant in Russia were reviewed and implemented. As such, it is no longer necessary to operate via a platform.</li> </ul>

Actions	Levers used	Gains/results obtained
<b>Use of multimodal transport</b>	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 in road traffic and the corresponding pollution: maritime experience in Europe, with a regular shuttle between Saint-Nazaire and Vigo (sea highway) operated for several years, the frequency of which increased from two to three weekly journeys in 2015. In 2017, this route was used by 13,766 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 between Chongqing and Duisbourg has been used as of April 2017 as an alternative to air travel. This line, which is largely electrified, emits less CO<sub>2</sub> than an aeroplane. In 2018, these rail traffic flows will be studied for other plants.</li> <li>› For the future Kenitra plant in Morocco, vehicle transport by train has been studied from the start. The plant was designed with this in mind, and vehicles will be transported to the port mainly (90%) through this mode of transport.</li> <li>› Manufactured in Uruguay since mid-2017, the CITROËN Jumpy and PEUGEOT Expert use components from the SevelNord plant, which are transported by river between the plant and the Port of Antwerp, instead of truck transportation. Accordingly, this route was taken by nearly 900 container ships in 2017, and will be taken by nearly 1,600 in 2018.</li> </ul>
<b>Development of downstream vehicle logistics</b>	Roll-out since 2015 by the Supply Chain Department, in collaboration with GEFCO, 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;</li> <li>› departure of transport once the final destination is known, thus avoiding transport to a temporary storage location;</li> </ul>
<b>Deployment of an external cross-docking solution</b>	Reorganisation of GEFCO'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 Groupe PSA (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 Châteauroux. Further optimisation is planned for 2018 with the development of information systems.</p> <p>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 2,220 t CO<sub>2</sub> in 2017.</p> <p>Another optimisation, such as less frequent deliveries, means trucks can carry higher loads, representing a calculated saving of 1,800 tonnes of CO<sub>2</sub> in 2017.</p>
<b>Setting up Gigaliner truck traffic flows</b>	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

## 5.2. Energy and carbon footprint of manufacturing and logistics operations

## Summary of greenhouse gas emissions per type of shipment

Scope (World except JV)	Mode of transport	In t CO <sub>2</sub> based on the former calculation method		In t CO <sub>2</sub> eq. based on the new calculation 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	CO <sub>2</sub> eq. emissions in tonnes - 2017		
<b>TOTAL</b>		<b>442,463</b>	<b>443,252</b>	<b>534,506</b>	<b>541,473</b>		
<b>Upstream transport</b>	Road	221,255	77%	238,435	79%	331,185	85%
	Air	16,430	6%	26,046	8%	41,722	11%
	Rail	1,199	0%	2	0%	0	0%
	Sea	47,385	17%	38,940	13%	15,186	4%
	<b>Total</b>	<b>286,269</b>	<b>100%</b>	<b>303,423</b>	<b>100%</b>	<b>388,094</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>		<b>104</b>		<b>104</b>		<b>133</b>	
							<b>141</b>
<b>Downstream transport</b>	Road	126,732	81%	108,314	77%	107,670	74%
	Rail	6,615	4%	8,128	6%	5,755	4%
	Sea	22,847	15%	23,387	17%	32,987	23%
	<b>Total</b>	<b>156,194</b>	<b>100%</b>	<b>139,829</b>	<b>100%</b>	<b>146,413</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<sup>(2)</sup></b>		<b>23.8</b>		<b>21.0</b>		<b>21.2</b>	
							<b>19.8</b>

(1) In 2016, the methodology to assess greenhouse gas emissions, implemented by GEFCO in collaboration with Eco Transit World, was made more accurate. Previously, emissions were calculated per tonne-kilometre by mode of transport, whereas energy consumption is now determined for each traffic flow and by mode of transport, by using an emission factor corresponding to this energy. This measurement is performed in CO<sub>2</sub> equivalent (thus including other greenhouse gases) and no longer in CO<sub>2</sub> exclusively. Furthermore, the scope for downstream distribution now includes capillary flows to the dealers.

(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. As such, it can express performance on a like-for-like basis.

In 2017, upstream, the average m<sup>3</sup> transported by vehicle increased by 9.1%, leading to a 6% rise in the "Upstream TCO<sub>2</sub> / (M Km x M Veh) ratio", due to the success of crossovers such as the PEUGEOT 3008 and 2008, which are spacious. By neutralising this effect, performance is 2.8% better than in 2016.

### 5.2.5.2. RESTRUCTURING EMPLOYEE TRAVEL

For several years now, Groupe PSA has undertaken a strategy of restructuring employee travel in order to optimise travel and reduce CO<sub>2</sub> emissions related to travel. This approach promotes alternatives to physical travel and alternative modes of energy-efficient collective transport.

This restructuring of employee travel focuses on the following initiatives:

■ **rolling out teleworking:** since 2004, the Group has rolled out teleworking practices in France and other countries. Teleworking was promoted to managers and the various categories of eligible employees. Less time spent commuting to and from work is the leading factor of satisfaction mentioned by 80% of teleworkers (satisfaction survey conducted in June 2017 among 1,675 teleworkers of Groupe PSA). Groupe PSA has nearly 3,800 teleworkers;

■ **rolling out remote working:** in 2017, the Group created an annual account with 25 remote working days. This innovative arrangement enables employees to occasionally work from their primary residence or other personal residence in France, or even from a third-party location. Nearly 20,000 employees have already benefited from this arrangement;

■ **promoting alternatives to passenger cars and carpooling** for employees' commute to and from work. The Group promotes certain carpooling services. Work'in PSA, an app that can be downloaded on employees' smartphones, provides access to train and bus traffic information, shuttle services, carpooling websites for drivers and passengers, and more. The Group promotes the innovative P2P car rental services of Koolicar and Travelcar to its employees for their private use.

■ **encourage the use of remote meeting tools** (audio, online meeting systems, video conferences) instead of meetings requiring travel. The number of business trips fell by 10% between 2016 and 2017. Video conferencing facilities are installed in the Group's different buildings worldwide and have significantly reduced the need for travel. The provision of laptops has become a widespread practice in the Group's offices and R&D facilities, and the use of audio and video communication systems is now included in the operation standards practised within the Group and beyond;

**TOTAL NUMBER OF PROFESSIONAL ASSIGNMENTS\***

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number	136,797	135,177	122,630
Change		-1%	-10%

\* Assignments leaving from France.

■ **prioritise rail transport** and the use of shuttles for work-related travel between the Group's plants and outside of the Group;

**ASSESSMENT OF CO<sub>2</sub> EMISSIONS GENERATED BY WORK-RELATED AIR TRAVEL\***

(in kg of CO <sub>2</sub> )	<b>2016</b>	<b>2017</b>
Number	17,138,436	16,712,477

\* Trips leaving from Germany, Austria, Belgium, Denmark, Spain, France, Italy, the Netherlands, Portugal and the United Kingdom.

■ **reduce the average emissions of the service vehicle fleet:** the Group provides its employees with service vehicles for their work-related travel. The fleet's CO<sub>2</sub> impact was down 11% in 2017, due to the combination of several factors. The restructuring of work-related travel (especially in the Île-de-France region) reduced the

number of vehicles in the fleet. The service vehicle fleet comprises multi-functional vehicles suitable to both medium-distance travel and urban travel. Despite the fleet's continued multifunctionality, the average level of CO<sub>2</sub> emissions has remained stable;

**AVERAGE CO<sub>2</sub> EMISSIONS FROM COMPANY VEHICLES\* - FRANCE**

(in g/km)	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Fleet (number of vehicles)	1,021	1,100	1,070	950
CO <sub>2</sub> level	114	108	106	106

\* Vehicles reserved for employee travel (excluding commercial vehicles).

■ **develop car-sharing solutions:** the Group is developing 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, 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. Since it was set up in Rueil-Malmaison in September 2017, the entire fleet of the Group's headquarters has been managed through this car-sharing approach.

## 5.3. Industrial discharges and nuisances: 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 DPEF18

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 PSA Automobiles SA, 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>PCD Automotive Activities</b>	<b>2017</b>	<b>6,139</b>	<b>2.82</b>
	2016	5,506	2.7
	2015	5,354	2.69
<i>Of which PSA Automobiles SA</i>	<b>2017</b>	<b>1,975</b>	<b>1.98</b>
	2016	1,617	1.78
	2015	1,610	1.77
<b>TOTAL</b>	<b>2017</b>	<b>6,139</b>	<b>2.82</b>
	2016	5,506	2.7
	2015	5,354	2.69

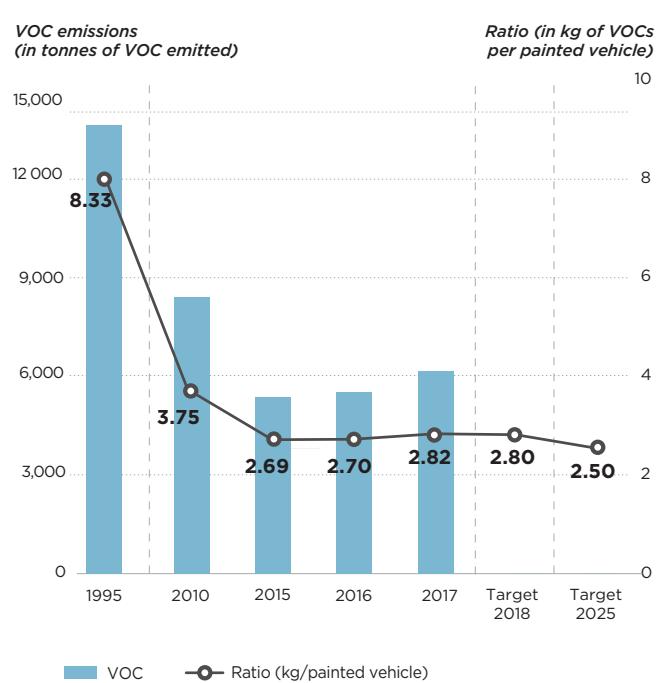
VOCs: volatile organic compounds.

N/A: not applicable.

VOC emissions from PSA Automobiles' paintshop 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

(PSA Automobiles SA 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.

## 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>PCD Automotive Activities</b>	<b>2017</b>	<b>4.41</b>	<b>394.18</b>
	2016	5.05	392.87
	2015	4.42	373.3
<b>Of which PSA Automobiles SA</b>	<b>2017</b>	<b>3.23</b>	<b>27,134</b>
	2016	3.36	269.97
	2015	3.18	255.2
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>2.46</b>	<b>24.25</b>
	2016	3.49	25.25
	2015	4.1	27.6
<b>TOTAL</b>	<b>2017</b>	<b>6.87</b>	<b>418.43</b>
	2016	8.54	418.12
	2015	8.5	400.9

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.

This action plan, which involves using the best available technology (BAT), has enabled the Group not only to reduce threefold the VOC emissions of its paint shop facilities in 20 years, 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 reduce its VOC emissions to below 3 kg per vehicle produced since 2013.

In 2017, there was a slight increase in the VOC emissions per car produced, due to a combination of factors already identified last year. New vehicles have larger painted surfaces, and this phenomenon is accentuated by the success of light commercial vehicles, which comprise more sheet metal and therefore require more paint. On the other hand, the two-tone offer is being expanded to the client offer, since it has been very well received. The production of this type of vehicle requires a second painting stage, generating an estimated increase in VOC emissions of between 2 and 4 g/m<sup>2</sup> depending on the vehicles, which represents 200 to 400 g per painted two-tone car. To offset these developments, the implementation of best practices continues. Accordingly, interior painting was automated at the Vigo plant in the summer of 2017, but the progress related to this operation was limited by the development of the new CITROËN Berlingo et PEUGEOT Partner. Likewise, in Rennes, reduced VOC emissions associated with the optimised painting line were offset by the development of the PEUGEOT 5008.

This VOC emission control strategy (investing resources, using low-emission products, etc.) also applies to components factories using surface treatments.

The geographic distribution of VOC emissions in 2017 is as follows: 92% for the European Union and 8% 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 below 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.

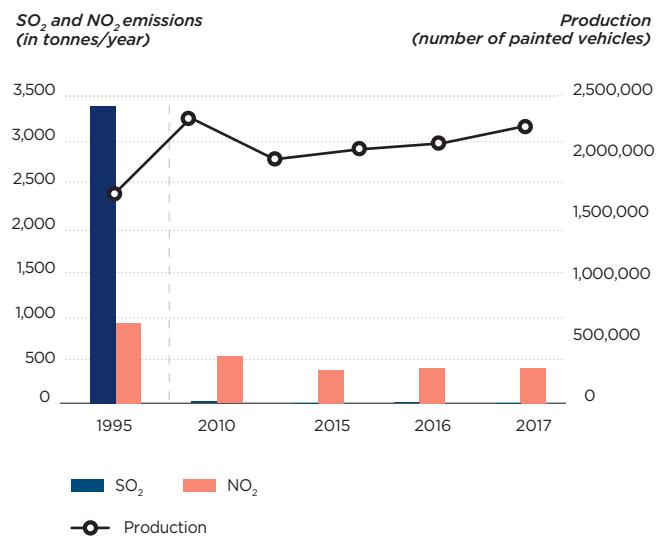
## 5.3. Industrial discharges and nuisances: managing the impacts on the environment and local residents

The slight fluctuations observed in emissions between 2016 and 2017 are due to the decreased consumption of home heating oil, which is now nearly exclusively used in emergency equipment (stand-by generators) that are regularly tested at each plant, and the 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

(PCD Automotive Division)



All of this progress helps to improve air quality at the plants.

The geographic distribution of SO<sub>2</sub> emissions in 2017 was as follows: 95% for the European Union and 5% for the rest of the world.

The geographic distribution of NO<sub>2</sub> emissions in 2017 was as follows: 94% for the European Union and 6% for the rest of the world.

### 5.3.1.2. USE AND EMISSION OF REFRIGERANTS

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.

**Groupe PSA 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. This plan is reaching its end and will have involved more than 550 pieces of equipment.**

In 2017, the Group refined its reporting questionnaire to better identify these leakages. As such, comparisons with previous years are tricky.

The year's performance was as follows: 15,449 tonnes of CO<sub>2</sub> equivalent in refrigerant leakages for fixed installations, representing a loss of 5.6 tonnes of various fluids. The main incidents occurred in Belchamp and Carrières-sous-Poissy, where large test equipment lost significant amounts of fluids through defects.

With respect to refrigerant leakages in vehicle assembly lines when filling air-conditioning systems, losses amounted to 19,931 tonnes of CO<sub>2</sub> equivalent, made up exclusively of R134a leakages. This is due to the much greater global warming potential (GWP) of R134a compared with 1234yf, its replacement, in addition to the fact that the use of R134a fluid is limited to light commercial vehicles and those exported outside of Europe as of 1 January 2017. As such, consumption saw a sharp decline, but the storage and distribution facilities sized to support the full production rate are still being used, resulting in leakage risks and major measurement errors and uncertainty. The study to replace these facilities with production line bottle systems, thereby sharply reducing all risks of line leakages, is being examined for the plants that are not producing (or only produce very few) light commercial vehicles. In 2019, these studies should help to sharply reduce these losses.

### 5.3.2. Preventing chemical risks

DPEF.15

#### 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 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 Groupe PSA 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 Groupe PSA 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 DPEF.18 DPEF.25

#### Within the PCD Automotive Activities

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.

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

Since 2016, the Group has maintained its decision to perform soil studies on installations identified as being potentially pollutant. **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 constraints. Within the France scope, the coverage rate was 77%.

### 5.3.2.3. REDUCING OTHER FORMS OF POLLUTION IN LOCAL COMMUNITIES DPEF.19 DPEF.31

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 plant (extension, new installation or new equipment) and are legally subject to public notice and the approval of the administrative authorities.



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 DPEF.16 DPEF.17 DPEF.31 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 2017, ten incidents were reported to the local authorities:

- five were related to refrigerant leakages;
- two incidents on exhaust gas treatment systems in Charleville-Mézières;
- an accidental oil spill during unloading at Porto Real. The 5,000 litres were confined, pumped and treated as waste without generating any environmental impact;
- an administrative building that caught fire in Vesoul. This fire was caused by a malicious act on a truck parked in a street adjacent to the plant, which then spread to a building located at the edge of the property;
- an alert threshold was exceeded in an air-cooling tower in Trémery. The treatment procedure aimed at preventing the spreading of Legionella was implemented. No impact was identified.

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

The Group did not have to pay any such compensation in 2017.

#### Amount of provisions and guarantees for environmental risks

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: optimise production processes to reduce the use of resources and increase waste recovery 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 DPEF.23

A great deal of the efforts needed to reduce material consumption is 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

74% of the Group's overall waste tonnage every year is scrap metal. This scrap metal is derived from stamping scraps (77%) and machining turnings from components factories and foundries (19%), the latter share comprising derelict test vehicles and various types of waste materials.

**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 MUR (Material Use Ratio) 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 waste from manufacturing operations. Although all of these scraps are recycled in casting facilities, their reduction remains a huge challenge. In practical terms, the MUR 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 MUR approach quantifies this progress. Accordingly, it increased from 47% in the design of PEUGEOT 207 to 55% for PEUGEOT 208. It even reached 60% for the new PEUGEOT 3008.

All of these actions have resulted in a stable scrap metal performance between 2016 and 2017, despite increased production and the reintegration of the Palomar facility's stamping activity into the plant's scope (at constant production allocation between the Group and its suppliers). This performance has translated into an overall reduction of 30,000 tonnes of scrap metal, i.e. 13 kg of scrap metal per vehicle produced, building on the conclusive results of last year.



**-13 KG**

**OF SCRAP METAL PER CAR PRODUCED  
VIA THE MUR (MATERIAL USE RATIO)  
APPROACH AND BY OPTIMISING MACHINED  
MECHANICAL PARTS**

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.

#### 5.4.2.1. REDUCING CONSUMPTION OF OTHER MATERIALS

Excluding casting and metal waste, production waste comprises 71% non-hazardous waste and 29% hazardous waste. This ratio has increased in favour of non-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

DPEF.16 | DPEF.18 | DPEF.20

### WITHIN THE PCD 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.

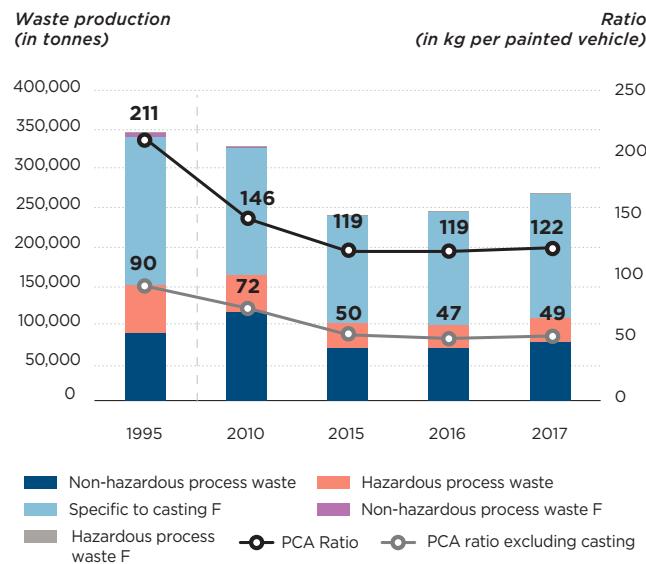
To meet these targets, design efforts are initially needed to optimise the packaging necessary to build a vehicle to avoid producing waste. Secondly, when waste production is unavoidable, the most environmentally-friendly method of recycling or recovery should be identified and implemented, so that a portion of the Group's waste is incorporated into the circular economy, where it is reused.

Apart from scrap metal (sheet metal, turnings, etc.), which is almost entirely recovered and can be reused in the steel industry or 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

(PCD Automotive Division excluding metal waste, almost all of which is recycled, for 2017)



5.4. Waste and materials cycle: optimise production processes to reduce the use of resources and increase waste recovery

The amount of waste not including scrap metal per vehicle produced was 122 kg in 2017, up by about 3 kg compared with 2016. On the one hand, this increase is due to an increase in demolition waste (about 1 kg) resulting from the first plant compaction processes, in particular for Française de Mécanique. On the other hand, the increase stems mainly from the casting facilities, which are highly committed, but also strongly increased the share of sand regenerated on-site.



The geographic distribution of the total volume of waste in 2017 was as follows: 90% for the European Union and 10% 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.

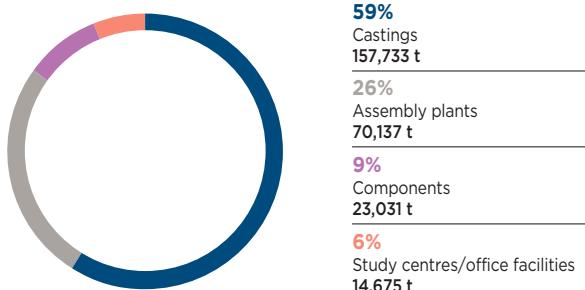
In 2017, the amount of waste generated per vehicle excluding casting and metal components was 49 kg, a decline of about 2 kg per vehicle, or +4%. This increase is apparent mainly in Sochaux, Mulhouse and Poissy, where the launch of new vehicles (PEUGEOT 3008, DS 7) led to the use of a high volume of non-returnable packaging (wood and cardboard boxes), increasing the share of non-hazardous waste (+2.5 kg/veh.) whereas the share of hazardous waste continues to decline (-0.3 kg/veh.), confirming the Group's efforts to reduce the share of hazardous products in its processes.

**The trend of reduced waste per unit produced remains a major initiative at each site.** Although performance was limited in 2017 by the many launches and the success of some models requiring the use of non-returnable packaging, the Business Club has produced many good ideas, which are suggested to the other plants. If several plants adopt these working methods, they will become best practices and may be implemented in all similar plants.

The waste production figures are based on the European waste and disposal method categorisations.

#### BREAKDOWN OF WASTE PRODUCTION BY BUSINESS

(PCD Automotive Division, excluding scrap metal, 2017)

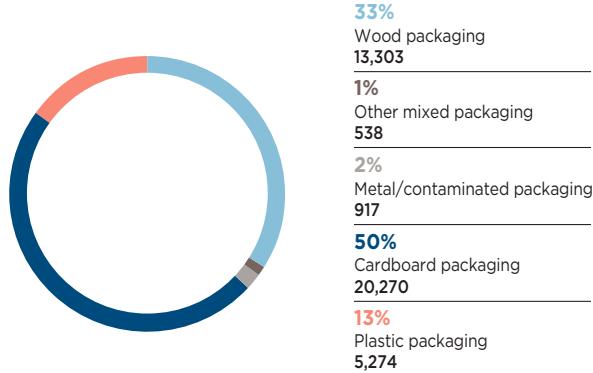


Due to their operations, the two castings at Charleville-Mézières and Sept-Fons alone generate over half of overall waste by quantity,

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

(PCD Automotive Division, 2017)



Packaging waste accounts for a significant proportion of the waste produced on the various sites. This waste represented 40,880 tonnes in 2017 (versus 39,000 in 2016). 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 non-returnable packaging. In 2018, the Group will make efforts to define packaging solutions including a CO<sub>2</sub> dimension throughout the life cycle of this equipment. This study aims to strike the best compromise between the cost of packaging (including their end-of-life disposal) and CO<sub>2</sub> emissions throughout their use, with a view to integrating these conclusions to define the packaging solutions used in future projects.

1% of this waste (427 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. The processing channels remain stable. 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, 7% (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 1,697 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 CITEO (formerly "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, the Industrial Department remains well below the threshold (5 tonnes).

### 5.4.3. Fostering recycling and waste recovery by implementing circular economy systems

DPEF.18 | DPEF.20 | G4-EN2 | G4-EN23 | G4-EN25 | SASB-01

#### WITHIN THE PCD AUTOMOTIVE ACTIVITIES

**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. Analysis of these options began in 2017, and the waste component will be included in the review of the environmental vision for 2025.

In 2017, the plants generated 714,963 tonnes of waste, taking into account metals, internally recycled casting waste, and all production waste.

Metal waste (not shown in the graphs and tables below) makes up the largest part of this volume at 449,697 tonnes. Often no longer classified as waste, these by-products are recycled in the Group castings or in the steel industry.



Internal facilities for the regeneration of casting sand at Charleville-Mézières and Sept-Fons processed 103,320 tonnes in 2017, representing an increase of 7.7% in processed tonnage (+7,400 tonnes). This very short cycle (since the processing is performed directly at the production site before the cleansed sand is reused) confirms its performance and makes it possible to meet nearly all of the installations' sand requirements.



5

Furthermore, in 2017, the Group's castings recycled 58,330 tonnes of metal waste purchased externally.

Actions undertaken for several years to optimise waste treatment channels continue. Landfill was divided by 15 in 20 years. In 2017, the amount of landfilled waste reached 6,117 tonnes, i.e. 2.8 kg per vehicle. The landfilled waste produced by European assembly plants has been identified. It concerns three types of waste:

- household waste, collected by the municipalities (Madrid, Mangualde) for which the processing channels are decided by these collectors. At SevelNord, household waste is also buried, since it cannot be incinerated nearby;
- sludge from treatment stations (Vigo, Mangualde) for which economic alternatives are being examined;
- the disposal of large, plastic bodywork parts (Rennes).

Economic and technical analyses are also under way for these last two categories, and include any pre-treatment and 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. In 2017, as part of the relocation of the Ile de France office activities, a solution for recycling and reusing second-hand professional furniture has been set up in partnership with VALDELIA, an environmental organisation accredited by the French Ministry of Ecology, Sustainable Development and Energy. Furniture in a good condition was reused by the Group's other plants based on the Carry Over principle (see § 5.1.3.4.) or entrusted to local partners of the social and solidarity economy (like Emmaüs). Furniture in a poor condition was moved to a processing centre to produce energy, or recycled (transformed into secondary raw materials). Such furniture recovered by VALDELIA represented a total amount of 700 tonnes.

5.4. Waste and materials cycle: optimise production processes to reduce the use of resources and increase waste recovery

Excluding metal waste, 83% of waste is recovered as either material or energy, through recycling or ballast.

Drawing on all of these actions, 96.8% of waste produced (metals included) at the PSA Automobiles plants worldwide are recovered in processing centres. This performance confirms the regular reduction of this processing method, due firstly to increased internal recycling, and secondly to a reduction in waste generated on-site. On this same basis, landfill waste represents less than 1% of the total amount.



## WITHIN PCD AUTOMOTIVE TRADE

**For dealership networks in Europe, Groupe PSA confirms its intention to sign framework agreements with specialist hazardous and non-hazardous waste management providers.** This approach helps to optimise waste monitoring and ensure waste traceability within the processing channels. It is one of the performance targets for the employees responsible for economic management within the PSA Retail Division.

In 2017, accordingly, the framework contract rolled out in France increased the share of recoverable waste in hazardous waste by 9%.

A constant effort to characterise the processing channels has been implemented in the dealership network since 2016 to assign the processing channels to the waste produced, thereby reducing the amount of waste assigned by default to landfills. Although performance has weakened in this regard, the effort is maintained, in particular in the United Kingdom scope, which contributes 45% of the volume declared in the landfill process.

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

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, are intended to optimise the management of environmental aspects associated with business of the points of sale:

- **p**orting of automotive waste which is then collected by approved bodies;
- **p**compliance of plants with national and European regulations;
- **p**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

CITROËN was the first car manufacturer to offer, in 2009, a label for its repairers most committed to sorting and recycling.

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:

- **p**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;
- **p**after three years of consecutive certification, the label becomes Autoecoclean Silver;
- **p**after two additional years, points of sale which still meet their commitments receive the Autoecoclean Gold label.

Many points of sale of the France dealership network have Autoecoclean labels. At the end of 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 had 387 certified sales outlets (123 Bronze and 264 Silver).

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.

## AMOUNT OF WASTE BY DISPOSAL METHOD

(PCD Automotive Division, 2017)

(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>2017</b>	<b>1,511</b>	<b>52,819</b>	<b>794</b>	<b>55,124</b>	<b>103,320</b>
2017 ratio (kg/car)		0.7	24.3	0.3	25.4	47.5
	2016	4,830	43,671	0	48,501	95,946
	2015	3,325	47,272	32	50,629	85,737
<b>Non-hazardous waste</b>	<b>2017</b>	<b>4,328</b>	<b>67,386</b>	<b>4,013</b>	<b>75,727</b>	<b>1,744</b>
2017 ratio		1.99	30.99	1.84	34.83	0.8
	2016	4,570	58,962	2,413	65,946	2,240
	2015	4,582	59,792	2,777	67,151	980
<b>Hazardous waste</b>	<b>2017</b>	<b>278</b>	<b>19,060</b>	<b>11,839</b>	<b>31,177</b>	
2017 ratio		0.13	8.77	5.45	14.34	
	2016	461	16,515	12,652	29,628	
	2015	497	18,092	14,267	32,857	0
<b>TOTAL</b>	<b>2017</b>	<b>6,117</b>	<b>139,265</b>	<b>16,646</b>	<b>162,028</b>	<b>105,064</b>
2017 ratio		2.81	64.05	7.66	74.5	48.32
	2016	9,861	119,148	15,065	144,075	98,186
	2015	8,404	125,156	17,076	150,637	86,717

(1) Of the 16,646 tonnes of waste recorded under "Other disposal methods", hazardous waste comprises:

- liquid effluents for half of its volume (paint effluents, water from washing machines or cutting liquids from components factories, etc.), half of which is incinerated without energy recovery (calorific value too low), while the other half is subject to additional physical and chemical processing to separate the different fractions;
- the other half of its volume comprises sludge, mainly from our internal processing stations. This sludge is processed in nearly the same way as liquids, mainly via incineration and physico-chemical treatment.

Mixed common waste represents non-hazardous waste, which is incinerated due to its similarity to household waste.

(2) The quantity of on-site recycled waste saw a considerable increase (+7,400 tonnes) thanks to the ramp-up of the sand regeneration facility at Sept-Fons. Other internal recycling concerns wood derived from pallets used for the Vesoul wood furnace and the reuse of packaging at Vigo.

This table does not include metal waste (449,696 tonnes in 2017, 100% of which is recycled).

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 2017, the total amount of waste produced by the PCD Automotive Division increased slightly to 122 kg/car. However, the share of recovered waste processed externally reached 86%, up 3%, whereas the share of waste recycled internally followed production patterns.

Outside of the casting facilities, the waste per car produced ratio was 49 kg. The share of hazardous waste continues to decline (-0.3 kg/car), and waste which generates the increase is recovered in full, contributing to the improved share of recovered waste (+2%) to 81%. Landfill waste was 2.1 kg per vehicle and continues

to decline. In terms of total waste produced, metal included, this channel represents less than 1% of the outfalls.

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 ASSEMBLY PLANTS OUT OF 9

IN EUROPE CONFIRM THE  
ZERO BURIED WASTE TARGET

5.4. Waste and materials cycle: optimise production processes to reduce the use of resources and increase waste recovery

(Of which PCD Automotive Activities, of which France, 2017)

(unit: t)	Year	Landfill disposal	Recovery and recycling	Other disposal methods	Total	On-site recycling
<b>Foundry waste</b>	<b>2017</b>	<b>1,511</b>	<b>52,819</b>	<b>794</b>	<b>55,123</b>	<b>103,320</b>
	2016	4,830	43,671	0	48,501	95,946
	2015	3,325	47,272	32	50,629	85,737
<b>Non-hazardous waste</b>	<b>2017</b>	<b>1,395</b>	<b>35,259</b>	<b>3,805</b>	<b>40,459</b>	<b>1,697</b>
	2016	1,491	32,162	2,259	35,912	2,184
	2015	1,432	34,921	2,700	39,053	952
<b>Hazardous waste</b>	<b>2017</b>	<b>174</b>	<b>12,519</b>	<b>9,722</b>	<b>22,416</b>	<b>0</b>
	2016	202	11,528	10,333	22,063	0
	2015	240	12,671	11,454	24,365	0
<b>TOTAL</b>	<b>2017</b>	<b>3,080</b>	<b>100,597</b>	<b>14,321</b>	<b>117,998</b>	<b>105,017</b>
	2016	6,523	87,360	12,592	106,475	98,130
	2015	4,997	94,864	14,186	114,047	86,689

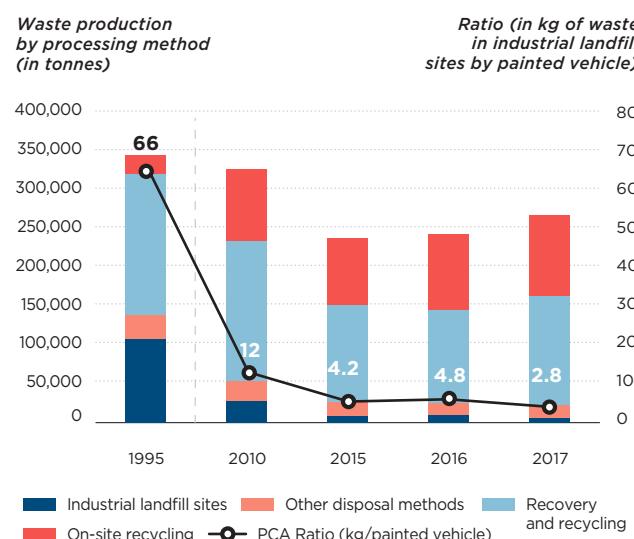
(Of which PCD Automotive Trade - brand network scope (excluding metal waste), 2017)

(unit: t)	Year	Landfill disposal	Recovery and recycling	Other disposal methods	Total
<b>Non-hazardous waste</b>	<b>2017</b>	<b>991</b>	<b>6,448</b>	<b>102</b>	<b>7,541</b>
	2016	346	8,892	58	9,296
	2015	5,244	4,856	20	10,120
<b>Hazardous waste</b>	<b>2017</b>	<b>53</b>	<b>3,242</b>	<b>156</b>	<b>3,450</b>
	2016	24	3,221	201	3,447
	2015	250	3,196	251	3,697
<b>TOTAL</b>	<b>2017</b>	<b>1,044</b>	<b>9,690</b>	<b>258</b>	<b>10,991</b>
	2016	370	12,113	259	12,742
	2015	5,495	8,052	271	13,817

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

## CHANGES IN THE AMOUNT OF WASTE BY DISPOSAL METHOD

(PCD Automotive Division, excluding metal waste, 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 2017, the Group produced 31,177 tonnes of waste classified as hazardous, representing an increase in absolute terms, but a slight decline in the per vehicle produced ratio in real terms. The efforts made in recent years to optimise the process and replace products generating hazardous waste with other products, wherever possible, are bearing fruit. However, these changes often impact heavily on manufacturing processes, such as the transition to nickel-free surface treatment. 2017 was not a year with such changes, and the progress is related to improvements in everyday practices.

### 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 gradually making efforts to phase out landfill waste (2018 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. 278 tonnes of hazardous waste are treated through this channel. More than half of this waste (149 tonnes) contains asbestos from the deconstruction or renovation of buildings in nearly all plants. The rest comprises mainly sludge from processing stations, for which there is currently no efficient processing channel. 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.

The portion of hazardous waste declined slightly compared with 2016, to 14.34 kg per vehicle. Moreover, in this waste category, the recovered portion now accounts for more than 61% of the processing methods. Material recovery is the main processing method (70% of waste). This applies to sludge loaded with solvents or metal, and machining waste (cutting liquids, filter cloths), which is

processed at facilities separating the various stages and recovering 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.

Lastly, general waste (a mixture of water and hydrocarbons from separators on all site roads and car parks, physicochemical treatment plant sludge) 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. More marginally, 69 tonnes of railway sleepers containing chemical products were incinerated in dedicated facilities.

### Cross-border transfer of waste G4-EN25

In 2017, waste exported from France to other Member States of the European Community (Belgium) represented 1,782 tonnes, i.e. less than 1% of the total waste generated (excluding metal waste).

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 Trémery and Française de Mécanique. It is also noteworthy that, following changes to processes in Charleville-Mézières, a different type of waste is produced, making it possible to find a processing channel in France (and not Belgium), thereby reducing the amounts exported.

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 to Spain (75 tonnes) are similar to those in 2016 (78.5 tonnes).

## 5.5. Controlling the water cycle on 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 include 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 Groupe PSA 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-EN8 | 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

DPEF.22

**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 confirmed their strong performance of 0.94 m<sup>3</sup> per car in 2017 and serve as a benchmark for the other plants.

### ANNUAL WATER ABSTRACTION BY SOURCE AND BUSINESS

Water abstraction (in m<sup>3</sup>)

Entities	Year	City water	Surface water	Underground water	Total
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>1,870,739</b>	<b>2,914,497</b>	<b>2,711,309</b>	<b>7,496,545</b>
	2016	1,776,519	3,151,690	2,836,853	7,765,062
	2015	1,848,222	3,116,964	2,411,330	7,376,516
<b>Of which PSA Automobiles SA</b>	<b>2017</b>	<b>973,057</b>	<b>1,925,650</b>	<b>2,093,743</b>	<b>4,992,450</b>
	2016	966,990	2,102,673	2,196,372	5,266,035
	2015	989,006	1,833,538	1,859,049	4,681,593
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>404,806</b>			<b>404,806</b>
	2016	457,421	0	0	457,421
	2015	507,657	0	50	507,707
<b>TOTAL</b>	<b>2017</b>	<b>2,275,545</b>	<b>2,914,497</b>	<b>2,711,309</b>	<b>7,901,351</b>
	2016	2,233,940	3,151,690	2,836,853	8,222,483
	2015	2,355,879	3,116,964	2,411,380	7,884,224

The water consumption per car produced ratio was 3.43 m<sup>3</sup>. It is in line with the 2018 target of 3.3 m<sup>3</sup> and confirms that the 2016 performance (3.81 m<sup>3</sup>) was related to specific situations handled by the plants concerned.

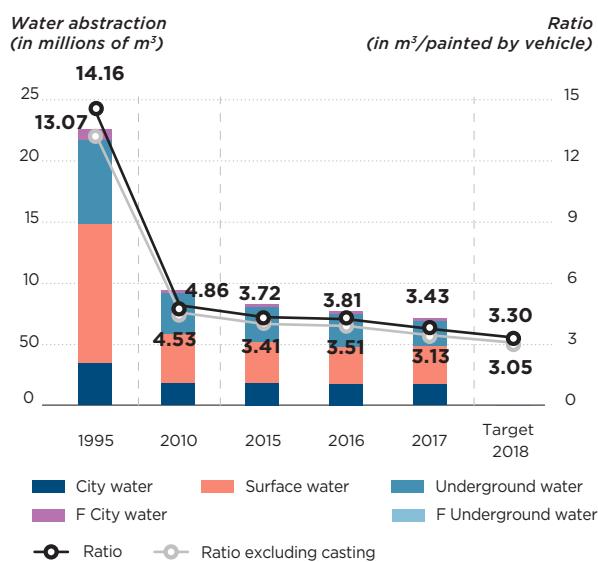
We recorded an 11% decline **in the dealership networks** with respect to the 2016 financial year, for which the main contributors were Spain and Germany, with a 10% reduction.

**Data for the brands** was reported from 90% of sites in 2017 (94% in 2016 and 87% 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

(PCD Automotive Division)



The geographic breakdown of water abstraction in 2017 was as follows: 92% for the European Union and 8% for the rest of the world.

### 5.5.2. Significant industrial effluent discharges G4-EN22

#### 5.5.2.1. GROSS INDUSTRIAL EFFLUENT DISCHARGE

Gross discharges into water from plants (in kg/year)

Entities	Year	COD	BOD5	MES
<b>PCD Automotive Activities</b>	<b>2017</b>	<b>1,498,471</b>	<b>564,996</b>	<b>271,341</b>
	2016	1,467,091	511,104	260,032
	2015	1,469,661	513,618	307,587
<b>Of which PSA Automobiles SA</b>	<b>2017</b>	<b>837,084</b>	<b>258,243</b>	<b>245,623</b>
	2016	856,746	241,452	242,068
	2015	850,134	218,599	189,491
<b>PCD Automotive Trade</b>	<b>2017</b>	<b>nc</b>	<b>nc</b>	<b>nc</b>
	2016	nc	nc	nc
	2015	nc	nc	nc
<b>TOTAL</b>	<b>2017</b>	<b>1,498,471</b>	<b>564,996</b>	<b>271,341</b>
	2016	1,467,091	511,104	260,032
	2015	1,469,661	513,618	307,587

COD = chemical oxygen demand

BOD5 = biochemical oxygen demand in five days.

SM: suspended matter.

nc/k = not known.



IN 20 YEARS, WATER CONSUMPTION PER VEHICLE PRODUCED WAS

**DIVIDED BY 4**

#### 5.5.1.3. RECYCLED AND REUSED WATER

DPEF.16 DPEF.18 DPEF.22 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. Evapo-concentration 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.

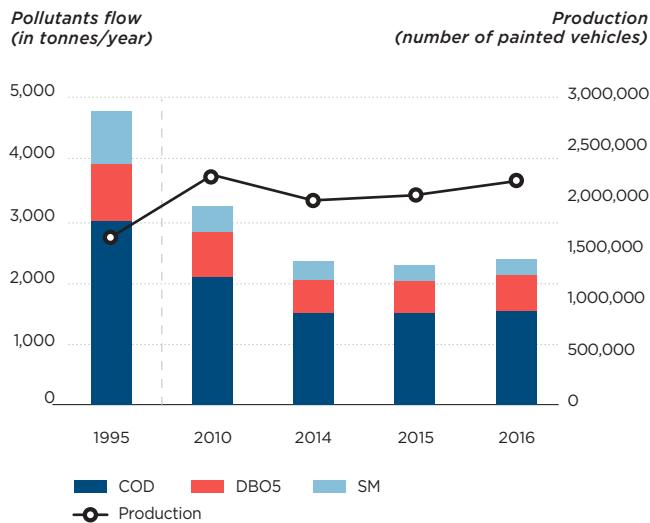


**2 MILLION M<sup>3</sup>**  
OF WATER RECYCLED EVERY YEAR, EQUAL TO MORE THAN A QUARTER OF THE GROUP'S TOTAL CONSUMPTION

## 5.5. Controlling the water cycle on facilities

### 5.5.2.2. CHANGE IN GROSS INDUSTRIAL EFFLUENT DISCHARGE DPEF:18

(PCD 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. The quality of the discharges remains relatively stable across all production types, which indicates a certain consistency in these discharges. The major factor in determining the wastewater quality is the type of manufacturing processes. Accordingly, no significant change to water-using processes was made in 2017, which largely explains this performance.

The geographic breakdown of pollutant flows in 2017 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 2017, these sites represented 97.8% of all water abstraction by PSA Automobiles SA plants.

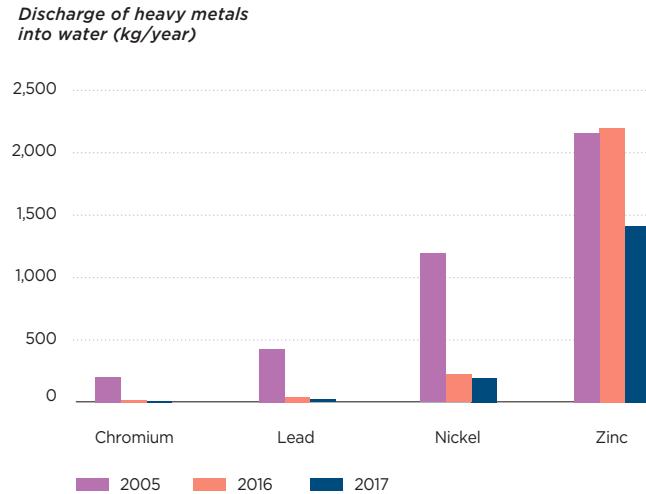
### 5.5.2.3. DISCHARGE OF HEAVY METALS INTO INDUSTRIAL EFFLUENTS

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. A new supervisory phase including new substances will be launched in France in 2018.

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 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



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, Kaluga and Mulhouse sites. This new surface treatment is the main driver of the recorded 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. The amount of these facilities is reducing on the back of compaction

processes, which means the production equipment is grouped together. This decrease in the number of air-cooling towers leads to a drop in the use of processing products containing zinc, which explains the significant reduction in zinc discharges measured in the waste.

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 biodiversity efforts G4-DMA G4-EN13

The Groupe PSA'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 DPEF.25 G4-EN11

The Group's manufacturing facilities worldwide include 21 manufacturing plants and 13 study centres and tertiary sites. In 2017, the *Grande Armée* and Saint Ouen office facilities (P17) ceased their activity and the registered office of PSA was transferred to a new site at Reuil-Malmaison. For the year 2017, this operation added a site to the list of office facilities and study centres. On the other hand, the Jeppener site in Argentina was sold during the year, reducing the number of plants. These 34 facilities occupy an area of approximately 3,678 ha, of which 44% are waterproofed, i.e. a decrease of approximately 1.2% of built-up area. This decline is due to the disposal of land at *Française de Mécanique*, which offsets the reintegration of the stamping activity at the Buenos Aires plant in

Argentina, and the co-existence in 2017 of the *Grande Armée*, P17 and Rueil-Malmaison office facilities.

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-Mézières, 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-Mézières	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	3,169,106	63%	Less than 1 km	Natura 2000 area
Sept-Fons	Casting	202,262	48%	Less than 1 km	Natura 2000 area
Trnava	Automotive production	1,825,754	32%	Over 3 km	Natura 2000 area
Valenciennes	Gearbox production	890,000	35%	Between 1 and 3 km	Regional nature park
				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. Biodiversity efforts DPEF.19 DPEF.29 G4-EN12

### EMBRACING BIODIVERSITY AT GROUPE PSA MANUFACTURING PLANTS

**Measures required to preserve natural habitats, flora and fauna 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.

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. Examples include:

- **p**the plants in Rennes (France) and Madrid (Spain) have conducted flora assessments so that their open space management programmes can be adjusted accordingly;
- **p**the production facilities in Porto Real (Brazil) and Sochaux (France) have rehabilitated land on which to plant indigenous species.
- **p**Forests at the Belchamp and La Ferté-Vidame sites have earned Pan-European Forest Certification (PEFC) for their sustainable management practices;
- **p**at the Belchamp plant, the teams suggest around ten arboretum tours to employees over the year so that they can discover the rich biodiversity of the 320-hectare forest at the site. 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;
- **p**Sevel Nord has also 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;
- **p**an agricultural grazing experiment was conducted at the Trémery plant: an agreement was signed with a local breeder, and a herd of ewes grazed on the plant's undeveloped land during the warmer months. This positive experience for all (the ewes enjoyed a quiet environment and were well kept within the plant, while maintaining the land, which is not very accessible to motorised vehicles) will be renewed and extended to two plants within the Group's Industrial Division in the Lorraine region.

### THE PEUGEOT-ONF FOREST CARBON SINK PROJECT IN THE AMAZON

The PEUGEOT brand, in partnership with France's National Forestry Office (ONF), has contributed to the PEUGEOT-ONF forest carbon sink project it has sponsored in the Amazon since 1998. The project involves reforesting areas of degraded land and restoring biodiversity, while studying the relationship between reforestation and the absorption of atmospheric carbon dioxide.

**At the end of 2015, when the project had already been running for 17 years, the total amount of carbon sequestered by the biomass and soil was estimated to be 702,974 tonnes of CO<sub>2</sub> equivalent** according to the measurement methods of the VCS (Verified Carbon Standard). The corresponding 632,676 carbon credits were sold under the VCS protocol methodology. The revenues thus collected are systematically reinvested in the project.

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

**2 million trees, including more than 50 native species, were reintroduced in a plantation of nearly 2,000 hectares.** 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.

New global species were discovered in 2016: a new fish named "Hyphessobrycon peugeotii" and a new species of beetle called "Hansreia peugeotii".



### RELATIONS WITH STAKEHOLDERS

The carbon sink's long-term success hinges on its seamless integration into the region's economic and social fabric. In 2012, the project partners set up PETRA, an experimental platform for the management of Brazilian Amazon rural lands, to develop initiatives aimed at reconciling economic activities with the preservation of the forest in rural Amazon. 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

### INCLUSIONS IN THE SCOPE

The environmental indicators 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 2017:

- “**PCD Automotive Activities**” gather production plants activities, R&D centres, and office facilities activities, e.g 34 sites, including 27 in France.
- “**PCD Automotive Trade**”: operations of the PEUGEOT, CITROËN and DS AUTOMOBILES dealership networks (headquarters of the retail dealerships, PEUGEOT, CITROËN and DS AUTOMOBILES

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 PCD Automotive Trade thus comprised 278 sites in 2017.

Regarding Mister Auto, an environmental issue was identified as being material with respect to its activities: logistic-related greenhouse gas emissions. Stocks of MisterAuto parts are located at Groupe PSA's spare parts warehouses whose energy consumptions are included in the Automotive Trade reporting.

These two scopes are collectively referred to as the “**PCD Automotive Division**”.

### PCD Automotive Activities, including PSA Automobiles SA

For the PCD Automotive Activities, the scope of consolidation includes production plants, technical and IT centres, the spare parts centre in Vesoul and the main office establishments.

The PCD Automotive Activities sites included in the consolidation scope are the following:

5			
<b>PCD Automotive Activities (34 sites)</b>			
<b>France</b>	Belchamp Bessoncourt Caen Carrières-sous-Poissy Charleville-Mézières Hérimoncourt La Ferté-Vidame La Garenne-Colombe Metz	Douvrin (formerly Française de Mécanique) Mulhouse Paris Grande-Armée Paris 17th arrondissement Poissy Poissy Offices division Rennes Saint-Ouen Hordain (formerly SevelNord)	Sept-Fons Sochaux Trémery Valenciennes Vélizy Vesoul CITROËN RACING PEUGEOT SPORT Rueil-Malmaison
<b>Spain</b>	Madrid	Vigo	
<b>Portugal</b>	Mangualde		
<b>Slovakia</b>	Trnava		
<b>Argentina</b>	Buenos Aires		
<b>Brazil</b>	Porto Real		
<b>Russia</b>	Kaluga		

## 5.7. Reporting scope and methodology

**PCD Automotive Trade**

The PCD Automotive Trade reporting data covers dealership activity for the PEUGEOT, CITROËN and DS AUTOMOBILES brands set out below:

- p commercial subsidiary registered offices;
- p the proprietary dealership network for the PEUGEOT, CITROËN and DS AUTOMOBILES brands;
- p training centres;

- regional offices;

- Groupe PSA spare parts warehouses.

In 2017, sites of less than 6,000 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.

278 sites are referenced in the scope of the automotive trade in 2017. As some of them comprise multiple activities, it was decided that the consolidation of data would relate to the site's main activity.

<b>PCD Automotive Trade (278)</b>	<b>Commercial subsidiaries (10)</b>	Algeria	Belgium	Italy
	Germany	Brazil	Portugal	
	Argentina	Spain	Switzerland	
<b>PSA Retail dealership network (242)</b>	Germany	Spain	Poland	Switzerland
	Austria	France	Portugal	
	Belgium	Italy	United Kingdom	
<b>Dealership network excl. PSA Retail (10)</b>	Algeria	Argentina	Chile	Japan
<b>Training centres (1)</b>	United Kingdom			
<b>Regional offices (1)</b>	United Kingdom			
<b>Spare parts warehouses (14)</b>	Germany	Spain	United Kingdom	
	Argentina	France	Russia	
	Austria	Italy		
	Belgium			

Coverage rates for the automotive trade, presented in the comments of the results, 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.**

**EXCLUDED FROM THE SCOPE**

However, the transport of Mister Auto parts is not included in Groupe PSA's upstream or downstream logistics reporting (scope 3) but it accounts for less than 1% of Groupe PSA's transport costs, which in turn accounts for 1.4% of the Groupe PSA's global carbon footprint. The impact of the transport of Mister Auto parts on the Groupe PSA's global carbon footprint is therefore considered to be non-material.

The Jeppener site in Argentina was sold in 2017. Considering this site's very limited contribution to the Group's environmental indicators (between 0.2% and 0.6% in 2016), it has been excluded from the scope of reporting as of this year.

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 environmental data of BANQUE PSA FINANCE account for a marginal proportion of the Group's emissions and consumption and are therefore not consolidated in the environmental reporting.

**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.



# 6

## ETHICAL PRACTICES, ECONOMICS AND CORPORATE GOVERNANCE

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Groupe PSA has identified two significant issues in terms of "governance, ethical practices and economy":

■ **Issue "Ethics in business practices" - Internal and external impacts**

Adhering to regulations and ethical principles is the only way to ensure fair and balanced business relations, while preserving the interests of civil society. These ethical principles pertain to lobbying practices, anti-corruption or the promotion of sustainable relations with suppliers and the dealer network. Leading groups such as Groupe PSA play a key role in these fields, in order to build trust between civil society and economic players.

In particular, car manufacturers must make sure that their activities, including 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 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, the United Kingdom and now France, extends beyond national borders.

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 Groupe PSA in the area of Corporate Social Responsibility.

These elements are detailed in this chapter, sections 6.1 and 6.3.

■ **Issue "Balanced governance and 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, the various stakeholders (government officials, public opinion) are demanding full transparency in fiscal matters: the European Commission has already ordered banking institutions to report, for each country, the taxes paid and subsidies received. This directive will be extended to all sectors after 2017.

Core industrial firms like the Groupe PSA 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.

Groupe PSA's governance method has evolved to better incorporate CSR issues, the aspects of which are detailed in this chapter in sections 6.2, 6.4 and 6.5.

Faced with these challenges, the Group has set up the following systems.

## COMMITMENTS SCOREBOARD

 MACRO-RISKS	 CSR ISSUES	 AMBITIONS*	 TARGETS 2017	 RESULTS 2017	 TARGETS 2018*
<b>HUMAN RIGHTS AND BUSINESS ETHICS VIOLATION</b> 	<b>ETHICS IN BUSINESS PRACTICES</b> Organiser: General Secretary	<b>BY 2035</b> <ul style="list-style-type: none"> <li>■ Discourage, by its ethical reputation (100% of employees have signed up to the anti-corruption code and Code of Ethics), any attempts of direct or indirect corruption, and take part in eliminating corruption in cooperation with partners and suppliers (including via their third-party assessment)</li> <li>■ Maintain a policy of transparency on the positions that the Group defends and disclose the list of interest groups to which it adheres in its various implantation regions.</li> </ul>	<ul style="list-style-type: none"> <li>■ Strengthen 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 <i>Modern Slavery Act</i> and its joint venture partners are aware they must respect fundamental human rights.</li> <li>■ The Code of Ethics for Responsible Lobbying has been disseminated among the relevant Group players.</li> </ul>	<p>Targets partially met:</p> <ul style="list-style-type: none"> <li>■ An anti-corruption code was published after unions approved it. It was distributed across all countries. It is displayed in establishments.</li> <li>■ The contract was signed with a service provider to implement a new whistleblowing system, but the effective implementation was deferred until 19 March 2018.</li> <li>■ The Group published mandatory declarations and necessary actions are taken related to OV. The joint venture partners received the anti-corruption code. The "Responsible Purchasing" Charter was signed by one of the Iranian partners.</li> </ul>	<ul style="list-style-type: none"> <li>■ Get managers from PCD's main country locations to adhere to the anti-corruption code: <ul style="list-style-type: none"> <li>- roll-out carried out in at least 10 of the main countries;</li> <li>- 70% of the managers targeted formally confirmed their commitment.</li> </ul> </li> <li>■ Roll out the Code of Ethics and the anti-corruption code for 100% of OV employees.</li> <li>■ Roll out the whistleblowing system across all countries where Groupe PSA has employees (PCD+OV).</li> <li>■ Publish the Code of Ethics for Responsible Lobbying in the Corporate Rules corpus governing the behaviours expected from the Group's employees.</li> </ul>
<b>UNBALANCED ECONOMIC DEVELOPMENT OF TERRITORIES</b> 	<b>BALANCED GOVERNANCE AND DISTRIBUTION OF ADDED VALUE</b> Organiser: General Secretary	<b>BY 2035</b> Between 2025 and 2035, disclose the distribution of value creation by region of operations (between territories, suppliers, employees, governments, shareholders, technological development).	Country-by-Country report for financial year 2016 filed with the French tax authorities.	Target met: Groupe PSA implemented appropriate IT systems in order to produce Country By Country Reporting for tax administrations. Financial Year 2016 report has been addressed in time to the French authorities in the required format.	Include OV entities in the Country By Country Reporting that will be implemented in 2018 on 2017 financial statements.

\* The Group's targets shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, OPEL and VAUXHALL operations, being recovered in the PACE! plan, will not make it possible to always have a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to Groupe PSA's entire scope (PCD and OV).

## 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 outlook is formalised through policies, signing of agreements (Global Framework Agreement) or adhering to international standards (Global Compact).

This requirement leads to collective commitments with its stakeholders: customers, employees, shareholders, partners, wider civil society. 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; established reference guides; prevention and control systems; results in line with expectations.

### 6.1.0. The Group's innovating adaptation to the changing regulatory environment

**Groupe PSA's approach, as reinforced in 2017, is unique in the close association between operating activities and ethics and compliance management.**

Far from being a superstructure away from the field and its reality, ethics and compliance are driving each decision level. In addition, managers taking them to the various levels themselves are implementers with responsibilities, often in the field most impacted by the relevant topic: for instance, the Compliance Officer type approval is responsible for the relevant entity and implemented the procedures required in his/her department. With this principle, it is possible to provide various "ethics and compliance" players with a strong legitimacy in the eyes of employees, while ensuring asserted awareness on ethical requirements, thereby related to the backbone of operations.

In parallel, in 2017, the team responsible for facilitating departments on this topic, now known as METRIC (Management of Ethics, Risks, Internal Control and Compliance), was reinforced, by closely linking

risk management and internal control with compliance. In June 2017, the Chairman of the Managing Board took part in an entire session bringing together the various compliance players to ratify this approach and mark his personal commitment to these topics.

#### Adaptation of the anti-corruption system based on the Sapin 2 Law

Based on this principle of association between implementers and compliance, the Group significantly renewed its anti-corruption system in line with the eight measures required by the Sapin 2 Law, Article 17. The Anti-Corruption Compliance Officer, nominated in 2016, is therefore a Head of Purchasing Department who has played various roles, including Head of Management Control. In parallel, the Group implemented the eight new measures as required, with the implementers' support as part of a reinforced anti-corruption programme (see section 6.1.3.2.)

### 6.1.1. Organisational structure of ethical governance bodies and players DPEF.37 G4-DMA G4-SO4

#### 6.1.1.1. A FOUR-TIER ETHICS AND COMPLIANCE POLICY

##### 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, the Head of the Group's Protection, Audit and Risks and, since July 2015, the Chief Legal Officer (new Competition Compliance Officer). The Anti-Corruption Compliance Officer took part in all of the Committee's sessions in 2017.

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.

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 "ethics cases" reported to it;
- 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.

The Ethics Committee met four times in 2017.

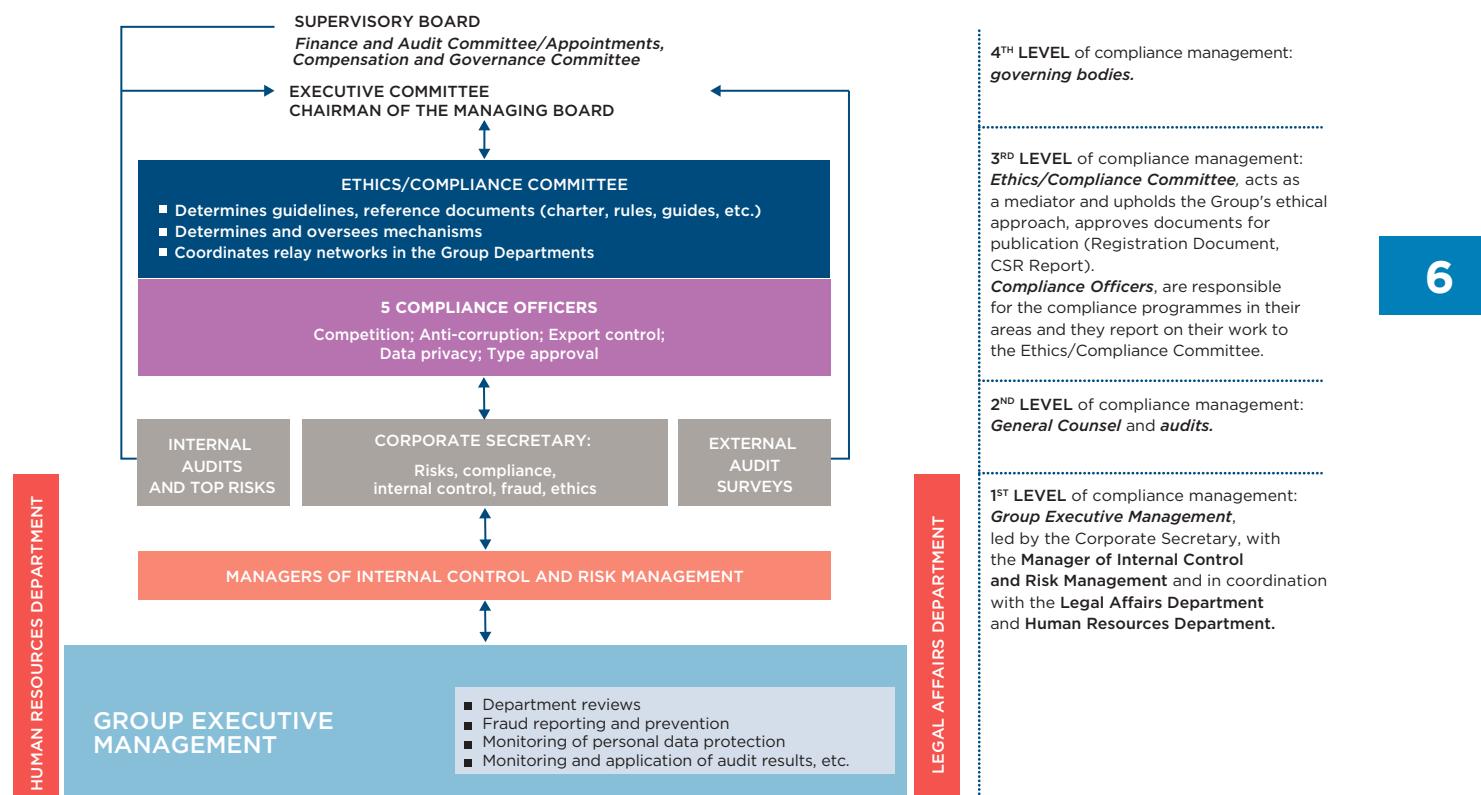
## The four levels of ethics governance and compliance

The 20 Group departments, led by members of the Executive Committee or by Heads of Departments reporting to the Chairman of the Managing Board, are the **first** and most critical **level** in enforcing the ethics and compliance policy. The departments, led by their Internal Control and Risk Manager (ICRM), who in turn is supervised by the General Secretary and the Compliance Officers, roll out the core components of the policy under the leadership of the Head of Department. 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 METRIC (Management of Ethics, Risks, Internal Control and Compliance) reviews, a major highlight of the policy. In all, the departments and their heads are responsible for applying the Code of Ethics and compliance imperatives in their area, and for implementing suitable systems

according to the risk levels identified. They define and monitor the related KPIs.

- The internal and external audits are the **second level** of compliance management. In fact, the Audit and Risk Management Department checks that the processes have actually been implemented and assists departments with internal control. 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 and Compliance Committee, with the assistance of the five 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 get involved at the **fourth level**, if they are referred to by the Managing Board and 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



### 6.1.1.2. DISTRIBUTION OF THE VARIOUS PLAYERS' ROLES AND RESPONSIBILITIES

#### The Compliance Officers

In 2016, competition, anti-corruption, data privacy and type approval Compliance Officers were appointed. In late 2017, they were joined by an Export control Compliance Officer, who manages and ensures the Group's operations comply with sanction and embargo policies applying to specific countries, entities or individuals.

**These five areas embody the core areas of compliance in the automotive industry, and Compliance Officers play a key role in this monitoring system.**

They report to the Group General Secretary, who directs them, both individually and collectively, and report their activities annually to the Group Ethics Committee. This includes using the Managers of Internal Control and Risk Management (ICRM) to ensure that the compliance programmes that they are establishing in their respective fields are deployed within the departments and to check their implementation. If an action infringes the Group's rules, they have the capacity to block it.

More specifically, the Compliance Officer, liaising with external regulators:

- 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;

## 6.1. Ethical practices in business relations

- 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.

As an example, in 2017, the Anti-Corruption Compliance Officer visited all Department Committees of the most sensitive departments for awareness raising activities and ensured that all newly formed teams in Morocco and the team of the future expatriates in India were trained.

To facilitate the operating convergence with OPEL/VAUXHALL and promote best practice sharing, **Compliance Officers now include, on the one hand, the PEUGEOT/CITROËN/DS AUTOMOBILES pair, and on the other hand, the OPEL/VAUXHALL pair, on each of the five areas.**

The METRIC (Management of Ethics, Risks, Internal Control and Compliance) team of the General Secretary assists Compliance Officers and manages ICRMs.

### The Internal Control and Risk Managers (ICRMs)

**Nominated by their head in all departments reporting to the Chairman of the Managing Board, the 23 ICRMs also play operational roles in their departments.**

Under the direction of their Head of Department, who remains responsible for ethics and compliance in his department, they are in charge of leading the approach, developing and monitoring the corruption risk mapping and related action plans, and checking compliance of operations. They are supported by the Fraud Detection managers, who meet on a monthly basis and who, in turn, map fraud risks (including external fraud), analyse failures, adapt corrective and prevention measures, and manage anti-fraud action plans.

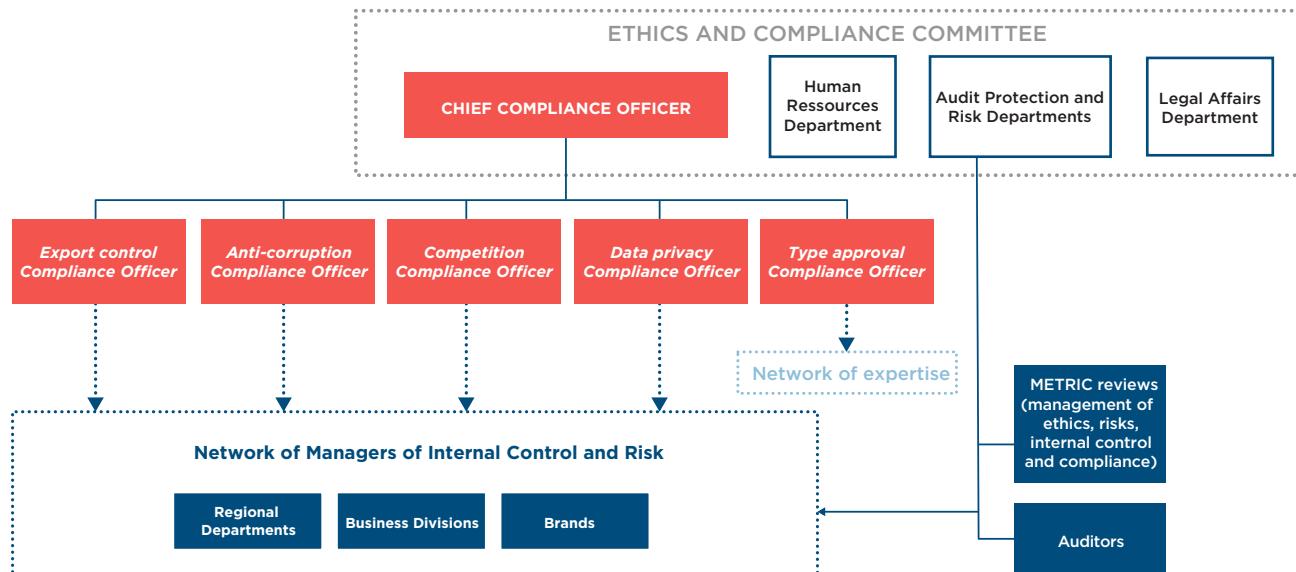
As Compliance Officer relays, and assisted by the relevant entity of the Audit Protection and Risk Department, ICRMs ensure that internal control rules are considered in operational processes, through self-assessments, and regularly submit updates to their Department Committee regarding the internal control and compliance programme, particularly as part of the METRIC review. They propose action plans or updates of processes to ensure their compliance.

### 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.** HR or legal counsels, they make it possible to adapt the compliance and sanction systems based on the national legal specific characteristics.

The Chief Ethics Officers relay the guidelines and objectives determined by the Ethics Committee in the countries. They investigate the ethical cases, 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.

## ORGANISATION OF ETHICAL GOVERNANCE PLAYERS



## 6.1.2. Reference guides and Registration Documents

### 6.1.2.1. THE CODE OF ETHICS

The Code of Ethics is THE reference. It covers and governs employee behaviour and Group activities. It is complemented by an anti-corruption code, which is submitted for consideration to employee representatives in France and attached to the Company's internal rules.

This Code was updated in 2017. It is part of six main areas of Groupe PSA's policy, and complements, in regards to employees, the Company's commitments as part of the signature of the Global Framework Agreement, which was renewed in 2017.

**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.

*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, thus making it a way to propel sustainable performance.*

**As a preamble to the Code of Ethics,  
by the members of the Executive Committee**

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.

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, the Russian joint venture created by Groupe PSA 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.

### The deployment of the Code of Ethics

In 2015 and 2016, a new campaign for the Code of Ethics was carried out 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. In 2017, the Code of Ethics membership process continued for new employees, pending updating of the membership campaign, planned in 2018.

*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 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.*

**Carlos Tavares**

**6**

At the end of 2017, 18,122 people had individually signed up to the Code of Ethics, i.e. 91% of the targeted employees (population of managers and buyers across the world, sales staff in the dealership networks and employees from the Purchasing Department), including 100% of executive managers and senior managers.



**18,122**

**MEMBERS OF THE CODE OF ETHICS  
WORLDWIDE, OR 91% OF TARGETED  
EMPLOYEES**

Membership campaigns were launched in France, Germany, Italy, Spain, the United Kingdom, Portugal, Czech Republic, Austria, Switzerland, Belgium, Argentina, Brazil, China, Algeria and Japan.

### 6.1.2.2. THE ANTI-CORRUPTION CODE

In 2017 the Group published its anti-corruption code. As per Article 17 of the Sapin 2 Law, **this code specifies the Group's zero tolerance policy in relation to corruption in all its forms, and complements the Code of Ethics, by describing in more details the corruption or insider influence behaviours prohibited by law and by the Company**, including the rules concerning gifts and invitations, conflicts of interest, facilitation payments, relations with agents, intermediaries and consulting companies. It provides examples of warning signals to sharpen discernment and refers to disciplinary sanctions that apply in cases of infringement.

Groupe PSA, as a responsible company, forbids its employees to use corrupt practices, regardless of their form or objective.

This prohibition covers all types of corruption: active corruption, passive corruption, direct or indirect, insider influence, corruption of public or private agents, facilitation payment, favouritism, extortion, collusion with a supplier.

This Code of Conduct is an integral part of the Company's internal rules. As such, on 26 June 2017, it was part of the consultation procedure with employee representatives, as set in Article L. 1321-4 of the French Labour Code, and was approved. Therefore, it is legally enforceable against employees in France. In other countries, this principle will also apply, considering local requirements, including legal ones.

It is progressively being translated and deployed in all countries where the Group operates. In 2018, the anti-corruption code will be the focus of a membership campaign just like the one conducted for the Code of Ethics. At end-2017, 544 employees in the China and Southeast Asia region had signed up. In Iran, it was also translated in Farsi and communicated to the Group's joint venture partners.

In China, it was forwarded to DONGFENG MOTORS, the DPCA joint venture partner.

The Executive Committee itself led its promotion via a post in its blog in October 2017.

*I attach to the publication of this code my personal commitment as well as that of the wider Executive Committee, to ensure, with the assistance of the Anti-Corruption Compliance Officer, that anti-corruption rules are known and rigorously adhered to within the Group.*

Message from the **General Secretary**,  
on 4 October 2017

### 6.1.2.3. THE STOCK MARKET CODE OF ETHICS

All corporate officers have signed up to the Stock Market Code of Ethics, as updated in December 2016. This Code aims to define the preventive measures authorising members of the Supervisory Board, Managing Board, the Executive Committee and/or non-voting member(s) of 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.

## 6.1.3. Prevention and control systems G4-57 G4-58

### 6.1.3.1. GENERAL SYSTEMS

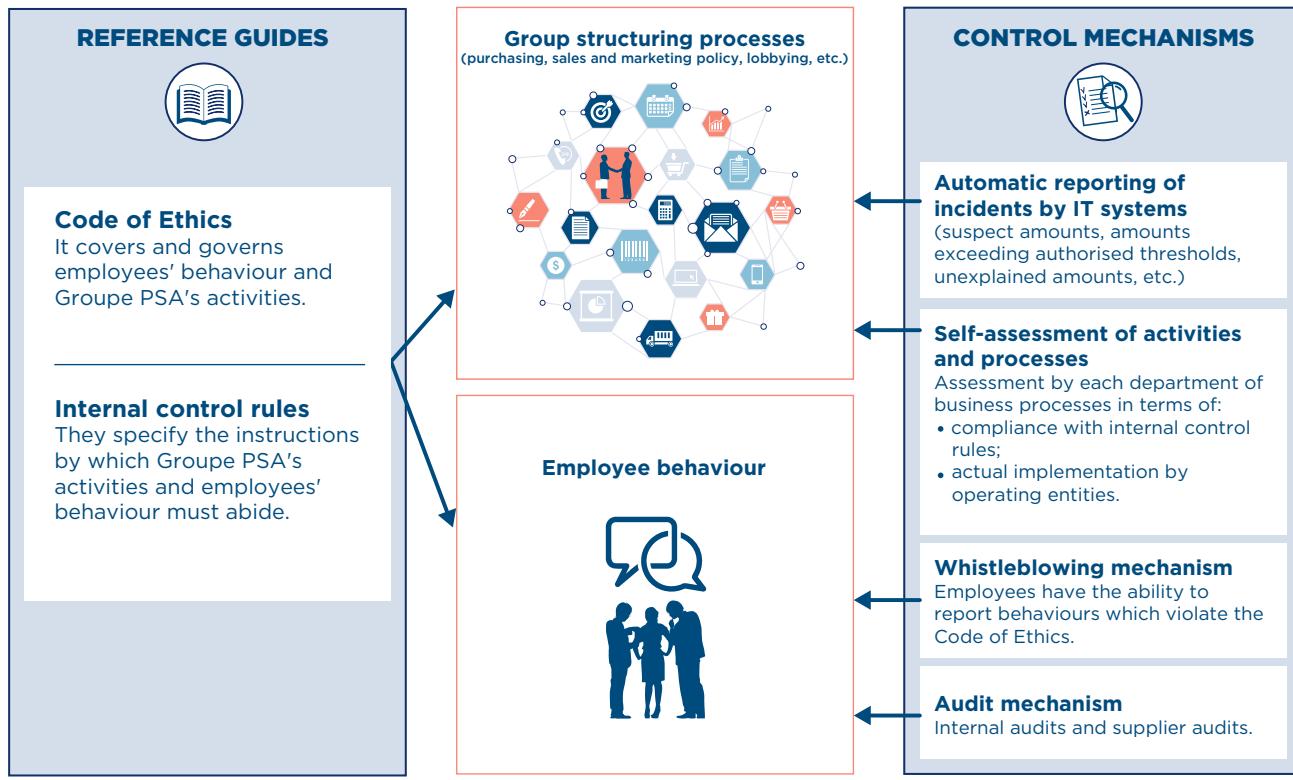
Prevention and control systems for ethical and compliance risks are addressed using the general risk management system implemented by the Group described in Chapter 1 of this report.

**To guarantee good faith and fair dealing and to prevent fraud and corruption, the Group relies on principles shared throughout the Group:**

■ Employees' engagement (signature of the Stock Market Code of Ethics and Code of Conduct, communication, awareness and training);

- Analysis of risks and a defined process for controlling them, usually in the form of mapping;
- Traceability and control of transactions;
- Segregation of powers and multiple sign-offs depending on the sums involved;
- Selection of partners (due diligence).

## THE TARGET SYSTEM DESIGNED TO MANAGE ETHICAL AND COMPLIANCE RISKS



### METRIC (Management of Ethics, Risks, Internal Control and Compliance) annual review: circulation of results from self-assessment of activities and processes

In accordance with the requirements of the Ethics and Compliance Committee, METRIC reviews are 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).

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.

This session, facilitated by the ICRM, allows for the results of the department's self-assessment of activities and processes to be reported, in relation to the internal control and compliance rules.

In fact in 2017, about 30 internal control rules, both educational (with their dos and don'ts) and accessible to all, set forth and illustrate the key compliance standards that Group activities and employee behaviours must comply with. These internal control rules now cover a large scope combining compliance, (competition, fraud, corruption, data privacy, etc.), internal control basics and Groupe PSA-specific requirements, as set by the Executive Committee.

The Group's structuring processes (purchasing, sales and marketing policy, lobbying, etc.) are assessed to check that they are compliant with such rules. The Head of Department supports the result of this assessment and adapts the action plan or the process accordingly.

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.

During 2017, 20 departments carried out an analysis of their ethical and compliance risks. This included a detailed mapping of corruption risks that took into consideration their business characteristics and their operating area. These mapping exercises are included in Groupe PSA's monitoring system for ethical risks. They allow the targeting of functions and countries that need to be increasingly scrutinised and where in-depth personnel training is required.

The consolidation of this work by Groupe PSA provides the Ethics and Compliance Committee with a general picture of the risks related to ethics and compliance and the action plans in each department.

### Whistleblowing: ethical cases reporting system

Until 2017, Groupe PSA's whistleblowing system was based on a specific internal organisation, complemented with partial and local whistleblowing systems.

Based on the issue's subject and level of severity, employees report to line managers, human resources managers, ICRMs, Chief Ethics Officers (national or regional level) or Compliance Officers. This subsidiarity principle put in place for efficiency purposes 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.

## 6.1. Ethical practices in business relations

In addition, a web-based whistleblowing system was introduced in Latin America. This system is managed by an independent organisation (KPMG in 2017) and provides data to the local-based and Group Ethics Committee. For example, 79 cases were reported through this channel in 2017. As a result of the investigation, five employees were dismissed and 17 received warning letters. In this region, a local Ethics Committee handles cases of Group non-compliance in Argentina, Brazil, Chile and Mexico 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 2016, an additional whistleblowing system, specifically pertaining to competition law infringements, in the form of email, was put in place. 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 4.2.2.4.).

In 2017, Groupe PSA, in collaboration with a specialised external partner, aims to complement its whistleblowing system by creating a **global whistleblowing system** which will be deployed in 2018. It makes it possible to offer all of the Group's employees, via a website, a fully secured platform to report incidents. The system's overall architecture is designed to ensure an efficient circuit and processing of these "ethical and compliance" issues, while fully preserving their confidentiality.

This system is in line with the law of 9 December 2016 pertaining to transparency, anti-corruption and business practice modernisation (called the Sapin 2 law) as well as with the CNIL decision No. 2017-191 of 22 June 2017 amending decision No. 2005-305 of 8 December 2005 regarding the single authorisation of automated processing of personal data implemented as part of work whistleblowing systems (AU-004).

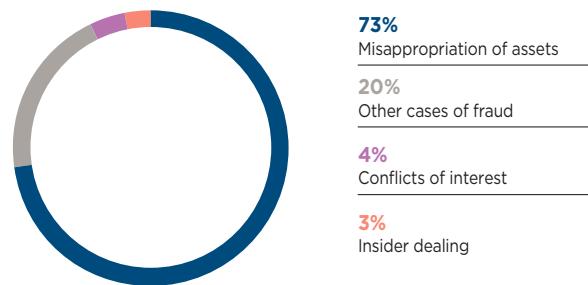
It aims to provide the Company with an additional tool for timely alerts, via its employees worldwide, regarding crimes or offences, violations of laws or international commitments, corrupt practices, threats of serious prejudices for the public interest. The identity of reporting employees and individuals targeted by them, and the information collected by the reporting recipients are processed confidentially with encrypted connections and contents.

This system is intended to cover all of OPEL/VAUXHALL employees, after receiving the approval of employee representatives. In France, it was communicated to the Central Works Council in June, and discussed in December 2017.

Therefore, ethical issues were still processed as follows in 2017:

- Employees confronted by practices or situations that are contrary to the rules of the Code of Ethics have different options in reporting them. All the options ensure that their request for action remains confidential. Anonymous requests are processed even if this is not encouraged;
- the natural channels for reporting inside the Company are the official channels in case of ethics-related questions or situations. Employees can also refer the matter to their human resources manager, their Chief Ethics Officer, their Fraud Detection manager, their ICRM or the relevant Compliance Officer, or directly to the Ethics Committee;
- Any manager who is informed by an employee of a violation of the Code must report this through one of the above channels;
- Offenders of any proven breaches to the ethical guidelines may be fined or even dismissed under this process.

## BREAKDOWN OF CASES REPORTED TO THE ETHICS COMMITTEE IN 2017



## Audit mechanisms

### 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 86 social and environmental audits with tier 1, 2 or 3 suppliers. They systematically involve an audit of anti-corruption practices and policy. In 2015, the Group started using an external platform to evaluate suppliers (EcoVadis), which incorporates the indicators of fair practice and compliance (cf. 4.2).

### Internal Audits

The share of Internal Audits pertaining to ethics and compliance is constantly increasing, including for competition, corruption and export control rules.

**Training** G4-SO4 DPEF.10 DPEF.11**TRAINING ON HUMAN RIGHTS AND ETHICS POLICIES AND PROCEDURES**

(Group scope, situation in 2017)

Areas	2016			2017		
	Number of hours	Number of employees	% of employees trained	Number of hours	Number of employees	% of employees trained
Equal opportunity, diversity, anti-discrimination training	4,471	1,395	1.54%	4,921	1,656	1.91%
Compliance with internal rules, Global Agreement, data privacy guidelines, etc.	26,736	6,034	6.68%	10,811	5,337	6.16%
Corruption, conflicts of interest, etc.	964	1,018	1.13%	1,775	1,987	2.29%
Competition and corruption	1,831	2,518	2.65%	829	3,692	4.26%
<i>including corruption</i>	702	1,776	1.87%	692	3,420	3.95%
<i>including competition</i>	1,129	742	0.78%	136	272	0.31%
Code of Ethics				136	547	0.63%
<b>TOTAL</b>	<b>34,002</b>	<b>10,965</b>	<b>11.54%</b>	<b>18,472</b>	<b>13,219</b>	<b>15.26%</b>

In 2017, general training on ethics represented a total of 18,472 hours for 13,219 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. In addition, the Code of Ethics membership campaign, renewed in 2015 and continued in Japan and in Algeria in 2016, was also carried out in the China and Southeast Asia region in 2017.

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 2017, more than 1,400 employees across 13 countries had already attended in-class sessions on competition law.
- 793 employees attended in-class training on anti-corruption measures and 4,616 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.

**KEY FIGURES**

**46,000**  
EMPLOYEES ATTENDED A TRAINING COURSE RELATED TO ETHICS BETWEEN 2015 AND 2017

**6.1.3.2. ISSUE-BASED SYSTEMS**

G4-57 G4-58 G4-SO3 G4-SO4

**Anti-corruption****Employees**

- 1) The anti-corruption code, published in 2017, applies to all of the Group's subsidiaries (see section 6.1.2.2.) The Executive Committee itself led its promotion via a post in its blog in October 2017. In combination with the anti-corruption guide and as a reference guide which specifically addresses the precautions that should be considered when dealing with agents and intermediaries, this code and its additions can be accessed via the Group's intranet and are redistributed to support the in-class training modules put in place in this regard.
- 2) The aim of the global whistleblowing system, which is currently being implemented, (see section 6.1.3.1) includes the confidential escalation of corruption reports. Corruption is one of the main categories defined in the system.
- 3) Detailed corruption risk mappings are developed in each department, under the responsibility of the relevant Executive Committee member or Head of Department. In compliance with the law, they take the form of a regularly updated documentation to identify, analyse and prioritise the Company's risks of exposure to external requests for corruption purposes. They include the characteristics of the automotive industry and of the countries where the Company operates. Action plans are developed to minimise these risks. In this regard, particular attention is paid during training sessions to functions identified as being at risk.
- 4) Considering the results of the risk analysis, third-party assessment procedures are strengthened, in compliance with action 4 of the Sapin 2 law, Article 17. For instance, potential partners, such as new importers, are subject to an in-depth analysis (background check) imposed by a standard.

## 6.1. Ethical practices in business relations

**5)** Internal and accounting control procedures, aimed at checking that accounts do not hide any corruption practices, are put in place, along with the existing system. As part of this internal control, the Group's structuring processes are analysed in order to, amongst other things, check that they include the anti-corruption principles: segregation of duties, double or triple validation, adequate processing of conflicts of interest, checking partners' integrity, adhering to the delegation process, etc. Additional controls are carried out based on relevant indicators from the risk mapping.

**6)** In-depth in-class training sessions were carried out in 2016 with people in positions exposed to risk: purchasing and purchasing advisers/buyers, sales (particularly in at-risk regions, B to B, public procurement, key accounts, importer 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. In 2017, they were continued, including the Compliance Officer taking part in the various regional department committees and through the in-class training sessions that he directly led himself in the countries where the Group rolls out its operations.

In addition, remote training was enhanced with a module comprising four elements:

- an educational video, accessible to everyone and showing the anti-corruption code. It shows the main possible situations of corruption and how members of the Group should act in such cases. It is an awareness raising tool that can be shown for introduction purposes during in-class training sessions;
- preinforced e-learning;
- pquiz to check the knowledge acquired;
- pa message from the Compliance Officer.

This module is being deployed in France and in the other countries.

**7)** In case of any infringement of the Company's Code of Conduct by company employees, the disciplinary system is in place to sanction these employees: the Company can apply sanctions that can go as far as dismissal to any employee who committed an act of corruption. The progression of possible intermediary sanctions (suspension, warning, etc.) is yet to be established in each country, based on the local legislation.

**8)** An internal control and evaluation system for actions implemented was put in place with the planning, in the 2018 audit plan, of an audit to control the compliance and the efficiency of the anti-corruption programme.

In addition, in Latin America and the United Kingdom, managers and employees systematically complete a conflict of interest and gift statement form, which is returned to the heads.

Likewise, Groupe PSA has defined specific guidelines for buyers to discourage corrupt practices.

## Suppliers

The Group insists that suppliers also comply with its procedures to prevent corruption and avoid conflicts of interest. These aspects are specified in the responsible purchasing policy.

A supplier assessment procedure, particularly in regards to "Fair business Practices", is managed by Ecovadis. Moreover, CSR supplier audits systematically include an audit of anti-corruption practices and policies.

## Compliance with competition rules

1. The message from the Chairman of the Managing Board on this topic is constantly on the intranet portal, in the form of a statement that clearly confirms his desire to combat anti-competitive practices.
2. The Competition Compliance Officer, in charge of the competition compliance programme, is a member of the Ethics and Compliance Committee. He is responsible for implementing and monitoring this programme, and for processing 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. In 2017, a communication was elaborated in the form of an interview of the Compliance Officer and published on the Group's intranet portal. This was an educational reminder to all employees about the basics of competition rules and the sustainability of the imperatives to be adhered to.
3. 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. The interview of the Compliance Officer was an opportunity to remind employees about the email address.
4. Competition liaison contacts appointed in the relevant departments (sales, purchasing, partnerships and joint ventures, research and development, services and parts) are regularly organised by the Legal Affairs Department. 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.
5. A supervisory mechanism prior to 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.
6. A compulsory in-class training session for executive and senior managers was put in place. At the end of the session, the attendant takes a test 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.
7. 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.
8. 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.
9. A specific provision has been added to the employment contracts of executive and senior managers in connection with competition breach.

The system in place, aimed at preventing anti-competition practices, was considered as fully compliant by the Internal Audit led in late 2017.

## 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 Groupe PSA's Ethics and Compliance Committee, which has tasked the Audit Protection and Risk Department (one of the entities of the Group General Secretary) 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 principle, best practices in managing IT access, etc.;
- for fraud detection, the Protection, Audit and Risk 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 establishments;
- investigations are overseen by the Protection, Audits and Risk 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 2017, 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 establishment.

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.



**APPROXIMATELY  
100**  
EMPLOYEES ARE SPECIFICALLY MANDATED  
TO COMBAT FRAUD

The anti-fraud measures set up in 2017 include the following:

- monthly information meeting of the Fraud and Detection Managers network (sharing of new fraud practices; discussions on cases and attempts that occurred in the previous month, feedback and improvement of cross-functional processes, where necessary);
- monthly newsletter from the Directorate General for Industrial Strategies (fraud case analysis and guidance);
- in each Department Committee, during the METRIC review, presentation of the Department's results in anti-fraud for year n and action plans to be validated for N+1;
- financial fraud e-learning: the rate of learning was increased for each Department at risk (result reached: 70%);
- confidentiality and control of information: training for all senior and executive managers plus an e-learning module; systematic checks to test password strength; in 2017, 20,217 individuals took the information control test, with a participation of 73.65% and a success rate of 77%;
- anti-competitive practices: additional e-learning has been available since the end of 2015.

Each of these programmes accounts for approximately two hours and fifteen minutes of training.



PRESS RESOURCES

Groupe PSA website, "Responsibility and Ethics" webpage, "The ethical charter" document: <https://www.groupe-psa.com/en/automotive-group/responsibility/>

Groupe PSA website, "Responsibility and Ethics" webpage, "Anti-Corruption Code of Conduct" document: <https://www.groupe-psa.com/en/automotive-group/responsibility/>

Groupe PSA website, "Responsibility and Ethics" webpage, "Anti-Corruption Handbook" document: <https://www.groupe-psa.com/en/automotive-group/responsibility/>

## 6.1.4. 2017 results: non-compliance records and complaints upheld

G4-S05 G4-S07 G4-S08 G4-S011

### Cases of corruption

There were no major cases of corruption reported in 2017.

### Cases of conflict of interest

There were no major cases of conflict of interest reported in 2017.

### Cases of non-compliance with competition laws

No new cases of non-compliance with competition laws were reported in 2017.

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 Group, PEUGEOT España and CITROËN España, were fined €15.7 million and €14.7 million, respectively. The Group filed appeals with the Spanish courts in October 2016. The proceedings are ongoing.

In 2011, PEUGEOT Turkey 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 Groupe PSA have appealed this decision. The proceedings are ongoing.

### Cases of fraud

Attempted fraud and financial fraud are becoming increasingly international. Cases of fraud are mainly associated with the misappropriation of tangible assets (theft of cars, computers, parts, tools, raw materials, etc.), but also cyber attacks, counterfeit and identity theft.

## 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;

- finally, in addition to the various systems described above, BANQUE PSA FINANCE has set up a whistleblowing system 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

### 6.2.0. An innovative shareholding system aimed at engaging employees with the Group's strategy

In accordance with the undertakings resulting from the performance agreement "New Momentum for Growth" signed in July 2016 and following the success of the first Group-wide capital increase reserved for employees implemented in 2015, Groupe PSA started its second employee share offering "ACCELERATE 2017". **This new offering, which takes place at a key stage of the Group's development, offered employees the opportunity to become shareholders in Groupe PSA, indirectly, via corporate mutual funds with preferential conditions.**

"ACCELERATE 2017" provided for a total subscription amount of €25 million (employer matching contribution - *abondement* - included) and consisted of a sale of existing treasury shares repurchased by Groupe PSA within the framework of a buyback programme. 87,000 Group employees were eligible to the offer implemented in 15 countries. 11,200 employees took part, showing their will to support the Group in its development and their trust in the future. **Demand was greater than the maximum threshold filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*). Therefore, the budget allocated for the offer was entirely subscribed.**

### 6.2.1. Distribution of the value created by Groupe PSA G4-EC1 G4-EC4

#### DISTRIBUTION OF ADDED VALUE

(Automotive and Banking Divisions)

	2014	2015	2016	2017
Revenue (in millions of euros)	36,674	37,761	37,211	40,399
Distributions (in million euros)		(as a % of revenue)		(as a % of revenue)
CAPEX + R&D <sup>(1)</sup>	2,743	7.5%	2,945	7.8%
Public sector <sup>(2)</sup>	801	2.2%	626	1.7%
Employees <sup>(3)</sup>	330	0.9%	388	1.0%
Shareholders <sup>(4)</sup>	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% on average in 2017).

(4) Dividends paid to Peugeot S.A. shareholders for the previous year.

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 €194.8 million in 2017, versus €177.5 million in 2016, €167.1 million in 2015, and €199.9 million in 2014. 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). Groupe PSA 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;

## 6.2. Distribution of added value

- 3.** in all the countries where the Group operates, it manages its tax matters in a pro-active manner:
- pit 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,
  - pit strives to meet a two-fold objective: increases the values 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 2017, Groupe PSA implemented information systems in support of the Country By Country Reporting setup for tax administrations. The one covering financial year 2016 was submitted to the French authorities in the forms and timeframe as required. The integration of the OPEL/VAUXHALL subgroup in the Country By Country Reporting, to be established in 2018 on 2017 financial statements, has started.

**6.2.3. Compensation of executive managers** G4-51 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, supplementary pension plan, company car).

**CCompensation POLICY**

Compensation policy for members of the Managing Board, as established by the Supervisory Board of 28 February 2018 and applying to the current financial year, is detailed, as per Articles L. 225-82-2 of the French Commercial Code in the Group's Registration Document (See section 3.2).

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 is comprised of an annual variable part and a long-term compensation plan (performance shares).

Variable annual compensation is based on the degree to which pre-defined targets are met. Similarly to previous years, the Group's collective objectives for 2018 also account for 80% of the variable part.

The compensation policy, as well as the amounts payable or allocated for fiscal year 2017 and put to the vote of shareholders, are detailed in Chapter 3.2 of the 2017 Registration Document.

For 2018, management has proposed two CSR criteria determining the allocation of a variable part to Group employee beneficiaries and members of management. These criteria are related to vehicle quality and service quality. The achievement rate of these targets will be reviewed by the Supervisory Board in February 2019 on the basis of the Group's 2018 economic performance.

In addition, for 2018, two CSR criteria were adopted to quantify the variable compensation of Mr Carlos Tavares. These criteria are workplace safety and the proportion of women in the Group's top management.

(cf. Section 3.2 of the Registration Document).

**2018 PERFORMANCE SHARE GRANT (2018 LTI PLAN)**

Following its decision of 28 February 2018, the Supervisory Board decided to grant performance shares to members of the Managing Board in accordance with the authorisation granted by the Shareholders' General Meeting of 27 April 2016 (fourteenth resolution).

This free share plan affects several hundred Group senior and executive managers and includes the grant of a total of 2,700,000 shares (representing 0.30% of the capital at 31 December 2017).

As regards grants to the members of the Managing Board, the plan provides for the grant of 130,000 performance shares to the Chairman of the Managing Board and 60,000 to each of the other members of the Managing Board.

The Supervisory Board introduced a limit on the number of performance shares to be granted to the members of the Managing Board. The value of the shares on the date they are granted may not exceed 60% of the fixed compensation and variable compensation for 2018.

The vesting of all shares will be subject to a quantitative performance condition, which is the average recurring operating margin for the Group Automotive Division over 2018-2020.

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 (2018-2020).

This plan does not include a lock-up period.

The performance share grant is also accompanied by a lock-up condition and hedging condition for each member of the Managing Board in accordance with the Group Policy (cf. Section 3.2 of the Registration Document).

## 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 of the Managing Board 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' General 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 was resubmitted for the shareholders' approval in accordance with the related-party agreements, upon the Statutory Auditors' Special Report, during the Shareholders' General Meeting of 10 May 2017 (4<sup>th</sup> resolution).

## POLICY ON THE COMPENSATION OF CORPORATE OFFICERS AND COMPENSATION COMPONENTS OF EXECUTIVE DIRECTORS OF THE MANAGING BOARD 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 are now put to vote at the Shareholders' Meeting. 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 members of the Supervisory Board 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' General 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:	Non-voting members of the Supervisory Board:
<ul style="list-style-type: none"> <li>➤ fixed part: €16,000;</li> <li>➤ variable part: €24,000, if 100% of meetings are attended*, prorated for absences.</li> </ul>	<ul style="list-style-type: none"> <li>➤ fixed part: €6,000;</li> <li>➤ variable part: €9,000, if 100% of meetings are attended*, prorated for absences.</li> </ul>	<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> <p>Chairmanship of other committees:</p> <ul style="list-style-type: none"> <li>➤ fixed part: €8,000;</li> <li>➤ variable part: €12,000, if 100% of meetings are attended*, prorated for absences.</li> </ul>	<ul style="list-style-type: none"> <li>➤ fixed part: €8,000;</li> <li>➤ variable part: €12,000, if 100% of meetings are attended*, prorated for absences.</li> </ul>

\* Including 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 non-voting members of the Supervisory Board may be decreased.

In 2017, as he had done in 2016, Mr Louis Gallois waived his compensation as Chairman of the Supervisory Board and the directors' fees due to him. Anne Valleron (until 10 May 2017) and

Bénédicte Juyaux (starting 10 May 2017), members representing employee-shareholders, also waived their attendance fees.

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.

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## 6.3. Transparency and integrity of influence practices

The Groupe PSA 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.

### 6.3.0. Innovative practices for participation in public debate

Groupe PSA accepts to take part in public debates where it might be invited. In 2017, Groupe PSA also participated in two round tables hosted by the Mayor of Paris, Anne Hidalgo, Chairwoman of C40.

In addition, to contribute to public debate, particularly on the ecological transition, digitalisation and mobility, the Group showcases its technologies and services during events open to institutions, the media and financial analysts:

- In June 2017, during the Innovation Days, which focused on autonomous vehicles, the Group invited representatives from the French and Spanish authorities;
- In November 2017, during the Mobility Talks, several French MPs were able to take part in the event.

On 8 November 2017, during the Conference *Le futur automobile - Rencontre avec Gilles Le Borgne* (The automotive future, discussion with Gilles Le Borgne), the Head of the Groupe PSA Quality and Engineering Department discussed the innovations that are shaping

the automotive future and Groupe PSA's strategy to address these. This conference was hosted by the SIA (Société des Ingénieurs de l'Automobile) in France.



8/11/2017 "Le futur automobile - Rencontre avec Gilles Le Borgne" Conference: <http://www.sia.fr/evenements/107-futur-automobile?Ing=en>

Other examples of meetings organised by the Group are shown in the boxes "Relations with stakeholders", located in different sections in this report.

### 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. REGISTRATION 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 Groupe PSA 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 2017, and its application will be monitored in 2018.



Groupe PSA website, "Responsibility and Ethics" webpage, "Groupe PSA Ethics Charter for Responsible Lobbying" document: <https://www.groupe-psa.com/en/automotive-group/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 Groupe PSA 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 Protection 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 Groupe PSA 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-S06

In 2017, about 20 Groupe PSA employees worldwide were assigned to institutional relations and lobbying.

The Group allocated a budget of approximately €800,000, mainly at the French and European levels, to its lobbying activities, corresponding to an estimate of the costs related to personnel wages, office leasing or administration costs.

In addition to these expenses connected to institutional relations, the Group is a member of professional or industrial associations in its main host countries. These associations allow a monitoring of regulatory updates and to address public authorities' requests regarding the development of the automotive industry, focusing on a sectoral approach. The main organisations of which Groupe PSA is a member are as follows: in Europe and Asia, the ACEA - European Automobile Manufacturers' Association, in France, the CCFA - Comité des Constructeurs Français d'Automobiles (French automotive industry), the PFA- Automotive and Mobility sector, the AFEP - Association française des entreprises privées (French association of private companies), in Spain, the ANFAC - Asociación Española de Fabricantes de Automóviles y Camiones (Spanish national association of car and truck manufacturers). In the last two years, substantial measures to restructure these memberships have been taken.

The budget allocated to these activities was planned and monitored by the Management Control Department, which were the same as those used for other activities, as part of the Group's budgetary procedures. Therefore, it was reduced by half in the PCD scope in the period 2016-2017.

In order to follow developments in the French Parliament, the Public Affairs Department relied in 2017 on the expertise of a consulting firm specialised in responsible lobbying practice, registered in the French and European transparency registers.

### 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.

The Group is committed in keeping public officials and stakeholders up to date on the challenges and changes facing it.

As such, the Group addressed the public authorities' requests in 2017 in its host countries. For example, in France, we note:

- February and April 2017: visit of the French President Francois Hollande to the industrial site of Charleville Mézières (Ardennes region), then the industrial and R&D sites of Sochaux (Doubs region);
- March 2017: work of the IGF/CGE Task Force on the autonomous and connected vehicles/new uses;
- April-June 2017: request for information from the task force on the consequences of decreasing diesel engines, entrusted by environment and industry ministries to the CGE (introduction of the energy transition strategy and visit of Groupe PSA's engine factory in Trémery, Moselle region);
- September: request for a hearing of the MP Marie Lebec on the PIA (Plan for future investments) and projects supported at PSA;
- October 2017: request for a hearing of Carlos Tavares, Chairman of Groupe PSA's Managing Board, by the French National Assembly's Economic Affairs Commission. This hearing, which pertained to the future of the automotive industry, took place in March 2018.
- November 2017: through the CCFA, consultation on the national strategy concerning autonomous vehicle development launched by the Road Safety Delegate, the Directorate General for Enterprise,

the Directorate General for Infrastructure, Transportation and the Sea and the Directorate General for Energy and Climate, mandated by the Minister of the Interior, the Minister of Economy and Finance and the Minister of Environment and Solidarity; November 2017: through the PFA, recommendations as part of the Focus on Mobility;

- December 2017: round table organised by the Minister of Economy and Finance to discuss the future of the diesel industrial sector in France;

In addition, Groupe PSA contributes, since September 2017, to the focus group on batteries in Europe launched by the Vice-Chairman of the European Commission, Maros Sefcovic.

During the acquisition of OPEL/VAUXHALL announced in March 2017, the Group was asked about its project, particularly by the German, French, Spanish, British, Polish and Hungarian governments. In all of these countries, Groupe PSA answered the questions it was asked.

In line with its CSR commitments and issues, the Group actively takes part in public debate on issues related to the industry, the automotive sector, ecology and the environment, transportation and mobility, data protection, 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.

MACRO RISK	ISSUE	GROUP POSITION
CLIMATE CHANGE	VEHICLE CO <sub>2</sub> EMISSIONS	<p><b>CO<sub>2</sub> emissions</b></p> <p>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 (World Light duty Test Procedure) and their swift roll-out in Europe.</p> <p>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.</p> <p>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.</p> <p>In order to better inform its customers on the vehicles' actual emissions, the Group started a partnership with the European NGO Transport &amp; Environment and its French partner France Nature Environnement in November 2015. In 2017, in addition to the publication of vehicles' average consumption, our brands integrated a consumption simulator in the customer's vehicle selection journey that shows use-based consumption (number of passengers, mix city, motorway, driving type)</p> <p><b>Automotive taxation</b></p> <p>As part of the technological neutrality principle, the Group supports a progressive redistribution of taxes on internal combustion engines between diesel and petrol. This approach, of which the consequences include the loss of residual value for the diesel vehicle fleet, should be accompanied with aids for renewal (bonus and conversion premium, including in support of electric vehicles).</p> <p>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.</p> <p>In line with the report of the "Fact-finding mission on the French automotive industry from a manufacturing, energy and tax perspective" (October 2016), the Group supports all actions to guide revenues gained from increased taxes on fossil fuels towards actions aimed at transforming the sector, preparing for the energy transition (e.g. investments in recharge facilities).</p>
	ENERGY/INDUSTRIAL CARBON FOOTPRINT	<p>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.</p>
	ENVIRONMENTAL PERFORMANCE OF THE SUPPLY CHAIN: PURCHASING AND LOGISTICS	<p><b>Structuring of the industry</b></p> <p>The Groupe PSA 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. The Group has campaigned for the merger between the automotive competitiveness clusters and the ARIA, which started in 2015.</p> <p>For example, the ARIA Alsace Franche-Comté (Perfo Est), which is part of the Car of the Future cluster, coached 27 suppliers in 2017, as part of the "Plant of the Future" programme. As part of the business lines and qualifications campus created in 2017, the ARIA leads actions in the fields of production and maintenance.</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: Ibérique (Vigo, Madrid and Manguelde), Paris region (Poissy and Saint-Ouen), Central Europe (Trnava), Eastern France (Trémery/Metz, Mulhouse and Sochaux) and Northern France (Hordain, Douvrin and Valenciennes).</p> <p><b>Development of the supply chain CSR</b></p> <p>One of Groupe PSA's priorities is to reduce its carbon footprint. The Purchasing Department involves suppliers in the Group's approach to reducing CO<sub>2</sub> emissions in the supply chain, i.e. emissions by its suppliers for the production of goods and services purchased by the Group.</p> <p>Groupe PSA 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 responsible purchasing policy. 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.</p> <p>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 Groupe PSA conducts targeted audits where risks are identified. The Group is vigilant and implements tailored measures within its sphere of influence.</p> <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>

## 6.3. Transparency and integrity of influence practices

MACRO RISK	ISSUE	GROUP POSITION
NATURAL RESOURCE SCARCITY	WISE USE OF MATERIAL IN THE VEHICLE LIFE CYCLE (INCLUDING PRODUCT RECYCLING)	<p><b>The circular economy</b></p> <p>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.</p> <p>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).</p> <p>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.</p> <p>The Groupe PSA leverages its knowledge and experience of recycling to develop the industry in other areas of the world, such as Russia and China.</p>
	SUSTAINABLE WATER MANAGEMENT	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.
	OPTIMISATION OF MATERIAL CYCLES IN INDUSTRIAL PROCESSES (INCLUDING WASTE)	
HEALTH AND SAFETY: GROWING DEMAND OF CIVIL SOCIETY	BIODIVERSITY	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.
	VEHICLE SAFETY	<p><b>Certification and monitoring of the motor vehicles market</b></p> <p>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 Groupe PSA 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></p> <p>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.</p> <p>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.</p> <p>The Groupe PSA 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 Groupe PSA and Renault.</p> <p>Alongside the VEDECOM Institute, Groupe PSA is 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>
	VEHICLE IMPACT ON AIR QUALITY	<p>Groupe PSA anticipated in 2017 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). Groupe PSA notes that 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><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 (Selective Catalytic Reduction) depollution system.</p> <p>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. Groupe PSA advocates for a European alignment of city traffic restriction measures that should mainly target older vehicles, which have higher emissions.</p>
	CONTROL OF INDUSTRIAL DISCHARGES AND NUISANCES	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.

MACRO RISK	ISSUE	GROUP POSITION
UNBALANCED ECONOMIC DEVELOPMENT OF TERRITORIES	LOCAL SOURCING DEVELOPMENT IN HOST TERRITORIES	<p>It is crucial to boost local production in order to support the Group's increasing internationalisation and to combat global warming. In order to achieve this, the Group is implementing measures in two separate areas: Firstly, it identifies local suppliers and helps them to gain the skills that they need, and secondly it encourages its own suppliers to relocate to clusters near to its plants.</p> <p>Local sourcing also provides the Group with:</p> <ul style="list-style-type: none"> <li>■ better knowledge of the expectations of local stakeholders;</li> <li>■ the option to find technological solutions which fit the context and local constraints;</li> <li>■ operational proximity to its partners, enabling it to help them achieve technological, logistical, social or environmental progress;</li> <li>■ greater supply chain flexibility</li> </ul> <p>Consequently, the Group must ensure the best conditions to build and sell vehicles that meet the customer's expectations, in compliance with social, environmental and ethical standards (OECD guiding principles).</p>
	BALANCED GOVERNANCE AND DISTRIBUTION OF ADDED VALUE	<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> <p><b>Involvement in host communities</b></p> <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 Groupe PSA 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 Groupe PSA 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 Groupe PSA and the Bourgogne France-Comté region with the CNRS and three regional training and research institutions. Over a four-year period, the Groupe PSA 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 Metropole, 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 (Centro Tecnológico de Automoción de Galicia) 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 Groupe PSA plants.</p>
	PHILANTHROPY AND SOCIALLY RESPONSIBLE MOBILITY	<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 Groupe PSA 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>

## 6.3. Transparency and integrity of influence practices

MACRO RISK	ISSUE	GROUP POSITION
HUMAN RIGHTS AND BUSINESS ETHICS VIOLATION	ETHICS IN BUSINESS PRACTICES	Every employee must behave in line with the rules set out in the Groupe PSA 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.
	HUMAN RIGHTS IN THE SUPPLY CHAIN	<p>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.</p> <p>The Groupe PSA policy on human rights is based on the recommendations of the OECD.</p> <ul style="list-style-type: none"> <li>■ A public commitment to human rights: Groupe PSA has recently signed a new version of its Global Framework Agreement with the relevant stakeholders, and requests that its suppliers also meet this commitment through its "responsible purchasing policy".</li> <li>■ Risk mapping for human rights infringements: The Group has set up a risk mapping process for each procurement category, using the "EcoVadis Rating Framework"</li> <li>■ Preventive measures to address identified risks: Each new supplier must systematically comply with the following criteria in order to be listed in the supplier base: environmental, employment practices, human rights</li> <li>■ 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.</li> <li>■ Action plan monitoring: any supplier guilty or potentially guilty of human rights breaches must prove that the corrective measures agreed with Groupe PSA have been implemented.</li> <li>■ Communication of measures put in place: Each year, an overview is provided to the employee representatives according to the commitments set out in the Global Framework Agreement. The results are also published in the annual CSR Report.</li> </ul>
HUMAN CAPITAL	ATTRACTING AND DEVELOPING ALL TALENTS	<p>Groupe PSA considers talent management as a key issue in its human resources policy. It highlighted this issue, both internally and externally, by stating that everyone should be able to express their talent, individually or collectively.</p> <p>Groupe PSA has set up governance for its skills and business lines to preserve its know-how and expertise and develop its talents</p> <p>It advocates for a meritocracy as a basis for equal opportunities and performance-based assessments.</p>
	MANAGEMENT OF COMPANY TRANSFORMATIONS AND SOCIAL DIALOGUE	<p>The Group focuses on social dialogue to drive transformations in the Company. It ensures that its partners are engaged and explores, via company agreements, responsible solutions to adapt the Company, improve its performance and protect employees.</p> <p>As part of the "New Momentum for Growth" agreement that was signed in France, Groupe PSA led the renegotiation of its Global Framework Agreement on PSA's social responsibility with the IndustriALL international federations to increase its support for the "Push to Pass" strategic plan and the Group's international development. The signature of a new global agreement on 7 March 2017 publicly illustrates its support for co-building with employee representatives.</p>
	HEALTH, SAFETY AND WELL-BEING IN THE WORKPLACE	<p>Groupe PSA considers the protection of health and safety at work as a critical requirement. Groupe PSA made efforts to follow the recommendations of the ILO and the WHO, including the Health And Safety Management System that it has been deploying for more than ten years. Thanks to its strict application, its results are the best in its business segment.</p> <p>Groupe PSA is engaged in professional networks for work ergonomics.</p> <p>Groupe PSA has developed a policy to prevent psychosocial risks and systematically deploys it, including in the regions where societal concerns are yet to be raised in this field.</p> <p>The Group advocates for an overall health approach that goes beyond health at work and contributes to public health policies. It supports the Healthy Workplaces initiative promoted by the European Union and the WHO.</p>
	DIVERSITY AND EQUAL OPPORTUNITY	<p>Groupe PSA publicly calls for diversity, the prevention of discrimination and the promotion of equal opportunities. It has detailed its commitments in various company agreements as well as in its Global Framework Agreement on Corporate Social Responsibility.</p> <p>It embeds this policy within a continued progress approach that also implies labelling its practices (equal opportunities label, diversity label). It engages in company networks to promote best practices. For several years and in multiple countries, Groupe PSA has supported public policies and endeavoured to prevent violence against women, implement whistleblowing systems and help victims.</p>

MACRO RISK	ISSUE	GROUP POSITION
CUSTOMER'S EXPECTATIONS AND MARKET RISKS	RESPONSIBLE MANAGEMENT OF CUSTOMER'S DATA AND RELATIONSHIP	<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>Hence, the Group supports the European general regulation on data protection, which will come into force in May 2018.</p> <p>The Group had already committed to the essential principles of "privacy by design" and "privacy by default" 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 Groupe PSA undertook the development of a compliance pack dedicated to connected vehicles in collaboration with the French data protection agency (CNIL - <i>Commission Nationale de l'Informatique et des Libertés</i>) and the relevant stakeholders in the French automotive industry. These best practices could be shared at the European level.</p> <p>The digital revolution requires organising and managing car data security, and Groupe PSA is rising to the challenge by developing a global automotive software platform in partnership with Huawei, one of the world leaders in information and communication technologies. Its internationally recognised know-how ensures the use of best standards in regulations and data security.</p> <p>The new platform, known as the Connected Vehicle Modular Platform (CVMP), will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality.</p> <p>CVMP will make it possible to introduce new services such as remote on-demand car diagnostics and remote control solutions such as battery charging and pre-heating; over-the-air car software updates, traffic information and navigation; car sharing and corporate fleet management; and customised on-board services such as personal assistant solutions.</p> <p>The first applications of the new platform will be launched for customers in Europe and China in 2018 and subsequently in the rest of the world. New services adjusted to customer needs will be rolled out gradually.</p>
	DEVELOPMENT OF NEW MOBILITY SOLUTIONS	<p><b>New mobilities</b></p> <p>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.</p> <p>To become a leading provider of mobility services, in 2016 the Group created a brand dedicated to new mobilities: Free2Move, which will develop experiences of a sustainable, smart and shared mobility for all. Free2Move will pool all the Group's new mobility services on a single platform: car-sharing services, connected services to make life easier and save time, corporate fleet services, and financial offerings to facilitate vehicle accessibility.</p> <p>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></p> <p>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.</p> <p>In 2017, the Group launched a new platform, known as the Connected Vehicle Modular Platform (CVMP), which will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality.</p> <p>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> <p>In 2017, the Group developed an extended vehicle "proof of concept" that was introduced to decision-makers of the European Commission and from France.</p>

## 6.4. Governance principles G4-34

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 3.1.6 of the Registration Document presents the only provision of the Code which was not kept, with the related explanations.

### 6.4.2. Disclosures on the situation of the members of the Supervisory Board and the Managing Board G4-38 G4-39 G4-40 G4-LA12

#### SUPERVISORY BOARD

Changes in the Supervisory Board in 2017 and up to 28 February 2018 are given below.

On 19 June 2017, SOGEPA, one of Peugeot S.A.'s reference shareholders, transferred all of its securities to BPIFrance (via its holding Lion Participations), which then took this opportunity to reclaim its rights and obligations and adhered to the shareholders' agreement.

Following this transfer of securities, the members of the Supervisory Board, appointment of which had been proposed by the Government, i.e. Mr Jack Azoulay, Mrs Florence Verzelen, and the non-voting member Mr Aymeric Ducrocq, resigned. Their resignation was acknowledged by the Supervisory Board on 25 July 2017.

During its meeting on 25 July 2017, the Board co-opted the members nominated by BPIFrance, as per the Agreement between the three core shareholders, i.e. Lion Participations, represented by Mr Daniel Bernard, BPIFrance Participations, represented par Mrs Anne Guérin.

During that same meeting, DMHK designated, as its new permanent representative, Mr Liu Weidong, who then resigned as a member in his own name. Therefore, the Board's meeting of 25 July 2017 carried out the co-optation of Mr An Tiecheng, to replace Mr Liu Weidong.

During this same meeting, the Board also appointed Mr Geoffroy Roux de Bezieux as Vice-Chairman and combined this role to that of Senior Independent Member, which he has been fulfilling for many years.

In addition, during its meeting of 25 July 2017, the Board appointed two new non-voting members, Mr Alexandre Ossola and Mr LV Haitao, following the resignation of Mr Aymeric Ducrocq and Mr Wei Wenqing.

Moreover, following the expiration of Mrs Anne Valleron's mandate, a member representing employee shareholders on the Board, and after having noted that the share of employee shareholders in the Company's share capital had decreased to less than 3% of the share capital, on the recommendation of the Managing Board and the Board of Directors, the Company by-laws were amended by the Shareholders' General Meeting of 10 May 2017, so as to maintain a representation of employee shareholders on the Board. Mrs Bénédicte Juyaux, appointed by the same Shareholders' General Meeting of 10 May 2017, exercises a mandate of member representing employee shareholders.

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 BPIFrance; two for the PEUGEOT family group (comprising the companies Établissements 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 Chairman of the Supervisory Board 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' General Meeting.

In 2017, one meeting of the independent members of the Supervisory Board was held.

## The member representing employees and the member representing employee shareholders

The member representing employees is appointed, as per the procedure provided for in Article 10.I B of the Company by-laws, by the Group's European Committee, in compliance with the provisions of Article L. 225-79-2 of the French Commercial Code. The member representing employee shareholders is 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 Company

by-laws (Article 10.I C). As a reminder, the Shareholders' Meeting of 10 May 2017 amended the Company by-laws in order to maintain a representation of employee shareholders on the Supervisory Board, for a four-year-period, even though the proportion of employee shareholders had dropped to below 3%.

The Board allows members representing employees and employee shareholders to appropriately train for the roles they are led to fulfil under their mandate. For example, it is reminded that Mr Jean-François Kondratuk and Mrs Bénédicte Juyaux received training at the *Institut Français des Administrateurs*.

## Composition of the Supervisory Board

At 28 February 2018, the Supervisory Board had the following members:

Members of the Supervisory Board	Date of first appointment	Date of last renewal	Overall term of office <sup>(1)</sup>	Term of office expiry date	Independent according to the AFEP-MEDEF Code			Membership to a committee	Attendance to the Supervisory Board meeting	Attendance to the meetings of committees
					Age	MEDEF Code	Equality Men/Women			
<b>Louis Gallois</b> Chairman	12/02/2013	2014 SGM	5	2018 SGM	74	✓	M	Chairman of the Supervisory Board of Peugeot S.A.	Strategy Committee, Appointments, Compensation and Governance Committee	100% 100%
<b>Geoffroy Roux de Bézieux</b> Vice-Chairman Senior Independent Supervisory Board member	23/05/2007	2017 SGM	10	2021 SGM	55	✓	M	Chairman of Notus Technologies	ACGC (Chmn.), FAC	100% 100%
<b>Marie-Hélène Peugeot Roncoroni</b> (Permanent Representative of EPF) Vice-Chairman as defined in the Shareholders' agreement	02/06/1999	2014 SGM	18	2018 SGM	57		W	Chief Operating Officer of EPF	ACGC, Asia Business Development Committee	100% 100%
<b>Liu Weidong</b> (Permanent Representative of DMHK) Vice-Chairman as defined in the Shareholders' agreement	04/06/2015	-	2	2018 SGM	51		M	Deputy General Manager of DONGFENG MOTOR CORPORATION	Strategy Committee, Appointments, Compensation and Governance Committee	75% 100%
<b>Anne Guérin</b> (Permanent representative of Bpifrance Participations) Vice-Chairman as defined in the Shareholders' agreement	25/07/2017	-	-	2018 SGM	49		W	Bpifrance's Finance and Network Executive Director	ACGC, FAC	100% 100%
<b>Daniel Bernard</b> (Permanent representative of Lion Participations)	25/07/2017	-	-	2021 SGM	72		M	Vice-Chairman of CAPGEMINI's Board of Directors	Strategy Committee, Asia Business Development Committee	100% 100%
<b>Catherine Bradley</b>	23/02/2016	2016 SGM	2	2020 SGM	58	✓	W	Independent director (FCA)	FAC (Chairman), ACGC	100% 100%
<b>Pamela Knapp</b>	31/05/2011	2017 SGM	6	2021 SGM	59	✓	W	Independent director	ACGC, FAC	87% 100%
<b>Jean-François Kondratuk</b> (Employee representative) (Appointed pursuant to Article L. 225-79-2 of the French Commercial Code)	24/04/2013	CGE 2014	5	CGE 2018	67		M	Groupe PSA employee	Strategy Committee, Asia Business Development Committee	100% 100%
<b>Helle Kristoffersen</b>	27/04/2016	2017 SGM	2	2021 SGM	53	✓	W	Total Vice-President, Strategy and Head of "low-carbon" business lines	Strategy Committee, Asia Business Development Committee	100% 83%
<b>An Tiecheng</b>	25/07/2017	-	-	2018 SGM	51		M	Chairman of the Board of DONGFENG Peugeot Citroën Automobiles Company Ltd. DPCA	Asia Business Development Committee (Chairman), FAC	75% 100%
<b>Robert Peugeot</b> (Permanent representative of FFP)	06/02/2007	2014 SGM	11	2018 SGM	67		M	Chairman and Chief Executive Officer of FFP	Strategy Committee, (Chairman), FAC	100% 100%

SGM: Shareholders' General Meeting; Asia Business Development Committee: Asia Business Development Committee; CGE: Group European Works Council; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Strat. Committee: Strategic Committee

(1) The date of this Report of the Supervisory Board on corporate governance is considered to establish the overall term of office.

## 6.4. Governance principles

Members of the Supervisory Board	Date of first appointment	Date of last renewal	Overall term of office <sup>(1)</sup>	Term of office expiry date	Age	Independent according to the AFEP-MEDEF Code	Equality Men/Women	Main function	Membership to a committee	Attendance to the Supervisory Board meeting	Attendance to the meetings of committees
										Strategic Committee, Asia Business Development Committee	100%
<b>Henri Philippe Reichstul</b>	23/05/2007	2017 SGM	10	2021 SGM	68	✓	M	Corporate director	Strategy Committee, Asia Business Development Committee	100%	100%
<b>Bénédicte Juyaux</b> (Member representing employee-shareholders) (appointed pursuant to Article L. 225-71-71 of the French Commercial Code)	10/05/2017	-	-	2021 SGM	57		W	Groupe PSA employee	ACGC FAC	100%	100%
<b>Corporate governance indicators</b>							50% <sup>(2)</sup>	46% <sup>(3)</sup>		<b>97%<sup>(4)</sup></b>	96% <sup>(4)</sup>

SGM: Shareholders' General Meeting; Asia Business Development Committee: Asia Business Development Committee; CGE: Group European Works Council; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Strat. Committee: Strategic Committee

(1) The date of this Report of the Supervisory Board on corporate governance is considered to establish the overall term of office.

(2) Employee representatives and employee shareholders are not taken into account to establish this percentage (AFEP-MEDEF Code, Article 8.3).

(3) The employee representative is not taken into account in calculating this percentage.

(4) Attendance rates, including those of Mr Jack Azoulay (100% at the Board meetings, and 100% at the Committee meetings), Mr ZHU Yanfeng (75% at the Board meetings and 50% at the Committee meetings), Mr Liu Weidong (100% at the Board meetings and 75% at the Committee meetings), Mrs Anne Valleron (100% at the Board meetings and 100% at the Committee meetings) and Mrs Florence Verzelen (100% at the Board meetings and 100% at the Committee meetings).

## Non-voting members of the Supervisory Board

Non-voting members of 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 member at the Supervisory Board meetings. In accordance with the Internal Rules of the Supervisory Board, the non-voting members 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 (Article 8.5 of the AFEP-MEDEF Code) at its meeting on 28 February 2018.

Based on these criteria, the Supervisory Board considers six members to be independent: Mr Louis Gallois (Chairman of the Supervisory Board), Mr Geoffroy Roux de Bezieux (Vice-Chairman and Senior Independent Member), Mrs Catherine Bradley, Mrs Pamela Knapp, Mrs Helle Krisoffersen and Mr 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 Recommendation 8.3 of 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 2016). The employee representative is not taken into account in calculating this percentage.



**46%**  
OF WOMEN ON THE SUPERVISORY BOARD

The Board's goal is to keep the number of independent members equal to or greater than its current level. The Board also has six members of foreign nationality (Pamela Knapp, Helle Kristoffersen, who enjoys dual French and Danish citizenship, Catherine Bradley, who enjoys dual French and British nationality, An Tiecheng, 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 2017, 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

G4-41

The corporate officers have declared that no conflict of interest occurred during 2017 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.

Rules designed to prevent conflicts of interest are set forth in the Internal Rules of the Supervisory Board (these rules are provided in Chapter 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 non-voting member(s) of 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 events

G4-49

G4-50

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 2017, 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

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 G4-44

In section 3.2 of the Registration Document, you are reminded that the Supervisory Board discusses at least once a year on its practices. In 2017, 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 2016, in April 2017, the Supervisory Board reviewed the Group's Corporate Social Responsibility programme in accordance with recommendations of the financial market authorities (AMF).

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 G4-20 G4-22 G4-23

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).

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 Groupe PSA exercises its role as shareholder and industrial partner with a view to long-term development.



# 7

## THE GROUP'S COMMITMENT TO SOCIETY

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Groupe PSA has identified three major societal issues:

#### ■ Issue “Philanthropy and socially responsible mobility” – Internal and external impacts

Today, mobility is a fundamental need which provides access to employment, education, health, leisure activities and culture, and reduces isolation and social and economic exclusion.

According to the ONPES (France's national observatory on poverty and social exclusion), almost one French person in four (23%) says they have turned down a job or training because they did not have transport to get there.

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.

Yet civil society is increasingly sensitive to vulnerable situations and expects mobility players to help exert a positive influence on the communities in which they are present, reducing all forms of exclusion. Considerable work and reflection on “the right to mobility” and mobility needs and practices are addressing the problem of people in isolated rural and outlying urban areas (urban spread).

Solidarity garages, introduced before the 2000s, are an example of socially responsible mobility for people in vulnerable situations. Each solidarity garage welcomes on average 450 users per annum, and this figure rises to 530 for those in rural areas.

These elements are detailed in this chapter, sections 7.1, 7.2 and 7.3.

#### ■ Issue “Responsible management of customer’s data and relationship” – Internal and external impacts

This issue concerns:

- responsible support for customers who have been granted consumer credit;
- the protection of the personal data (of customers, users of products and services, prospective customers) obtained via Groupe PSA websites and apps, in the network or via the in-vehicle systems, and ensuring they are used with due regard for their confidentiality, in the interest of maintaining a relationship founded on trust;

■ respecting customers' preferred contact methods.

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. The challenge for car manufacturers is 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. In addition, the new European General Data Protection regulation, which will come into force in May 2018, is of key importance for Groupe PSA (financial penalties of up to 4% of international revenue).

These elements are detailed in this chapter, section 7.4.1.

#### ■ Issue “Responsible information and marketing” – Internal and external impacts

This issue concerns:

- responsible marketing which relates to the transparency and ethical nature of the information communicated to civil society;
- group information for accountability purposes (relating in particular to the environment, health and safety).

Firstly, car manufacturers must therefore demonstrate their ability to fulfil their legal obligations with respect to their communications and marketing efforts (risk of fines/penalties, e.g.: €1,500 fine for every advert found to be in violation of the recommendations of France's professional advertising regulation agency, the ARPP). 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.

These elements are detailed in this chapter, section 7.4.2.

Faced with these challenges, the Group has set up the following systems.

### COMMITMENTS SCOREBOARD

MACRO-RISKS	CSR ISSUES	AMBITIONS <sup>(1)</sup>	TARGETS 2017	RESULTS 2017	TARGETS 2018 <sup>(1)</sup>
UNBALANCED ECONOMIC DEVELOPMENT OF TERRITORIES 	PHILANTHROPY AND SOCIALLY RESPONSIBLE MOBILITY Organiser: PSA Foundation	BY 2035 Support the most vulnerable populations through a charitable initiative centred around socially responsible mobility projects which remove barriers to education and integration.	Help structure and professionalise three regional networks of solidarity garages.	Target met: <ul style="list-style-type: none"><li>■ Identify a typology of the needs expressed by the solidarity garages and their networks.</li><li>■ Drafting of a methodology guide to structure and develop a solidarity garage (investments, management, training, administration, etc.).</li></ul>	Mobility and integration: continue to help structure and professionalise the solidarity garages (Phase 2). Mobility and education: <ul style="list-style-type: none"><li>■ Continue to roll out road safety education and promotion initiatives.</li><li>■ Support innovative off-site cultural projects.</li></ul>

(1) The Group's ambitions shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, OPEL and VAUXHALL operations, being recovered in the PACE! plan, will not make it possible to always have a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to the entire scope of Groupe PSA (PCD and OV).

 <b>MACRO-RISKS</b>	 <b>CSR ISSUES</b>	 <b>AMBITIONS <sup>(1)</sup></b>	 <b>TARGETS 2017</b>	 <b>RESULTS 2017</b>	 <b>TARGETS 2018 <sup>(1)</sup></b>
<b>CUSTOMERS' EXPECTATIONS AND MARKET RISKS</b>   	<b>RESPONSIBLE MANAGEMENT OF CUSTOMER'S DATA AND RELATIONSHIP</b> Organisers: General Secretary and Brand Directors	<b>BY 2035</b> Respect customers' privacy (including data protection, requesting only data which is absolutely necessary and with a tangible benefit for the customer) and be recognised by customers as a benchmark corporation in this respect: <ul style="list-style-type: none"> <li>■ no conviction of the Group;</li> <li>■ increase in the number of Internal Audits and audits of subcontractors;</li> <li>■ improvement in the Group's position in customer surveys and on benchmarks.</li> </ul>	Decide on the methods (including technological solutions) 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.	Target met: The framework study was run early 2017 and, based on this, the Executive Committee decided to commit the necessary resources in June 2017. The implementation schedule has been drawn up for the whole of the Group in Europe. The corresponding action plans were launched in the summer of 2017.	Scope PSA Europe: <ul style="list-style-type: none"> <li>■ Run an Internal Audit to ensure that the action plan currently being implemented guarantees the level of compliance expected by the supervisory authorities.</li> <li>■ Prepare the teams in contact with customers and prospective customers for the requirements post-application of the GDPR (25/05/2018).</li> <li>■ Introduce measurement indicators for the Data Protection Officer.</li> </ul>
<b>HUMAN RIGHTS AND BUSINESS ETHICS VIOLATION</b>  	<b>RESPONSIBLE INFORMATION AND MARKETING</b> Organisers: Brand Directors	<b>BY 2035</b> Systematically encourage customers to become active players in the Group's environmental commitment by: <ul style="list-style-type: none"> <li>■ offering them the right mobility solutions for their needs;</li> <li>■ adapting communication and marketing to the energy transition;</li> <li>■ complying with the maintenance conditions to extend the life of their vehicle;</li> <li>■ handing their vehicle over to an approved centre at the end of its life to ensure as much of it as possible is recycled (100% of Group brand vehicles recovered at accredited centres).</li> </ul>	Demystify the customers' purchase decision by providing an online configurator on the brands' websites for calculating the average real-world fuel consumption of the model selected, which also allows customers to configure the settings to estimate their anticipated fuel consumption based on their own use.	Target met: An interactive module measuring the real-use fuel consumption of most of the ranges sold went live on the brand websites in 12 European countries. PEUGEOT: <a href="http://www.peugeot.co.uk/consumption-calculator/">http://www.peugeot.co.uk/consumption-calculator/</a> CITROËN: <a href="http://www.citroen.co.uk/about-citroen/technology/real-use-vehicle-consumption">http://www.citroen.co.uk/about-citroen/technology/real-use-vehicle-consumption</a> DS AUTOMOBILES: <a href="http://www.dsautomobiles.co.uk/inside-ds/consumption-based-on-usage#">http://www.dsautomobiles.co.uk/inside-ds/consumption-based-on-usage#</a>	<ul style="list-style-type: none"> <li>■ Demonstrate the brands' commitment to the energy transition by promoting electrical mobility throughout the year.</li> <li>■ Along the same lines as the 2017 roll-out in PEUGEOT and CITROËN vehicles, introduce the Monitoring Pack<sup>(2)</sup> as standard to all DS AUTOMOBILES vehicles sold in France.</li> <li>■ In all European countries where PSA has partnerships with approved used-car centres, the brands and their European subsidiaries are putting together an action plan to communicate the "where can I recycle my vehicle?" information on the websites handling new or used vehicles.</li> </ul>

(1) The Group's ambitions shown in the table above include OPEL and VAUXHALL operations. As for the 2018 targets, OPEL and VAUXHALL operations, being recovered in the PACE! plan, will not make it possible to always have a consolidated target for each issue. In addition, two acronyms are used where required to differentiate both scopes: **PCD** for the historical scope of PEUGEOT/CITROËN/DS AUTOMOBILES brands and **OV** for the scope of OPEL/VAUXHALL brands. By default, in the absence of further details, this applies to the entire scope of Groupe PSA (PCD and OV).

(2) The Monitoring Pack provides a virtual log book (automatic monitoring of mileage and servicing schedule, warning of maintenance work required).

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## 7.1. The Group's sponsorship and philanthropy strategy

### 7.1.1. Group policy and priorities

**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.

Groupe PSA 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. Its activities are backed by a five-year budget of €9.5 million.

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 PSA Foundation are put forward by public interest organisations around the world, with special emphasis on the Group's areas of development. On average, 80% of projects are located in France and 20% abroad.

Support given to organisations or associations located very near the Group's employee pool strengthen the bond between it and its environment. This outreach in the host communities is the result of the Group's desire to become involved in the world beyond its own walls.

### 7.1.2. Philanthropy backed by innovation

In terms of workplace or social integration, the PSA Foundation works to combat mobility-related vulnerability by promoting financially-viable solutions (professionalism of the solidarity garages, support for the mobility platforms, etc.) or through its support for innovative "reverse mobility" projects.

■ The PSA Foundation supports innovative inclusive mobility experiments, mainly through its involvement in calls for projects to bring to light new mobility systems.

 **RELATIONS WITH STAKEHOLDERS**

Six years since its inception, the PSA Foundation is now a recognised expert in socially responsible and inclusive mobility solutions and, since 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.

■ In addition to the financial support it provides the social agencies on the ground, the PSA Foundation works to ensure the sustainability of their activity by developing a new philanthropic approach which involves structuring the agencies and making them more professional.

Having noted the emergence of solidarity garages in France (cf. EEXIST 2015 study), and their needs, the Foundation has decided to launch an initiative specifically aimed at these social agents. To do this, in 2017 it called upon the services of an engineering firm which specialises in the social and solidarity economy (AVISE) with which it is piloting a comprehensive multi-year support programme covering topics such as the management of a structure or relations with the local authorities, right up to the recycling of garage waste (field study, needs analysis, working groups, guide to manufacturer methods, sharing of best practices between the solidarity garages, etc.).

It also has the support of additional resources from within Groupe PSA, notably an expert from the Replacement Parts and Services Department.

In 2017, the programme was launched and offered to the solidarity garages which had received financial support from the Foundation in 2016. First, a collaborative formalisation exercise is conducted and then the best practices are made available. 16 garages took part in this programme in 2017. In the long term, it could be extended to all of the solidarity garages in France.

In terms of access to culture, the PSA Foundation is aiming to support or co-construct innovative mechanisms to remove culture from its usual confines and bring it to populations who live far away from the cultural hubs. Touring workshops, exhibitions in industrial sites and mobile museums are just a few examples of the projects developed in 2017. Brief summaries of these can be found on the Foundation's website.

### 7.1.3. Summarised statement of contributions committed

2017	Monetary contribution	Time volunteered by employees calculated in terms of equivalent hours paid	Donations in kind	Overhead expenses	Total
Activities of the PSA Foundation	€2,187,000	-	€141,000	€278,000	€2,606,000

The monetary contribution is in line with the amounts committed in 2017.

## 7.2. Socially responsible mobility: the Foundation's initiatives

DPEF.31

DPEF.33

### 7.2.1. The Corporate foundation

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.

#### MODE OF GOVERNANCE (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 Peugeot-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.



PRESS  
RESOURCES

PSA Foundation's website, "Governance" webpage:  
<https://www.fondation-psa.com/en/governance>

#### PROJECT SELECTION PROCEDURE

The PSA Foundation receives applications for subsidies during call for project periods (four in 2017, see the website for the schedule). The projects come from recognised public interest associations or NGOs.

Only projects relating to mobility for integration, education, culture or disability support, submitted via the online form during the call for projects period, 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 8 criteria: the relevance of the project,

the organisation's experience, the societal impact of the project and the number of beneficiaries, its innovativeness, its expansion potential, the location of the project, the degree of involvement of the sponsor (if the project is sponsored by an employee), and the potential visibility for the Foundation. 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.

#### OUTCOME

##### KEY FIGURES

## 561 PROJECTS

SUPPORTED SINCE THE INCEPTION  
OF THE PSA FOUNDATION

Since it was founded, the Foundation has donated €12.7 million to various public interest organisations. In 2017, donations totalling €2.3 million were paid to support 91 projects in three main areas:

- "mobility and integration": 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 people with disabilities.

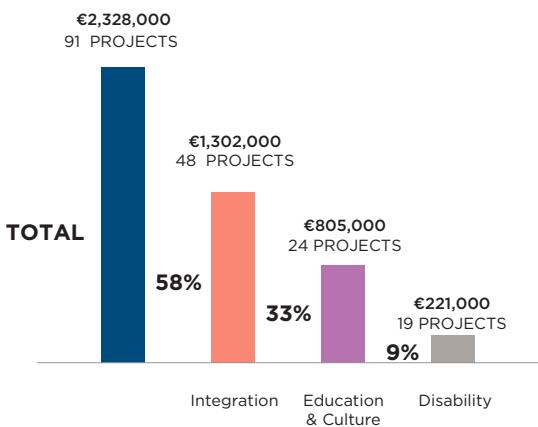
##### KEY FIGURES

## €2.3 MILLION

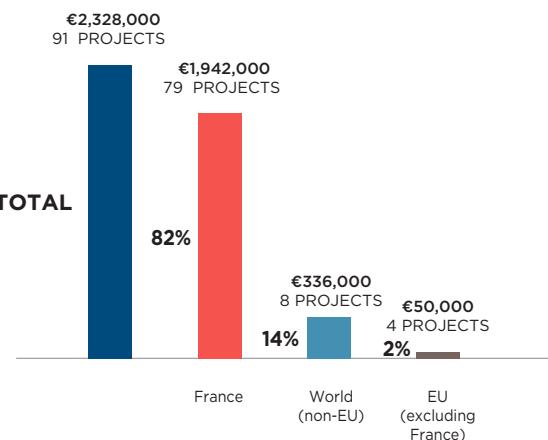
DONATED TO VARIOUS PUBLIC INTEREST  
ORGANISATIONS IN 2017

## DISTRIBUTION OF BUDGETS ALLOCATED IN 2017 BY THE FOUNDATION

### DISTRIBUTION BY CATEGORY OF BUDGETS ALLOCATED IN 2017 BY THE FOUNDATION



### DISTRIBUTION BY REGION OF BUDGETS ALLOCATED IN 2017 BY THE FOUNDATION



## THE FOUNDATION AWARDS

Keen to promote volunteering among the Group's workforce, since 2013 the Foundation has held an annual awards ceremony, the "Foundation Awards", in support of mobility-related projects sponsored by employees. In 2017, a panel selected 15 projects, each of which received €5,000 and 3 of which had their subsidy doubled as part of the *Grand Prix France*, *Grand Prix International* and *Grand Prix du Public* awards, the latter being decided through online voting.

### 7.2.2. Socially responsible mobility projects

#### 7.2.2.1. 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 "Push to Pass" strategic plan.

In 2017, the Foundation helped over 50 structures active in the area of socially responsible mobility.

The Foundation's action is fourfold:

##### **■ *workplace integration: financial and operational support for the 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. Since its inception, the Foundation has supported the financial investment of over 50 solidarity garages in France, 15 of these in 2017, with projects to create new garages or develop existing ones;

##### **■ *assistance for people integrating the workforce through the provision of tailored mobility solutions: support for the 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.

The PSA Foundation helps structure their networks. For example, it provided the MOBIN network in Franche-Comté with financial support to purchase 46 vehicles.

Adopting a comprehensive local approach, the Foundation supports:

**■ *inclusive 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 leasing:*** 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;

**■ *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;

##### **■ *"Reverse mobility" for the vulnerable: support for the "Red Cross on wheels" programme***

The programme, launched with the French Red Cross in 2012, is based on a social assistance road show which reaches out to the most disadvantaged and vulnerable people. Armed with a specially-adapted commercial vehicle, the service offers advice and help with food, clothes and toiletries. On the back of an impact study run by the Red Cross in 2015, the programme was rolled out and expanded: at the end of 2017, more than 45 road shows were travelling the length and breadth of France. The PSA Foundation funded 21 of these, including two social transport services.

In addition, under an agreement signed with Redeem UK for recycling Groupe PSA mobile phones, *Croix-Rouge Insertion*, a subsidiary of the French Red Cross, received the sum of €34,856 from mobile phone recycling to support workplace integration.

#### ■ Mobility at the heart of a global initiative to end hardship: a joint project with *Emmaus*

In 2017, the Foundation, working with *Emmaus*, laid the foundations for a mobility-based anti-hardship programme, capitalising on the extensive *Emmaus* community which has strong local ties.



PSA Foundation's website, "Inclusion" webpage:  
<https://www.fondation-psa.com/en/inclusion>

and "Founding Myths". This partnership is a perfect fit for the Foundation's aims, as it improves access to culture for all: the "Petite Galerie" is a multidisciplinary space open in particular to school groups and summer camps in the Ile de France region. A travelling exhibition stemming from the "Petite Galerie" project rounds out this programme. In 2016, the Saint Ouen industrial plant was the point of departure of a seven-stop tour (an establishment for people with disabilities, a library, a boarding school, etc.) through several Ile-de-France departments. In 2017, the Poissy industrial plant inaugurated a new tour of five new stops (a secondary school, a university, a shopping centre, etc.), giving a wide range of audiences an opportunity to hear explanations by the "mediator" travelling with the Exhibition.



PSA Foundation's website, "Education and Culture" webpage: <https://www.fondation-psa.com/en/education-culture>

#### 7.2.2.2. MOBILITY AND EDUCATIONAL AND CULTURAL ACTION

The PSA Foundation's education and cultural philanthropic initiatives are centred around three areas: road safety education, sustainable and inclusive mobility education and touring "off-site" culture. In terms of the latter, for example, one of the key initiatives in 2017 was its continued support of the Louvre museum's *Petite Galerie* project. The Foundation partners the "Theatre of Power" programme which follows on from the themes "The moving body"

#### 7.2.2.3. MOBILITY AND DISABILITY

In 2017, the Foundation supported 19 initiatives in France and abroad that offer mobility solutions to people with physical and mental disabilities, so that mobility is no longer an obstacle but a springboard to greater independence and an improved quality of life.

## 7.3. Local philanthropic investment

DPEF.31 DPEF.33 G4-SO1

7

### 7.3.1. Actions by the joint ventures

Throughout the year, pursuing their long-term partnership, the joint venture DPCA (Dongfeng Peugeot Citroën Automobiles) and Groupe PSA visited, and provided financial support to, young disadvantaged pupils at the DPCA Hope primary schools in Hubei province.

50 teachers and pupils from the primary schools in Enshi, Zhaojun and Yishang in the canton of Shengjiaba, visited Wuhan on 10 July

2017 to take part in the "Summer Camp of DPCA Hope Primary School". This provided the pupils with the opportunity to discover science and technology, broaden their horizons and enrich their knowledge. They also visited the DPCA production line, Wuhan Museum of Science and Technology, the Yellow Crane tower, Madame Tussauds, the bird forest, etc.

### 7.3.2. 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.

## 7.4. Information and respect for customers

### 7.4.1. Consumer protection

#### 7.4.1.1. PROTECTION OF PERSONAL DATA

G4-PR8 G4-SO8 G4-SO11

**Customer satisfaction is a strategic issue for the Group because it is a prerequisite for loyalty. It requires us to have in-depth knowledge of customers' needs and, at the same time, guarantee respect for the freedom and fundamental rights of individuals.**

The collection and processing of personal data is essential to building, maintaining and personalising the ties between customers and the organisation, to enable us to offer them the services and products they want. These processes must respect the principles of legality, loyalty and transparency, to ensure consumers have confidence in the use that will be made of their data.

The proper management of personal data is therefore an issue of both trust and competitiveness.

The new European privacy regulation (General Data Protection regulation - GDPR) came into force in 2016 and companies have until May 2018 to comply with it.

At Group level, the main business areas affected are sales and marketing, services and spare parts, banking, human resources, IT and purchasing.

**Very early on, Groupe PSA committed to an active process with the French Data Protection Commission, CNIL,** which led to the publication of a "conformity package for connected vehicles" in October 2017, which explains how the new regulations apply to the vehicle and connected services.

The Group is also represented in European bodies such as ACEA (European Automobile Manufacturers' Association), in order to work with the European authorities to define how the GDPR will be applied to car manufacturers' activities.

The GDPR requires in particular:

▪ stepping up corporate obligations:

▪ appointing a Data Protection Officer:

- the Group appointed a Data Protection Officer (DPO) on 1 October 2017. The DPO is backed by two networks of in-house officers: the Internal Control and Risk managers (representing the business divisions and regional departments) and the Privacy Champions (who represent the Group's European subsidiaries),

▪ integrating the principles of privacy by design and privacy by default into methods:

- the Group is adapting its data processing methods (full roll-out of opt-in, for example) and has established rules for checking the processing of personal data before implementation,

- the Group has put in place specific governance procedures (Internal Audit and subcontractor mechanisms) and requires its partners and suppliers to guarantee contractually that they will apply the same level of commitment to data protection,

- the Group has updated its data protection policy and rules for checking the processing of personal data,

- in the first half of 2018, the Group ran a programme to check its business activities, and bring them into line where necessary, to ensure it was fully compliant by 25 May 2018,

▪ notification of security loopholes;

▪ strengthening individuals' rights over their data: right to be forgotten, data portability rights, better transparency and systematically notifying individuals of their rights; obtaining the customer's clear consent to use their data, etc.:

- the Group is working to ensure a standard approach across the Group for the collection and administration of personal data in the management of relations with customers by centralising all the personal data and related consents in a single database, to enable it to handle customers' requests to exercise their rights in a more efficient manner. In particular, it is standardising:

- all data protection references in its various contracts: purchase orders, after-sales services, connected services, Internet forms, etc.,

- the management of consents from customers and prospective customers, by drawing up a consents policy and obtaining an IT tool to centralise all consents;

- the Group has also upgraded the sales methods used to inform customers on how their data is processed, specifically on the handover of connected vehicles (explaining the new communication tools and how to deactivate them);

▪ stepping up the controls and sanctions by the regulatory authorities (as a percentage of worldwide revenue).

Alongside this, the Group created and disseminated internal standards on best practices. 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 with Group operating units and human resources to identify and train employees exposed to compliance with the regulation. An e-learning module on personal data had been taken by a total of almost 2,500 employees by the end of 2017.

Finally, the Group is constantly improving the security of its data storage and exchange networks and uses the latest cybersecurity techniques to protect itself from malicious intrusion.

#### Infringement of consumer privacy regulations

(The French Data Protection Act, scope: PEUGEOT and CITROËN subsidiaries)

In 2017, our CITROËN Austria subsidiary was charged with three accounts of failure to protect customers' personal data and fined sums ranging from €50 to €160.

In addition, customers are relaying lots of questions, either directly or through their local supervisory authority in their country, regarding the geolocation devices fitted in the vehicles. These questions reinforce the need to educate customers and provide them with simple and clear information. As a result, during the first semester of 2018, training was rolled out to Group employees who are in direct contact with customers (sales personnel, customer relations officers, etc.).

#### 7.4.1.2. PROTECTION OF CONSUMER CREDIT CUSTOMERS DPEF.36

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.

#### 7.4.2. Responsible communication and marketing DPEF.36

##### 7.4.2.0. CUTTING-EDGE INNOVATION TO STRENGTHEN TIES WITH CUSTOMERS

###### **Partnership with NGOs results in a transparency approach not found elsewhere in the world**

Groupe PSA took a unique approach to customer transparency by publishing its vehicles' real (on the road) fuel consumption. Measurements were 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.

The measurements obtained on the 60 models made it possible to estimate the consumption in real-world driving conditions of more than 1,000 versions of PEUGEOT, CITROËN and DS AUTOMOBILES vehicles. In 2017, using this as a base and with the aim of providing customers with full and transparent information about the real-world fuel consumption of PEUGEOT, CITROËN and DS AUTOMOBILES models, a web-based application went live on the website, allowing customers to:

- view the fuel consumption data for their model by entering its characteristics (body type, trim level, engine, gearbox and type of tyres);
- estimate their own consumption based on the actual use of their vehicle (number of passengers, load, driving style, etc.).

The application is now available on the brands' websites in 12 European countries.

###### **CITROËN Co-Expérience: first steps towards an electric vehicle**

CITROËN gives prospective customers the opportunity to test drive the electric vehicle of an existing customer before purchasing. This 'CITROËN Co-Expérience' service is available for private electric cars in the CITROËN range: C-ZERO, E-MEHARI and e-Berlingo Multispace. It helps to promote the brand's electric range, on the premise that there is nobody better than an existing user to talk about using an electric vehicle, give advice and dispel any misapprehensions about this mode of transport. This new CITROËN service is backed by the customer experience-sharing expertise of the start-up Demooz, through a Business Lab experiment.



Links to the Demooz website offering the opportunity to test drive, or offer for test drive, the following cars:

CITROËN C-Zero: <https://demooz.com/fr/produit/citroen-c-zero>

CITROËN E-Berlingo Multispace: <https://demooz.com/fr/produit/citroen-e-berlingo>

CITROËN E-MEHARI: <https://demooz.com/fr/produit/citroen-e-mehari>

### 7.4.2.1. 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 2008 the Group prepared a Responsible Communications Charter in partnership with the Marketing Departments at PEUGEOT, CITROËN and DS AUTOMOBILES.

Groupe PSA's Responsible Communications Charter also applies to the OPEL and VAUXHALL subsidiaries and is posted on the Group's 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, back in 2008, Groupe PSA had signed the Responsible Communication Charter issued by the UDA (the professional association representing French advertisers) and it confirmed its commitment by signing the new version of this charter, which has been renamed *Programme FAIRE*, in October 2017. On this occasion, PEUGEOT, CITROËN and DS AUTOMOBILES each created a two-man team consisting of the Brand Director and a Senior Operating Officer (the brand's CSR representative) to handle and roll out the initiative.

This charter is built around five commitments, which inform all of the initiatives deployed by the brands. Each commitment involves several actions which fall into two categories:

- **Unavoidable actions:** which the advertiser commits to have in place two years after signature of the Charter;
- **Additional actions:** to take the commitment further.

#### 1 - THE ADVERTISER SIGNING UP TO THE CHARTER ENSURES THE MESSAGES DIFFUSED ARE CLEAR AND FAITHFUL AND IS ATTENTIVE TO THEIR IMPACT ON SOCIETY

Unavoidable	<b>No.1 It must disseminate a guide to persons responsible for communicating with the public (employees, agencies) which sets out the rules of responsible communication and provides useful resources for creating responsible messages.</b>	<ul style="list-style-type: none"> <li>➤ Groupe PSA's Responsible Communications Charter, first published in 2008, aims to apply the Group's corporate social and environmental responsibilities to all forms of communication to the public. It is circulated to all CITROËN, PEUGEOT and DS AUTOMOBILES employees to ensure it is adhered to in all international communications. It permits the sharing of best practices in communication, advertising in particular. Since 2016, Groupe PSA'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> <li>➤ In 2017, CITROËN distributed to all marketing and communications employees, and its main advertising/communications agencies, the new UDA <i>Programme FAIRE</i> for responsible communication.</li> <li>➤ In 2017, the Legal Department provided training on advertising regulations to the CITROËN, PEUGEOT and DS AUTOMOBILES employees involved in the production and/or distribution of video or photo content.</li> </ul>
Unavoidable	<b>No.2 It must put in place and roll out, to persons responsible for communicating with the public, a communications approval circuit incorporating the rules of responsible communication.</b>	<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 include online communications. 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. PEUGEOT, CITROËN and DS AUTOMOBILES 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, many 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, or the equivalent in other countries, for their opinion prior to production. Thereby they avoid the financial and legal risks of litigation in relation to their media and non-media communications.</li> </ul>
Unavoidable	<b>No.3 It must analyse its communication in order to identify any recurrent stereotypes, disparaging or otherwise, and take account of the results when creating subsequent campaigns.</b>	<ul style="list-style-type: none"> <li>➤ In line with its brand signature 'Inspired by You' (<a href="https://youtu.be/GIBAu4ybBpE?list=PLI-i7w3LAk0BPH8s-3Gxh4gSX7RdTW-eL">https://youtu.be/GIBAu4ybBpE?list=PLI-i7w3LAk0BPH8s-3Gxh4gSX7RdTW-eL</a>), CITROËN is inspired by its customers and must therefore represent them in all their diversity. CITROËN takes particular care to show men and women in equal measure behind the wheel in its campaigns: e.g.: C4 Picasso advert (<a href="https://youtu.be/MIWoPT0L2F0">https://youtu.be/MIWoPT0L2F0</a>)/C4 Cactus advert (<a href="https://youtu.be/55XuGa6Cr7s">https://youtu.be/55XuGa6Cr7s</a>).</li> <li>➤ PEUGEOT submits all its adverts to its legal services, ARPP in France and to the equivalent in other countries, to ensure there are no stereotypes in the content.</li> <li>➤ When its advertising campaigns feature people, DS AUTOMOBILES submits its adverts to its legal services, ARPP in France and to the equivalent in other countries, to ensure there are no stereotypes in the content.</li> </ul>

<b>Additional action</b>	<p><b>No.1 The advertiser signing up to the Charter informs its consumers, customers and employees of the environmental and social impacts of its products/services and the action taken to limit them, and encourage responsible use of these products/service.</b></p>	<ul style="list-style-type: none"> <li>➢ In 2016, PEUGEOT, CITROËN and DS AUTOMOBILES introduced an external and internal communications policy which systematically highlights the environmental benefits of their models, specifically fuel consumption and CO<sub>2</sub> emission figures in real driving conditions, which are also published on their websites:           <ul style="list-style-type: none"> <li>- PEUGEOT: <a href="http://www.peugeot.co.uk/technology/efficiency/">http://www.peugeot.co.uk/technology/efficiency/</a></li> <li>- CITROËN: <a href="http://www.citroen.co.uk/about-citroen/environment/puretech-engines">http://www.citroen.co.uk/about-citroen/environment/puretech-engines</a></li> <li>- DS AUTOMOBILES: <a href="http://www.dsautomobiles.co.uk/inside-ds/environment#">http://www.dsautomobiles.co.uk/inside-ds/environment#</a></li> </ul> </li> <li>This practice has become a communication standard in line with the Group's transparency policy (cf. § 2.1.0.). The aim is to offer customers easier access to better information and raise awareness of global warming among all targets.</li> <li>➢ An across the board advertising campaign for the Engine of the Year prize, awarded to the Turbo PureTech 3-cylinder 110 and 130 for the third consecutive year in 2017, 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>➢ 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.</li> <li>➢ 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></li> <li>➢ The MyPEUGEOT, MyCITROËN and MyDS services allow customers to track the fuel consumption and the carbon footprint of their vehicles through personal accounts online and optimise consumption each time they travel. 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>➢ 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. <a href="http://www.citroen.co.uk/about-citroen/environment">http://www.citroen.co.uk/about-citroen/environment</a></li> <li>➢ Since 2016, PEUGEOT, CITROËN and DS AUTOMOBILES have offered their private customers a Monitoring Pack which includes an Eco-Driving module with personal eco-driving tips on how to alter their driving style to reduce their fuel consumption.</li> <li>➢ The Free2Move Connect Fleet service, offered by PEUGEOT, CITROËN and DS AUTOMOBILES, enables companies to monitor fuel consumption and CO<sub>2</sub> emission trends using an online fleet management tool, and gives fleet drivers access to the Eco-Driving module.</li> <li>➢ CITROËN offers its customers buying a new or used vehicle the opportunity to earn money when they are not using their vehicle, through a car-sharing solution introduced by the Tripndrive start-up. Called Earn&amp;Drive, this service offers free parking to customers when they offer their car up for use by others when they are not using it themselves. They also receive payment when it is rented out. CITROËN has also joined forces with the TravelCar.com car-sharing platform to offer a ground-breaking long-term leasing option, which 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. These partnerships are testament to CITROËN's commitment to develop new shared mobility uses by encouraging their customers to sign their vehicle up for car-sharing. <a href="http://www.citroen.fr/financements-et-offres-de-services/services-de-mobilite/citroen-earn-drive.html">http://www.citroen.fr/financements-et-offres-de-services/services-de-mobilite/citroen-earn-drive.html</a></li> <li>➢ With the launch of the DS 7 CROSSBACK, DS AUTOMOBILES' advertising included the promotion of the E-Tense 4x4 electric powertrain, which will be available on this car from 2019, and also advertised a future hybrid or 100% electric version of each of the models in its range. It also announced its objective: for the electric version to account for 35% of DS AUTOMOBILES' sales in 2025.</li> </ul>
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<b>Additional action</b>	<b>No.2</b> <i>The advertiser signing up to the Charter uses its means of communication to disseminate content which is useful to society, in relation to its activity (distribution of societal information, promotion of NGO initiatives, etc.).</i>	<ul style="list-style-type: none"> <li>› CITROËN Advisor is CITROËN's online review site. Customers can use the site to give their opinion on the service they received at the point of sale (Advisor Dealer) or the product purchased (Advisor Product). To date, CITROËN is the only car brand to offer a platform of this type, prior to DS Avis Client (DS Customer review) which will go live in spring 2018. At the end of 2017, CITROËN Advisor listed over 200,000 customer reviews. CITROËN Advisor had been rolled out to 31 countries.</li> <li>› In 2017, CITROËN successfully renewed the AFNOR certification for its CITROËN Advisor (certified since 15/07/2014). 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.</li> <li>› In 2017, CITROËN Argentina supported the 'El SuperTC 2000 va a la escuela' programme, promoting education for young people in its country. Its aim is to educate primary and secondary children about road safety and the importance of education, with the support of the most popular car sport in the country, the 'Super TC2000'. 10,000 pupils from different regions of Argentina took part in the 2017 programme. CITROËN Argentina thereby demonstrated its ongoing commitment to youth education. <a href="http://ar-media.citroen.com/es-ar/el-super-tc2000-va-la-escuela-con-citro%C3%ABn">http://ar-media.citroen.com/es-ar/el-super-tc2000-va-la-escuela-con-citro%C3%ABn</a></li> </ul>
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## 2 - THE ADVERTISER SIGNING UP TO THE CHARTER MUST LIMIT THE ENVIRONMENTAL AND SOCIAL IMPACT OF ITS COMMUNICATION MEDIA

<b>Unavoidable</b>	<b>No.1</b> <i>It must create a framework of environmental and social criteria to be applied to its printed documents, POS displays, stands and events.</i>	<ul style="list-style-type: none"> <li>› The Group uses PEFC or FSC paper for recurrent publications and prints only the number of copies required. In France, the Group is a member of Citeo. The corresponding Citeo 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.</li> <li>› PEUGEOT, CITROËN and DS AUTOMOBILES select suppliers who are committed to reducing the environmental impact of their stands (choice of materials used, recycling and reuse).</li> <li>› The stand suppliers selected by PEUGEOT, CITROËN and DS AUTOMOBILES use wood which comes entirely from sustainably-managed forests and recycle 100% of the waste from the production/demolition of the stands (wood and other materials separately); The stand/lighting/video suppliers selected by PEUGEOT, CITROËN and DS AUTOMOBILES reuse at least 35% of the stand components for other stands (floors, partitions, mezzanines, lights, screens, furniture, etc.). By factoring in the 15% of brand components which are also reused, the total of components reused in other stands is 50%.</li> <li>› PEUGEOT, CITROËN and DS AUTOMOBILES have also committed to gender equality. Their customer greeting teams at car shows are made up of equal numbers of men and women. The brands have employed both men and women on their stands since 2014.</li> </ul>
<b>Unavoidable</b>	<b>No.2</b> <i>It must make employees aware of the environmental impacts of digital communication technologies (emails, websites, etc.) in order to mitigate them.</i>	<ul style="list-style-type: none"> <li>› Email practices: <ul style="list-style-type: none"> <li>- the Group encourages the use of a document management system (DocInfo Groupe), collaborative working platforms such as JIRA, and Sharepoint to avoid multiplication of emails with heavy attachments;</li> <li>- the Group bans systematic push email, replaced by an optional subscription to a newsletter with customisable content.</li> </ul> </li> </ul>
<b>Additional action</b>	<b>No.1</b> <i>The advertiser signing up to the Charter creates a framework of environmental and social criteria to be applied to its websites on their creation/revision.</i>	<ul style="list-style-type: none"> <li>› Groupe PSA specifications stipulate that each new website or intranet site must have an eco-design. For example, the website's video content is hosted on platforms to avoid multiple downloads (use of You Tube streaming for public videos on the website, and of the internal video platform for private videos on the intranet sites).</li> <li>› The Bessoncourt IT site which hosts the Group servers is ISO 50001 certified (energy management certification).</li> <li>› The new DS AUTOMOBILES website has an eco-design: optimised customer journey involving fewer mouse clicks and consequently less data is exchanged.</li> </ul>

<b>Additional action</b>	<b>No.2</b> <i>The advertiser signing up to the Charter calls upon social integration enterprises or ESAT (organisation for workers with disabilities from the sheltered or adapted sectors) to create its materials or organise its events wherever possible.</i>	<ul style="list-style-type: none"> <li>› 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 were used to manufacture new products. The installations and décor were thus reworked in the workshops of the association, which found itself a new supply source it had not dared hope for: an operation which benefited the environment and local employment.</li> <li>› Since 2009, the PEUGEOT, CITROËN, DS AUTOMOBILES and Group 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.</li> </ul>
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### 3 - THE ADVERTISER SIGNING UP TO THE CHARTER MUST AVOID EXCESSIVE DISSEMINATION OF ITS COMMUNICATIONS AND ENSURE CAREFULLY-CONSIDERED USE OF THE DATA COLLECTED

<b>Unavoidable</b>	<b>No.1</b> <i>It must put in place a controlled communications dissemination policy to avoid too many, or inappropriate, requests being sent to recipients and must keep an eye on its dissemination universe.</i>	<ul style="list-style-type: none"> <li>› Since 2015, DS AUTOMOBILES, PEUGEOT and CITROËN have been working to put in place a single customer database aimed at:           <ul style="list-style-type: none"> <li>- facilitating the alignment of the databases with their transparent personal data management policy:  <a href="http://www.peugeot.co.uk/legal-info/">http://www.peugeot.co.uk/legal-info/</a>  <a href="http://www.citroen.co.uk/legal">http://www.citroen.co.uk/legal</a>  <a href="http://www.dsautomobiles.co.uk/legal#">http://www.dsautomobiles.co.uk/legal#</a> </li> <li>- improving the quality of customer information and thus taking better care to respect customers' preferred contact methods.</li> </ul>           This initiative was finalised in France in 2017 and is gradually being rolled out to the European subsidiaries. It allows the brands to run better-targeted marketing campaigns to customers who have chosen to receive this information.         </li> <li>› In 2016, PEUGEOT, CITROËN and DS AUTOMOBILES completely revised their contact plan to make better use of customer data for targeted marketing campaigns which offer added value for the customer. The plans continued to be deployed to all brand subsidiaries in 2017 to encourage them to use customer databases more responsibly. By adopting this new approach, PEUGEOT, CITROËN and DS AUTOMOBILES obtain a 360° customer insight which allows them to advertise to the right people, at the right time and in the right place to allow them to minimise irrelevant requests.</li> </ul>
<b>Unavoidable</b>	<b>No.2</b> <i>It must choose advertising formats which are easy to use on digital media, in line with the reference guidelines available, and encourage its service providers and the media marketing the promotional offer to develop the use of these formats.</i>	<ul style="list-style-type: none"> <li>› In 2017, CITROËN France and DS AUTOMOBILES France applied the following reference guidelines:           <ul style="list-style-type: none"> <li>- coalition for better ads - standards (avoiding the purchase of intrusive formats);</li> <li>- digital Ad Trust (respect for the wishes and comfort of the Internet user).</li> </ul> </li> </ul>
<b>Unavoidable</b>	<b>No.3</b> <i>It must include in its contracts with communications service providers a clause pertaining to 'combating the funding of illegal activities through online advertising'.</i>	<ul style="list-style-type: none"> <li>› Groupe PSA's responsible purchasing policy, updated in 2017 and signed by the Group's accredited suppliers, includes a clause requiring suppliers to comply with the laws and regulations in force in all countries in which they operate. (cf. § 4.2.2.2)</li> </ul>

## 7.4. Information and respect for customers

<b>Unavoidable</b>	<p><b>No.4 In addition to the data protection act, it must make every effort to inform consumers, in a friendly and educational manner, about the collection and use of their personal data.</b></p> <ul style="list-style-type: none"> <li>➤ The sales personnel and customer relations teams (and more generally, all employees who come into contact with customers and prospective customers) will receive training in early 2018 to enable them to provide consumers with clear information and explanations about their personal data.</li> <li>➤ On the PEUGEOT, CITROËN and DS AUTOMOBILES websites, consumers are informed about the use of their personal data through a 'cookies' banner at the foot of the page and a separate cookies management page, for example:  <a href="http://www.citroen.fr/cookies.html">http://www.citroen.fr/cookies.html</a>  <a href="http://www.dsautomobiles.fr/cookies.html">http://www.dsautomobiles.fr/cookies.html</a></li> <li>➤ The topic is also handled in the FAQs:  <a href="https://citroen-fr-fr.custhelp.com/app/answers/list/p/5">https://citroen-fr-fr.custhelp.com/app/answers/list/p/5</a>  <a href="http://dsautomobiles-fr-fr.custhelp.com/app/answers/list">http://dsautomobiles-fr-fr.custhelp.com/app/answers/list</a></li> </ul>
<b>Additional action</b>	<p><b>No.1 The advertiser signing up to the Charter provides assistance for employees in the use of social media and personal data</b></p> <ul style="list-style-type: none"> <li>➤ Since 2011, Group employees have had access to guidelines to assist them when posting on social media. These guidelines are automatically emailed to all new starts and are available on the Group's intranet. In 2017, these guidelines were updated again and their launch was accompanied by a new awareness film on the intranet. The film can be viewed on YouTube:  <a href="https://youtu.be/90ygrbilQSG">https://youtu.be/90ygrbilQSG</a></li> <li>➤ CITROËN also issued a reminder about these best practices at the Marketing Forum on 6 July 2017, which was attended by all the CITROËN marketing and communications managers from the world over.</li> <li>➤ Since 2013, internal standards on good personal data processing procedures have been available on the Group's document repository. It can be accessed by all employees.</li> <li>➤ The brands have signed country-specific charters for the use of CRM data with their dealership network.</li> <li>➤ 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.).</li> <li>➤ A personal data e-learning training module was designed and launched on the internal CampusWeb e-platform in 2015.</li> <li>➤ Since 2016, an e-learning training module on personal data has been available to all employees</li> <li>➤ In 2017, Groupe PSA appointed two Data Protection Officers who are in charge of networks of representatives (by division, country, etc.) who structure the awareness and training initiatives.</li> <li>➤ To optimise the integration of a digital culture, the Group supports employees by giving them a shared body of knowledge on the uses and trends of digital via the "digital passport" programme. (cf. § 3.0)</li> </ul>
<b>Additional action</b>	<p><b>No.2 The advertiser signing up to the Charter sets up a new marketing and communications technology watch in order to anticipate the associated practices and find the middle ground between commercial policy and respect for privacy.</b></p> <ul style="list-style-type: none"> <li>➤ The Group's programme for bringing its information systems into line with regulatory developments in personal data regulations aims to roll out the necessary procedures (implementation of the European initiative) in early 2018.</li> <li>➤ 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.</li> <li>➤ The brands' marketing databases were revamped in 2015/2016 and customers' personal data processing rights are now automatically observed. This work continues in 2017/2018 as part of the CustomerShare and CustomerFirst initiatives.</li> </ul>

#### 4 - THE ADVERTISER SIGNING UP TO THE CHARTER MUST OFFER ALL ITS AUDIENCES EASY ACCESS TO ITS COMMUNICATIONS

<b>Unavoidable</b>	<b>No.1</b> <b>It must subtitle its main advertising campaigns.</b>	› PEUGEOT, CITROËN and DS AUTOMOBILES do not currently comply with this mandatory action but, via the UDA FAIRe initiative, commit to having all the necessary actions in place by 2020.
<b>Unavoidable</b>	<b>No.2</b> <b>It must make every possible effort to ensure people with no Internet connection can access its offers</b>	› All the PEUGEOT, CITROËN and DS AUTOMOBILES offers are available at the point of sale through brochures, catalogues and POS displays and via the sales and after-sales teams.
<b>Unavoidable</b>	<b>No.3</b> <b>It must mention the communication-related issues in its exchanges with its external stakeholders.</b>	› PEUGEOT, CITROËN and DS AUTOMOBILES are members of the UDA (Advertisers' Union) and have signed up to the FAIRe programme. This ensures regular exchange on legal developments and external stakeholders' expectations in terms of responsible communications and marketing. › CITROËN has also developed innovative customer experience communications with its "CITROËN CAMPUS", open debate between CITROËN and a leading brand (all sectors and sizes) about a brand experience issue.
<b>Additional action</b>	<b>No.1</b> <b>When the advertiser signing up to the Charter revamps its media, it ensures that the content can be accessed by people with disabilities (the visually impaired, blind and hard of hearing)</b>	› To provide the visually-impaired with access to our financial information, the Finance Department has introduced a freephone number (0,800,424,091) with a special shareholders' relations service which offers all information on Groupe PSA results in audio format. › 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 <a href="http://www.citroen.fr">www.citroen.fr</a> and click to contact CITROËN using the ACCEO solution, which is available on all devices (computer, smartphone and tablet): <a href="http://www.acce-o.fr/client/citroen">www.acce-o.fr/client/citroen</a> . 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. › DS AUTOMOBILES commissioned W3C to conduct an audit and took on board its recommendations in order to make its website more accessible.
<b>Additional action</b>	<b>No.2</b> <b>The advertiser signing up to the Charter ensures that its events can be accessed by people with disabilities (impaired mobility, blind, hard of hearing, etc.)</b>	› At the PEUGEOT, CITROËN and DS AUTOMOBILES stands at motor shows, all public areas are accessible to people with reduced mobility. The brands use a company which checks the fire risks, risks of panic and disability access.
<b>Additional action</b>	<b>No.3</b> <b>The advertiser signing up to the Charter, when promoting the responsible aspect of its offer, offers easy access to further information and details to all consumers/clients who wish it. .</b>	› CITROËN gives prospective customers the opportunity to test drive the electric vehicle of an existing customer before purchasing. This 'CITROËN Co-Expérience' service is available for the private electric cars in the CITROËN range: C-ZERO, E-MEHARI and e-Berlingo Multispace. It helps to promote the brand's electric range, on the premise that there is nobody better than an existing user to talk about using an electric vehicle, give advice and dispel any misapprehensions about this mode of transport. This new CITROËN service is backed by the customer experience-sharing expertise of the start-up Demooz ( <a href="https://demooz.com/fr/categorie/voitures">https://demooz.com/fr/categorie/voitures</a> ).

## 5 - THE ADVERTISER SIGNING UP TO THE CHARTER MAINTAINS A FAIR AND RESPONSIBLE RELATIONSHIP WITH ITS PARTNERS

<b>Unavoidable</b>	<b>No.1</b> <b>It must include environmental and social criteria in the selection of its communications providers.</b>	➤ Groupe PSA's responsible purchasing policy, updated in 2017 and signed by the Group's accredited suppliers, includes social (compliance with the ILO conventions) and environmental criteria. (cf. § 4.2.2.2)
<b>Unavoidable</b>	<b>No.2</b> <b>It must ensure its calls for tender with agencies are transparent, fair and responsible.</b>	➤ Groupe PSA's Code of Ethics, which can be accessed by all Group employees, includes a transparency, integrity and loyalty rule for relationships with suppliers and service providers. ➤ More specifically, all Group employees must refrain from any anti-competitive practices: restrictive trade practices, abuse of dominant position, abuse of economic dependence, etc.
<b>Unavoidable</b>	<b>No.3</b> <b>It must ensure a balance in its day-to-day dealings with its partners and hold regular discussions on the progress of the partnership to ensure that corrective measures are taken, where necessary.</b>	➤ DS AUTOMOBILES requires the different countries to conduct regular assessments of its advertising agency (LA MAISON) to measure their satisfaction and implement action plans to improve relations, where necessary. Since 2015, as part of brand events, DS AUTOMOBILES and the events agency AUDITOIRE have conducted mutual project management assessments. The assessment will continue in 2018 and be reciprocal: LA MAISON will also assess its DS AUTOMOBILES partners in the countries.
<b>Additional action</b>	<b>No.1</b> <b>The advertiser signing up to the Charter creates a Code of Conduct for its commercial practices (gifts, etc.)</b>	➤ Groupe PSA created a practical guide on anti-corruption measures which was promoted in an in-house communication campaign. It 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. (cf. § 6.1.2.)
<b>Additional action</b>	<b>No.2</b> <b>The advertiser signing up to the Charter implements processes to ensure sub-contractors comply with ILO rules, specifically when production takes place abroad, (e.g. goodies).</b>	➤ Groupe PSA conducts annual assessments of its suppliers via third parties and audits to ensure that they are adhering to ILO rules. (cf. § 4.2.2.2.)

### 7.4.2.2. 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.

#### Infringements of regulations on advertising, marketing, labelling and consumer information

(Scope: PEUGEOT and CITROËN subsidiaries)

In 2017:

PEUGEOT infringements:

- in Argentina: total of €16,000 for three accounts of failure to provide mandatory information to customers;
- in Spain: €2,000 for failure to provide pre-contract information on the previous use of a used car.

CITROËN infringements:

- in Brazil: €38,000 for incomplete information in an advert;
- in Switzerland: a fine for the sum of CHF1,700, i.e. around €1,500 for incorrect labelling of consumption data in a DS AUTOMOBILES vehicle at the Geneva car show.

#### 7.4.2.3. 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.

<http://www.pleinphare-leblog.fr/>

#### 7.4.2.4. 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.

<http://www.inmvt.com/en/>

## 7.5. Reporting scope and methodology

G4-20 | G4-22 | G4-23

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).

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, Groupe PSA exercises its role as shareholder and industrial partner with a view to long-term development.





# 8

## APPENDICES

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## 8.1. CSR Reference guides followed by Groupe PSA 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

- When it comes to regulations, Groupe PSA enforces the Grenelle 2 Act and, ahead of schedule and proactively, the French transposition of Directive 2014/95/EU ISO 14001 for the environment. The certification of all Groupe PSA'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. In 2017, the reference to the transportation sector indicators of the US-based SASB (Sustainability Accounting Standards Board) standard was added;
- Global Compact which the Group joined in 2003. 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 professional association representing French advertisers, since 2008, the date of its first publication, which became the "FAIRE" programme in 2017, was again signed by the Group.

#### Internal standards

The Group has developed its own benchmarks:

- social: Group Global Framework Agreement on Social Responsibility signed with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF) in March 2006, renewed in 2010 and then 2017, at which point it was jointly drawn up with IndustriALL;
- 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;

- purchasing: the "Group's requirements regarding social and environmental responsibility with respect to its suppliers", published in 2006, was amended in 2017 to include new issues and was renamed the "Responsible purchasing policy";
- responsible marketing and advertising: the Group's Responsible 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) and the UDA.

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.

The brands also work closely with various bodies who are advocates of CSR: 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 Citeo (formerly Ecofolio), the state-accredited non-profit organisation responsible for paper collection and recycling on behalf of municipalities throughout France.

On 21 May 2015, Groupe PSA signed the "Business Proposals for COP21", presented at the 2015 Paris Climate Conference. To further its commitment, the Group signed a French Business Climate Pledge, published on the occasion of the One Planet Summit in December 2017.

## 8.2. Forums for dialogue with stakeholders introduced by Groupe PSA

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

PRESSENTATION 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
EMPLOYEES	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.
EMPLOYEE AND LABOUR UNION REPRESENTATIVES	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 Works 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>
CUSTOMERS AND CONSUMER ORGANISATIONS, ROAD USER ORGANISATIONS	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 media presence.</li> <li>■ CITROËN Advisor customer forum.</li> </ul>	Sales or repair contracts.
DEALERSHIP NETWORKS	<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>
SHAREHOLDERS AND OTHER INVESTORS	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 (roadshows).</li> </ul>	
FINANCIAL AND SRI RATING AGENCIES 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>	

## 8.2. Forums for dialogue with stakeholders introduced by Groupe PSA

STAKEHOLDER	MAIN TOPICS	INFORMATION - COMMUNICATION	DIALOGUE - CONSULTATION AND FREQUENCY OF EXCHANGES	AGREEMENTS - PARTNERSHIPS
SUPPLIERS	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 Groupe PSA's delegates in regions, in France, in automotive industry bodies.</li> <li>■ Supplier relations teams.</li> <li>■ Self-assessment questionnaires.</li> </ul>	<ul style="list-style-type: none"> <li>■ Responsible purchasing policy</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>
PARTNERS IN COOPERATION PROJECTS AND JOINT VENTURES	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.
INDUSTRY INSTITUTIONS AND PROFESSIONAL ASSOCIATIONS	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>	
NGOS AND ASSOCIATIONS	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 media 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.
HOST COMMUNITIES AND SITE NEIGHBOURS	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.
TEACHING AND RESEARCH	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 2017 Registration Document.

### 8.3.1. Reporting period G4-28

The information and indicators in this report concern the year 2017 and were closed at the end of the period, on 31 December 2017 (except those listed in the methodological note in the relevant section).

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 2017, was published in April 2018.

The previous report, covering financial year 2016, was published in April 2017.

### 8.3.4. Content of the report G4-18 G4-19 G4-23

The environmental and societal information contained in this report complies with Article R. 225-105-1 of the French Commercial Code as amended by Decree No. 2012-557 of 24 April 2012 and, proactively, in advance of the new requirement for a Declaration of ESG Performance ("Déclaration de Performance Extra-Financière" hereafter the "DPEF"), provided for in Order No. 2017-1180 and its implementing decree No. 2017-1265, which transposed European

Parliament and Council Directive 2014/95/EU of 22 October 2014 on the publication of ESG information, and the guidelines of the Global Reporting Initiative - GRI G4.

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. Contact G4-5 G4-31

For more information, in particular on reporting procedures, you may write to the Groupe PSA Sustainable Development Department, 7 Rue Henri Sainte-Claire Deville, 92500 Rueil-Malmaison, or contact the department by email: sustain.psa@mpsa.com

G4-17 G4-20 G4-22 G4-23

## 8.4. Reporting scope and methodology

### 8.4.1. Reporting scope G4-13

This report is based on the economic, social and environmental performance of the fully consolidated companies of Groupe PSA.

#### ACTIVITIES INCLUDED IN REPORTING

Detailed social, environmental and societal data as well as information on sustainable development initiatives also cover:

##### ■ PCD Automotive Activities (production, research and development and tertiary facilities):

The “automotive” section covers the subsidiaries PSA Automobiles SA (manufacturing facilities, R&D facilities and office sites), Automobiles Peugeot, Automobiles Citroën. For the automobile subsidiaries, only the PSA Automobiles SA subsidiary is obligated to publish detailed social responsibility and environmental information. They are available in this report.

Unless otherwise stated, Group policy applies to PSA Automobiles SA. This relates to the following topics in particular: workplace health and safety conditions, organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel, and agreements signed with unions or employee representatives, the training policies implemented, anti-discrimination policy, measures taken in relation to the Group's local impact, partnerships and philanthropy initiatives, taking social and environmental issues into account in procurement policies.

PCMA Automotiv RUS, located in Kaluga, Russia, a joint venture with Mitsubishi Motors Corp, is also included in the societal and environmental components of the “automotive” reporting scope because the Group has a 70% stake in its shares;

##### ■ PCD 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 that are considered significant for Groupe PSA are gradually incorporated into the extra-financial reporting.

##### NOTA - PCD Automotive Division:

PCD Automotive Division gathers PCD Automotive Activities (including PSA Automobiles SA) and PCD Automotive Trade Activities.

##### ■ Other Activities:

These comprise the Peugeot S.A. holding company and BANQUE PSA FINANCE (BPF). The social and societal information published for BPF consolidates entities wholly owned by BPF at 31 December 2017. 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. These joint ventures are listed in the BPF Management Report.

#### THE EXCLUSIONS FROM THE CSR REPORTING VERSUS THE FINANCIAL REPORTING

The scope of reporting does not include:

- the industrial and trade cooperations which are contractual relationships but have not resulted in joint ventures. A detailed list of these can be found in section 2.0.3.1;
- joint ventures with other car manufacturers, accounted for by the equity method, due to the lack of exclusive control. These are also listed in section 2.0.3.1:
  - pTPCA (Toyota Peugeot Citroën Automobile), in Kolín, a joint venture with Toyota;
  - pDPCA (Dongfeng Peugeot Citroën Automobile), in Wuhan, a joint venture with Dongfeng Motor Corp.;
  - pCAPSA (Changan PSA Automobiles), in Shenzhen, a joint venture with Changan Automobiles;
  - pSevelsud, in Val Di Sangro, a joint venture with Fiat;
  - plKAP (Iran Khodro Automobiles Peugeot), in Tehran, a joint venture with Iran Khodro;
  - pSCCO (SAIPA Citroën Automobiles Company), in Kashan, a joint venture with Saipa Kashan;
  - pUzbekistan Peugeot Citroën Automotive, in Jizzakh, a joint venture with SC Uzavtosanoat.

In these cooperations and joint ventures, the Group exercises its role as shareholder and industrial partner with a view to long-term development. The joint ventures and cooperations report their social and environmental performance 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;

- pFAURECIA, a listed company in which Peugeot S.A. holds a 46.3% interest and which has, taking into account its business activity, complete managerial autonomy. The FAURECIA CSR reporting appears in its own publications, available via the links below;
- pBANQUE PSA FINANCE (environmental information). The BANQUE PSA FRANCE CSR reporting appears in its own publications;
- pOPEL and VAUXHALL are not included in the 2017 CSR Report for the reasons given in section 1.1.1.



**DPCA CSR Report** (click on the first line in red – chinese only): <http://www.dPCA.com.cn/dPCA/publish/report.html>

**FAURECIA Registration Document**: <http://www.faurecia.com/en/finance/amf-regulated-information>

**PSA BANQUE FRANCE Annual Report**: <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.

## 8.4.2. Reporting methodology

The Group consolidates and publishes indicators according to three guiding principles: to be transparent, thorough and to provide high-quality information. In compliance with regulations, quantitative data were reported using cross-functional, comparable indicators when relevant. The calculation procedures, changes in scope, corrections made to the previous data or adjustments are specified in each chapter.

The ESG reporting methodology in this section is testament to Groupe PSA's wish to comply with the new requirements of Articles L. 225-102-1 and R. 225-105 et seq. of the French Commercial Code, ahead of schedule, and the guidelines of the GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board). It also meets the demands of its stakeholders, particularly employee representatives and ESG rating agencies.

Groupe PSA is committed to remaining a reference in the quality of its ESG reporting.

### METHOD USED TO UPDATE THE MATERIALITY MATRIX

The Group identified its macro-risks and CSR issues when updating its materiality matrix. The new matrix (cf. § 1.2.2), which prioritises the 23 CSR issues in 7 macro-risk categories, was validated by the members of the Executive Committee in September 2017.

To identify the CSR issues and macro-risks, the Group availed itself of the business expertise of its network of CSR contributors, representing all of its business activities. The result was confirmed by a review of issues reported by industry peers, an analysis of worldwide CSR reference frameworks (including Global Reporting Initiative) and a review of information in the media, before a representative sample of the Group's stakeholders were interviewed to ascertain their opinion.

This structured approach enabled the Group to draw up a list of all the factors contributing to the materiality of each issue.

The issues were scored and depicted in graph format:

1. The position of the issue on the x-axis shows the importance for business performance according to three criteria:
  - likelihood of the threat materialising and opportunities created by the issue,
  - the seriousness of the impact for the Group. For each issue, the opportunities and threats were put into three categories (business, operations and reputation) and their impact was quantified in monetary terms by the department affected,
  - impact on long-term performance;
2. The position of the issue on the y-axis represents the importance of stakeholder expectations, taking account of the legitimacy of each stakeholder to express an opinion on each issue.

The Group used an external provider to ensure each issue was scored strictly and fairly using a standard methodology.

### THIRD-PARTY AUDIT

The process of developing consolidated workforce-related, environmental and societal information of Groupe PSA published in this report, fulfilling the requirements of the new Articles L. 225-102-1 and R. 225-105 et seq. of the French Commercial Code, was verified by an independent third-party body (Grant Thornton).

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.

The presence and accuracy of Groupe PSA's CSR information was certified by the independent third-party body Grant Thornton and is available in its entirety in section 8.6 of this document.

## 8.5. Cross-reference tables

### 8.5.1. Global Reporting Initiative cross-reference table G4 G4-32

The Group's CSR Report has been prepared according to the Global Reporting Initiative G4 for the 4<sup>th</sup> year.

The items required by GRI G4 are indicated in this report using the following icon: G4-XXX

Selected information has been validated by the audit firm Grant Thornton (see their detailed report in section 8.6).

In the "General information items" table below:

- **p** items in bold which are aligned on the left of the column 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;
- **p** the items in italic which are aligned on the right of the column relate to the Comprehensive Level of GRI G4, which the Group has also chosen to publish.

#### GENERAL INFORMATION ITEMS

General information items	Section of the 2017 CSR Report	Outside verification
<b>STRATEGY AND ANALYSIS</b>		
<b>G4-1</b>	Message of the Chairman of the Managing Board	yes
<i>G4-2</i>	1.2.2.	yes
<b>PROFILE OF ORGANISATION</b>		
<b>G4-3</b>	1.1.1.	yes
<b>G4-4</b>	1.1.1. / 1.1.1.2.1. / 2.5.	yes
<b>G4-5</b>	8.3.5. / Back cover	yes
<b>G4-6</b>	1.1.1.	yes
<b>G4-7</b>	1.4. / Back cover	yes
<b>G4-8</b>	1.1.1. / 2.5.	yes
<b>G4-9</b>	1.1.1.	yes
<b>G4-10</b>	3.2.1. / 3.2.4. / 3.5.1.	yes
<b>G4-11</b>	3.1.3.	yes
<b>G4-12</b>	4.1.1.	yes
<b>G4-13</b>	1.1.1. / 1.4. / 4.1.1. / 4.1.2.2. / 8.4.1.	yes
<b>G4-14</b>	1.2.1. / 1.4.3.	yes
<b>G4-15</b>	8.1.	yes
<b>G4-16</b>	8.1.	yes
<b>G4-17</b>	8.4.	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>	2.6. / 3.6. / 4.3. / 5.7. / 6.6. / 7.5. / 8.4.	yes
<b>G4-21</b>	1.2.1.1. / 1.2.2.	yes
<b>G4-22</b>	2.6. / 3.6. / 4.3. / 5.7. / 6.6. / 7.5. / 8.4.	yes
<b>G4-23</b>	1.2.2. / 2.6. / 3.6. / 4.3. / 5.7. / 6.6. / 7.5. / 8.3.4. / 8.4.	yes
<b>INVOLVEMENT OF STAKEHOLDERS</b>		
<b>G4-24</b>	1.2.1.3. / 1.2.2. / 8.2.	yes
<b>G4-25</b>	1.2.1.3. / 8.2.	yes
<b>G4-26</b>	1.2.1.3. / 8.2.	yes
<b>G4-27</b>	1.2.1.3. / 8.2.	yes

<b>General information items</b>	<b>Section of the 2017 CSR Report</b>	<b>Outside verification</b>
<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>	8.3.5.	yes
<b>G4-32</b>	8.5.1. / 8.6.	yes
<b>G4-33</b>	8.6.	yes
<b>GOVERNANCE</b>		
<b>G4-34</b>	1.4. / 6.4.	yes
G4-35	1.4.1.2.	yes
G4-36	1.4.1.	yes
G4-37	1.4.1.	yes
G4-38	1.4. / 6.4.2.	yes
G4-39	1.4. / 6.4.2.	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	6.5.2.	yes
G4-45	1.2.1.3. / 1.2.2. / 1.4.1. / 8.2.	yes
G4-46	1.4.1.1.	yes
G4-47	1.4.1.1.	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	1.4.1.1.	yes
G4-53	6.2.3.	yes
G4-54	Data not available	
G4-55	Data not available	
<b>ETHICS AND INTEGRITY</b>		
<b>G4-56</b>	6.1.	yes
G4-57	6.1.3. / 6.1.3.2.	yes
G4-58	6.1.3. / 6.1.3.2.	yes

## SPECIFIC ITEMS

GRI G4 aspects: DMA and associated indicators	Section of the 2017 CSR Report	Omissions	Outside verification
<b>ECONOMY</b>			
<b>Direct economic value created and distributed</b> ( <i>Threshold 3: "Balanced governance and distribution of added value" issue</i> )			
G4-DMA	6.1.1.		yes
G4-EC1	1.3.3. / 6.2.1		yes
G4-EC2	1.2.1.1. / 2.1.1.		yes
G4-EC3	3.3.5.3.		yes
G4-EC4	6.2.1.		yes
<b>Market presence</b> ( <i>Threshold 2: "Attracting and developing all talents" issue</i> )			
G4-EC5	3.3.5.1.		yes
G4-EC6	3.3.4.		yes
<b>Indirect economic impacts</b> ( <i>Threshold 2: "Local sourcing development in host territories" issue / Threshold 3: "Philanthropy and Socially responsible mobility"</i> )			
G4-EC7	4.1.2.2. / 4.1.2.3. / 4.2.1.2.		yes
G4-EC8	1.2.2. / 7.1.		yes
<b>Purchasing practices</b> ( <i>Threshold 3: "Human rights in the supply chain" issue/Threshold 2: "Environmental performance in the supply chain: Purchasing and Logistics" issue</i> )			
G4-DMA	4.2.2.2. / 5.2.5.		yes
G4-EC9	4.1.2.2. / 4.2.1.2.		yes
<b>ENVIRONMENT</b>			
<b>Materials</b> ( <i>Threshold 2: "Wise use of material in the vehicle life cycle (including product recycling)" issue</i> )			
G4-DMA	2.4.		yes
G4-EN1	2.4.1.1.		yes
G4-EN2	2.4.1.2. / 5.4.3.		yes
<b>Energy</b> ( <i>Threshold 2: "Energy/Industrial carbon footprint" issue</i> )			
G4-DMA	5.1.3. / 5.2. / 5.2.5.		yes
G4-EN3	5.2.1.1.		yes
G4-EN4	2.4.		
G4-EN5	5.2.1.2.		yes
G4-EN6	5.2.1.2.		yes
G4-EN7	2.1. / 2.5.		yes
<b>Water</b> ( <i>Threshold 3: "Sustainable water management" issue</i> )			
G4-DMA	5.5.		yes
G4-EN8	5.5.1.		yes
G4-EN9	5.5.1.		yes
G4-EN10	5.5.1.3. / 5.5.1.3.		yes
<b>Biodiversity</b> ( <i>Threshold 3: "Biodiversity" issue</i> )			
G4-DMA	5.6.		yes
G4-EN11	5.6.1.		yes
G4-EN12	1.2.2. / 5.6.2.		yes
G4-EN13	5.6.		yes
G4-EN14	Data not available		
<b>Emissions</b> ( <i>Threshold 1: "Vehicle CO<sub>2</sub> emissions" and "Vehicle impact on air quality" issues/Threshold 2: "Energy/Industrial carbon footprint", "Environmental performance in the supply chain: purchasing and logistics" and "Control of industrial discharges and nuisances" issues</i> )			
G4-DMA	2.1. / 2.2. / 5.2.		yes
G4-EN15	5.2.2.1.		yes
G4-EN16	5.2.2.1.		yes
G4-EN17	2.1. / 2.4.4.2. / 4.2.1.1. / 5.2.5.		yes
G4-EN18	2.1.1.3. / 5.2.2.1. / 5.2.2.2.		yes

GRI G4 aspects: DMA and associated indicators	Section of the 2017 CSR Report	Omissions	Outside verification
G4-EN19	2.1.1.3. / 5.2.2.1. / 5.2.2.2.		yes
G4-EN20	2.1.5. / 5.3.1.2.		yes
G4-EN21	2.2.1. / 2.2.3. / 5.3.1.1.		yes
<b>Effluents and waste</b> (Threshold 3: "Optimisation of material cycles in industrial processes (including waste)" and "Sustainable water management" issues)			
G4-DMA	5.3. / 5.4.		yes
G4-EN22	5.5.1. / 5.5.2.		yes
G4-EN23	5.4.3.		yes
G4-EN24	5.3.2.4.		yes
G4-EN25	5.4.3.		yes
G4-EN26	Data not available		
<b>Products and services</b> (Threshold 1: "Vehicle CO <sub>2</sub> emissions", "Vehicle impact on air quality" and "Development of new mobility solutions" issues / Threshold 2: "Wise use of material in the vehicle life cycle (including product recycling)" issue)			
G4-DMA	2.1. / 2.2. / 2.4.		yes
G4-EN27	2.1. / 2.2. / 2.4. / 2.5.		yes
G4-EN28	2.4.3.		yes
<b>Compliance</b> (Threshold 2: "Control of industrial discharges and nuisances" issue)			
G4-DMA	5.1.3. / 5.2. / 5.3.		yes
G4-EN29	5.3.2.4.		yes
<b>Transport</b> (Threshold 2: "Environmental performance in the supply chain: Purchasing and Logistics" issue)			
G4-EN30	5.2.5.		yes
<b>General</b> (Threshold 2: "Control of industrial discharges and nuisances" issue/Threshold 3: "Optimisation of material cycles in industrial processes (including waste)" and "Sustainable water management" issues)			
G4-DMA	5.1.3. / 5.4. / 5.5.		yes
G4-EN31	5.1.3.4.		yes
<b>Environmental assessment of suppliers</b> (Threshold 2: "Environmental performance in the supply chain: Purchasing and Logistics" issue)			
G4-DMA	4.2.1.1. / 4.2.2.2.		yes
G4-EN32	4.2.1.1. / 4.2.2.2.		yes
G4-EN33	4.2.1.1. / 4.2.2.1. / 4.2.2.2. / 4.2.2.4. / 4.2.2.5.		yes
<b>Mechanisms for settling environmental grievances</b> (Threshold 2: "Control of industrial discharges and nuisances" issue)			
G4-DMA	5.1.3.		yes
G4-EN34	5.3.2.4.		yes
<b>WORKFORCE-RELATED</b>			
<b>Employment</b> (Threshold 1: "Management of company transformations and social dialogue" issue/Threshold 2: "Attracting and developing all talents" and "Health, safety and well-being in the workplace" issues)			
G4-DMA	3.1.1. / 3.1.1.1. / 3.1.1.3. / 3.5.2.		yes
G4-LA1	3.2.1.		yes
G4-LA2	3.3.5.3.		yes
G4-LA3	3.4.2.2.		yes
<b>Employer/employee relations</b> (Threshold 1: "Management of company transformations and social dialogue" issue)			
G4-DMA	3.1.3.		yes
G4-LA4	3.1.3.		yes
<b>Workplace health and safety</b> (Threshold 2: "Health, safety and well-being in the workplace" issue)			
G4-DMA	3.4.1.		yes
G4-LA5	3.4.1.5.		yes
G4-LA6	3.2.5. / 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 and developing all talents" issue)			
G4-DMA	3.3. / 3.3.3.		yes

## 8.5. Cross-reference tables

<b>GRI G4 aspects: DMA and associated indicators</b>	<b>Section of the 2017 CSR Report</b>	<b>Omissions</b>	<b>Outside verification</b>
G4-LA9	3.3.3.		yes
G4-LA10	3.2.2. / 3.3.2. / 3.3.3.		yes
G4-LA11	3.3.2.3.		yes
<b>Diversity and equal opportunity</b> (Threshold 2: "Diversity and equal opportunity" issue)			
G4-DMA	3.5.2.		yes
G4-LA12	3.2.2. / 3.5.1. / 3.5.2. / 3.5.3.		yes
<b>Equal pay for men and women</b> (Threshold 2: "Diversity and equal opportunity" issue)			
G4-DMA	3.3.5.1.		yes
G4-LA13	3.3.5.1.		yes
<b>Evaluation of suppliers' employment practices</b> (Threshold 3: "Human rights in the supply chain" issue)			
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. / 4.2.2.4.		yes
<b>Mechanisms for settling employment grievances</b> (Threshold 1: "Management of company transformations and social dialogue" issue)			
G4-DMA	3.1.1.		yes
G4-LA16	3.1.1.2. / 4.2.2.3.		yes
<b>HUMAN RIGHTS</b>			
<b>Investment</b> (Threshold 1: "Management of company transformations and social dialogue" issue/Threshold 3: "Human rights in the supply chain" issue)			
G4-HR1	4.2.1.1.		yes
G4-HR2	3.1.1.3.		yes
<b>Non-discrimination</b> (Threshold 2: "Diversity and equal opportunity" issue)			
G4-DMA	3.1.1.3.		yes
G4-HR3	3.5.2.		yes
<b>Union rights and right to collective bargaining</b> (Threshold 1: "Management of company transformations and social dialogue" issue/Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	3.1.1.		yes
G4-HR4	4.2.2.2.2.		yes
<b>Child labour</b> (Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	3.1.1.		yes
G4-HR5	4.2.2.2.2.		yes
<b>Forced or obligatory labour</b> (Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	3.1.1.		yes
G4-HR6	4.2.2.2.2.		yes
<b>Safety practices</b> (Threshold 2: "Health, safety and well-being in the workplace" issue)			
G4-DMA	3.4.1.		yes
G4-HR7		Data not available	
Rights of indigenous peoples			
G4-HR8		Not applicable	
Assessment			
G4-DMA		Data not available	
G4-HR9		Data not available	
<b>Evaluation of suppliers' compliance with human rights</b> (Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	4.2.1.1. / 4.2.2.2. / 4.2.2.3. / 4.2.2.4.		yes
G4-HR10	4.2.1.1. / 4.2.2.2.		yes
G4-HR11	4.2.1.1. / 4.2.2.1. / 4.2.2.2. / 4.2.2.5.		yes

GRI G4 aspects: DMA and associated indicators	Section of the 2017 CSR Report	Omissions	Outside verification
<b>Mechanisms for settling grievances concerning human rights</b> (Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	4.2.2.2. / 4.2.2.3. / 4.2.2.4.		yes
G4-HR12	4.2.2.5.		yes
<b>COMPANY</b>			
<b>Local communities</b> (Threshold 3: "Philanthropy and Socially responsible mobility" issue)			
G4-SO1	7.3.		yes
G4-SO2		Not applicable	
<b>Fight against corruption</b> (Threshold 2: "Ethics in business practices" issue)			
G4-DMA	6.1.1.		yes
G4-SO3	6.1.3.2.		yes
G4-SO4	4.2.2.2. / 6.1.1. / 6.1.3.1. / 6.1.3.2.		yes
G4-SO5	6.1.4.		yes
<b>Public policies</b> (Threshold 2: "Ethics in business practices" issue)			
G4-SO6	6.3.1.3.		yes
<b>Anti-competitive behaviour</b> (Threshold 2: "Ethics in business practices" issue)			
G4-DMA	6.1.1.		yes
G4-SO7	6.1.4.		yes
<b>Compliance</b> (Threshold 1: "Vehicle safety" issue/Threshold 2: "Control of industrial discharges and nuisances", "Ethics in business practices" and "Responsible management of customer's data and relationship" issues)			
G4-SO8	2.3.3. / 5.3.2.4. / 6.1.4. / 7.4.1.1.		yes
<b>Evaluation of suppliers' impacts on Society</b> (Threshold 2: "Environmental performance in the supply chain: purchasing and logistics" issue/ Threshold 3: "Human rights in the supply chain" issue)			
G4-DMA	4.2.1.1. / 4.2.2.4.		yes
G4-SO9	4.2.1.1. / 4.2.2.2.		yes
G4-SO10	4.2.1.1. / 4.2.2.1. / 4.2.2.2. / 4.2.2.4. / 4.2.2.5.		yes
<b>Mechanisms for settling grievances concerning the impact on Company</b> (Threshold 1: "Vehicle safety" issue/Threshold 2: "Control of industrial discharges and nuisances", "Ethics in business practices" and "Responsible management of customer's data and relationship" issues)			
G4-SO11	2.3.3. / 5.3.2.4. / 6.1.4. / 7.4.1.1.		yes
<b>LIABILITY ASSOCIATED WITH THE PRODUCT</b>			
<b>Consumer health and safety</b> (Threshold 1: "Vehicle safety" issue)			
G4-DMA	2.3.2. / 2.3.3.		yes
G4-PR1	2.3.3.		yes
G4-PR2	2.3.3.		yes
<b>Labelling of products and services</b> (Threshold 1: "Vehicle safety" issue)			
G4-DMA	7.4.2.2.		yes
G4-PR3	7.4.2.2.		yes
G4-PR4	7.4.2.2.		yes
G4-PR5	2.3.1.5. / 2.3.1.6.		yes
<b>Communication and marketing</b> (Threshold 3: "Responsible information and marketing" issue)			
G4-PR6	7.4.2.3.		yes
G4-PR7	7.4.2.2.		yes
<b>Customer privacy</b> (Threshold 2: "Responsible management of customer's data and relationship" issue)			
G4-PR8	7.4.1.1.		yes
<b>Compliance</b> (Threshold 1: "Vehicle safety" issue)			
G4-DMA	2.3.2. / 2.3.3.		yes
G4-PR9	2.3.3.		yes

## 8.5.2. Regulatory requirements cross-reference table

The cross-reference table below sets out the Grenelle 2 requirements which still apply to the 2017 financial year, and those of Articles L. 225-102-1 and R. 225-105 et seq. of the French Commercial Code which transpose Directive 2014/95/EU, applicable from the 2018 financial year, but which Groupe PSA opted to apply in advance.

The requirements of Articles L. 225-102-1 and R. 225-105 et seq. of the French Commercial Code are shown in this report by three types of icon<sup>(1)</sup>:

- DPEF.A for the Groupe PSA business model;
- DPEF.B for the description of the main Corporate Social Responsibility risks inherent in Groupe PSA's activity;
- DPEF.X for the other indicators.

Expected	Codification of the DPEF indicators	Previous codification of the Grenelle 2 indicators	2017 CSR Report (relevant sections)	Degree of response*
The Company's business model	DPEF. A	-	1.2.3.	
Main risks inherent in the Company's activity	DPEF.B	-	1.2.1.	
<b>1° Personnel information</b>				
<b>a) Employment</b>				
Total workforce	DPEF.1.a	G.1.a	3.2.1. / 3.2.3.	
Employees by gender	DPEF.1.b	G.1.b	3.2.1. / 3.5.1.	
Employees by age	DPEF.1.c	G.1.c	3.2.1. / 3.5.1.	
Employees by geographical segment	DPEF.1.d	G.1.d	3.2.1. / 3.2.2. / 3.5.1.	
Hirings	DPEF.2.a	G.2.a	3.2.2. / 3.2.3.	
Dismissals	DPEF.2.b	G.2.b	3.2.3.	
Compensation and changes therein	DPEF. 3	G.3	3.3.2.3. / 3.3.5. / 3.3.5.1.	
<b>b) Work arrangements</b>				
Organisation of working hours	DPEF.4	G.4	3.2.5. / 3.4.2.2.	
Absenteeism	DPEF.5	G.5	3.2.5.	
<b>c) Health and safety</b>				
Health and safety conditions in the workplace	DPEF.6	G.8.	3.4. / 3.4.1. / 3.4.2. / 3.5.2.	
Workplace accidents, particularly their frequency and severity, along with occupational illnesses	DPEF.7	G.10	3.4. / 3.4.1. / 3.4.1.2. / 3.4.1.3.	
<b>d) Industrial relations</b>				
Organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel.	DPEF.8	G.6	3.1.1. / 3.1.1.1. / 3.1.2. / 3.1.4. / 3.2.	
Summary of labour agreements, in particular relating to workplace health and safety	DPEF.9	G.9	3.1.1. / 3.1.3. / 3.4.1.5.	
<b>e) Training</b>				
Training policies put into practice, specifically those relating to environmental protection	DPEF.10	G.11	2.3.1.5. / 3.1.1. / 3.2.2. / 3.2.3. / 3.2.5. / 3.3. / 3.3.1. / 3.3.2. / 3.3.2.3. / 3.3.3. / 3.4.1.6. / 3.5.2. / 5.1.3.2. / 6.1.3.1	
Total number of hours of training	DPEF. 11	G.12	2.3.1.5. / 3.3.3. / 6.1.3.1.	

\* The reporting status indicates a response by the Group to each of the 42 Grenelle topics and 43 DPEF topics and the coverage rate for this response among the relevant subsidiaries.

= the Group has responded to the Grenelle and DPEF 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. (OPEL and VAUXHALL not consolidated in this financial year)

= the Group has not responded to the Grenelle and DPEF topic and has explained why.

(1) Déclaration de Performance Extra-Financière (DPEF).

Expected	Codification of the DPEF indicators	Previous codification of the Grenelle 2 indicators	2017 CSR Report (relevant sections)	Degree of response*
<b>f) Non-discrimination</b>				
Measures taken to ensure gender equality	DPEF.12	G.13	3.3.2. / 3.3.5.1. / 3.5.1.	
Measures taken to ensure the hiring and integration of persons with disabilities	DPEF.13	G.14	3.2.2. / 3.5.3.	
Anti-discrimination policy	DPEF.14	G.15	3.1.1. / 3.2.2. / 3.3.5.1. / 3.5. / 3.5.1. / 3.5.2.	
<b>2° Environmental information</b>				
<b>a) General environmental policy</b>				
The organisation of the Company so as to take environmental questions into consideration and, where appropriate, environmental assessment or certification initiatives	DPEF.15	G.20	1.2.1.3. / 2.0. / 2.1. / 2.1.1. / 2.2.1. / 2.2.2. / 3.1.1. / 5.1.1. / 5.1.3.2. / 5.1.3.3. / 5.2.3. / 5.2.4. / 5.3.2.	
Resources committed to preventing environmental risks and pollution	DPEF.16	G.22	2.0.3. / 2.1. / 2.1.2. / 2.1.2.1. / 2.1.2.2. / 2.1.3. / 2.1.4. / 2.1.5. / 2.2. / 2.2.1. / 2.2.2. / 2.2.3. / 2.4. / 5.1.3.3. / 5.2.2.1. / 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.	DPEF.17	G.23	2.2.3. / 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	DPEF.18	G.24	2.2.1.1. / 2.2.1.2. / 2.4.1.3. / 5.3.1. / 5.3.2.2. / 5.4.2. / 5.4.3. / 5.5.1.3. / 5.5.2.2.	
Handling all types of pollution specific to an activity, in particular sound and light pollution.	DPEF.19	G.25	2.4. / 5.3.2.3. / 5.6.2.	
<b>c) The circular economy</b>				
<i>I) Waste prevention and management</i>				
Measures to prevent, recycle, re-use and recover or eliminate waste	DPEF.20	G.26	2.4.2. / 5.4.2. / 5.4.3.	
Actions to combat food waste	DPEF.21	G.27	Not applicable	
<i>II) Sustainable use of resources</i>				
Water consumption and sourcing in light of local constraints	DPEF.22	G.28	2.2. / 5.5.1.1. / 5.5.1.3.	
Consumption of raw materials and measures taken to use them more efficiently	DPEF.23	G.29	2.4. / 2.4.1. / 2.4.3. / 5.4.1.	
Consumption of energy, measures taken to improve energy efficiency and use of renewable energy	DPEF.24	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	DPEF.25	G.31	2.1.2.4. / 5.3.2.2. / 5.6.1	
<b>d) Climate change</b>				
Significant greenhouse gas emissions due to the Company's activity, notably through the use of goods and services it produces	DPEF.26	G.32	2.1.2.1. / 2.1.2.2. / 2.1.2.4. / 2.1.3. / 2.1.5. / 5.2. / 5.2.3. / 5.2.4. / 5.2.5	
Measures taken to adapt to the consequences of climate change	DPEF.27	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. / 5.2.2.2. / 5.2.5	
The voluntary medium and long-term targets set to reduce greenhouse gas emissions and the relevant resources implemented	DPEF.28	-	2.1.1.2.	

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= the Group has responded but it does not cover the entire scope subject to this requirement. (OPEL and VAUXHALL not consolidated in this financial year)

= the Group has not responded to the Grenelle and DPEF topic and has explained why.

Expected	Codification of the DPEF indicators	Previous codification of the Grenelle 2 indicators	2017 CSR Report (relevant sections)	Degree of response*
<b>e) Protection of biodiversity</b>				
Measures taken to preserve or restore biodiversity	DPEF.29	G.34	5.6.2.	
<b>3° Societal information</b>				
<b>a) Corporate sustainable development commitment</b>				
The impact of the Company's activity on employment and local development	DPEF.30	G.35	3.3.2. / 3.3.4. / 3.3.5.1. / 4.1.2.2. / 4.2.2.1.	
The impact of the Company's activity on neighbouring or local residents	DPEF.31	G.36	4.2.2.1. / 5.1.1. / 5.3.2.3. / 5.3.2.4. / 7.1. / 7.2. / 7.3.	
Relations with stakeholders and means of dialogue with them.	DPEF.32	G.37	1.2.1.3. / 2.1.2.4. / 3.1.1. / 3.1.1.2. / 3.1.1.3. / 3.2.2. / 3.2.3. / 3.5. / 3.6.	
Support, partnerships and philanthropy provided	DPEF.33	G.38	4.2.1.2. / 7.1. / 7.2. / 7.3.	
<b>b) Subcontractors and suppliers</b>				
Consideration given to social and environmental issues in procurement policies	DPEF.34	G.39	3.1.1. / 3.1.1.2. / 4.1.2.2.. / 4.2.1.1.	
Inclusion of social and environmental responsibility in subcontractor and supplier relationships	DPEF.35	G.40	3.1.1. / 3.1.1.2. / 4.1.1. / 4.2.1.1.	
<b>c) Fair operating practices</b>				
Measures taken benefiting the health and safety of consumers	DPEF.36	G.42	2.2. / 2.2.1.2. / 2.3.2. / 2.4.1.3. / 7.4.1.2. / 7.4.2.	
Anti-corruption actions	DPEF.37	G.41	3.1.1. / 6.1.1. / 6.3.	
<b>4° Information about initiatives to protect human rights</b>				
<b>a) Promotion and observance of the core conventions of the International Labour Organization:</b>				
With respect for freedom of association and the right to collective bargaining	DPEF.38	G.16	3.1.1. / 3.1.1.2. / 3.1.1.3.	
Eliminating discrimination in terms of hiring and occupation	DPEF.39	G.17	3.1.1. / 3.1.1.3. / 3.2.4. / 3.5. / 3.5.2. / 3.6.	
Eliminating forced or obligatory labour	DPEF.40	G.18	3.1.1. / 3.1.1.2. / 3.1.1.3.	
The effective abolition of child labour	DPEF.41	G.19	3.1.1. / 3.1.1.2. / 3.1.1.3.	
<b>b) Other actions undertaken to protect human rights</b>				
DPEF.42	G.43	3.1.1. / 3.1.1.2. / 3.1.1.3.		

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= the Group has not responded to the Grenelle and DPEF topic and has explained why.

### 8.5.3. Cross reference table of the 10 principles of the United Nations Global Compact

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
<b>2. Labour standards</b>	3. Businesses are asked to respect freedom of association and to recognise the right to collective bargaining.	G4-11, G4-HR4, G4-LA4
	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
<b>3. The environment</b>	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
	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. Anti-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 the 17 UN Sustainable Development Goals

Goals	2017 CSR Report (relevant sections)
1. Eliminate all forms of poverty everywhere	4.1.2.2. / 4.2.1.1. / 7.2.2.
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. / 3.4.2. / 5.3.1. / 5.3.2. / 7.2.
4. Guarantee a good education and lifelong learning opportunities for all	3.3. / 7.2. / 7.2.2.2.
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	3.1.1. / 3.1.1.2. / 3.4.2. / 3.5.1. / 3.5.3. / 4.1.2.3. / 4.2.1. / 4.2.2.2.
9. Build a resilient infrastructure, promote sustainable industrialisation and encourage innovation	2.0. / 2.1.. / 2.2.0. / 2.2.3. / 2.3.2. / 3.0. / 3.4.2.2. / 4.0. / 4.2.2.3. / 5.1.3.5. / 6.3.0. / 7.1.2. / 7.4.2.0.
10. Reduce inequality between countries	3.5.. / 7.2. / 7.3.
11. Take steps to ensure that cities and human settlements are secure, resilient, sustainable and open to all	2.1.1. / 2.4. / 2.5.1. / 7.2.2.2.
12. Establish sustainable consumption and production methods	2.0. / 2.1. / 2.4. / 2.5. / 5.1.3.6. / 5.2.5. / 5.4.2. / 5.4.3. / 5.6. / 7.4.2.
13. Take urgent measures to combat climate change and its repercussions	2.1.0. / 2.1.2. / 2.1.3. / 2.1.5. / 2.4. / 4.1.2.2. / 5.2. / 5.6. / 7.4.2.1.
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. / 6.1.3. / 6.3.
17. Strengthen and boost global partnership means for sustainable development	2.0. / 2.4.1.2. / 2.4.3.2. / 3.1.

## 8.5.5. ISO 26000 standard cross-reference table

<b>Key central questions and areas of action</b>	<b>2017 CSR Report (relevant sections)</b>	
<b>Key question</b>	<b>Governance of the organisation</b>	<b>1.4. / 1.4.1. / 6.1.1. / 6.4.</b>
<b>Key question</b>	<b>Human rights</b>	
Area of action 1	Duty of vigilance	4.1. / 4.2.
Area of action 2	Situations that present a risk to human rights	4.2.2.1.
Area of action 3	Avoiding complicity	4.2.2.2. / 4.2.2.3. / 6.1.
Area of action 4	Remedying infringements on human rights	4.2.2.
Area of action 5	Discrimination and vulnerable groups	3.5. / 3.5.3.
Area of action 6	Civil and political rights	4.2.2.5.
Area of action 7	Economic, social and cultural rights	4.2.2.
Area of action 8	Basic workplace principles and rights	4.2.2.
<b>Key question</b>	<b>Working relations and conditions</b>	
Area of action 1	Employment and employer/employee relations	3.1. / 3.4.1.4. / 3.5.1.
Area of action 2	Working conditions and social protection	3.4. / 3.4.1.
Area of action 3	Social dialogue	3.1.
Area of action 4	Workplace health and safety	3.4.1.
Area of action 5	Development of human capital	3.3.
<b>Key question</b>	<b>Environment</b>	
Area of action 1	Preventing pollution	2.1. / 2.2.1. / 2.4.. / 2.5.1. / 5.1.3. / 5.3.
Area of action 2	Sustainable use of resources	2.4.1. / 2.4.3. / 5.4. / 5.5
Area of action 3	Reducing and adapting to climate change	2.1. / 2.4. / 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.
Area of action 2	Responsible policy commitment	6.1.
Area of action 3	Loyal competition	6.1.1. / 6.1.3. / 6.1.4.
Area of action 4	Promoting corporate responsibility in the value chain	1.
Area of action 5	Respecting property rights	6.3.2.
<b>Key question</b>	<b>Matters concerning consumers</b>	
Area of action 1	Loyal marketing, information and contracts practices	7.4.
Area of action 2	Protecting consumer health and safety	2.3.3.
Area of action 3	Sustainable consumption	2.1.4. / 2.4.
Area of action 4	Customer service, assistance and consumer claims and disputes resolution	2.2.2. / 2.3.1. / 2.3.2.5. / 2.5.2. / 2.5.3.
Area of action 5	Protecting consumers' data and private lives	6.3.2. / 7.4.1.
Area of action 6	Access to basic services	7.1.2. / 7.2.
Area of action 7	Education and awareness	2.1.4. / 2.5. / 2.5.2. / 7.1.1. / 7.2.2. / 7.3.
<b>Key question</b>	<b>Communities and local development</b>	
Area of action 1	Involvement with communities	4.1.2.2. / 7.2. / 7.3.
Area of action 2	Education and culture	7.2.
Area of action 3	Creating jobs and developing skills	7.1.1. / 7.2.2.
Area of action 4	Developing technologies and access to technology	7.3.
Area of action 5	Creating wealth and revenue	4.1.2.2. / 4.2. / 7.1.
Area of action 6	Health	2.2.
Area of action 7	Investment in the Company	7.3.

## 8.5.6. SASB Transportation Standard cross-reference table

References to the automotive industry ESG reporting of the SASB (Sustainability Accounting Standards Board) are denoted by: **SASB-XX**

<b>Accounting metric</b>		<b>CODE<sup>(1)</sup></b>	<b>2017 CSR Report (relevant sections)</b>
Activity	Number of vehicles produced	SASB-A	1.1.1.3.
	Number of vehicles sold	SASB-B	1.1.1.4.
Materials Efficiency & Recycling	Amount of total waste from manufacturing, percentage recycled	SASB-01	5.4.3.
	Weight of end-of-life material recovered, percentage recycled	SASB-02	2.4.3.2.
	Average recyclability of vehicles sold, by weight	SASB-03	2.4.2.
Product Safety	Percentage of models rated by NCAP programs with overall 5-star safety rating, by region	SASB-04	2.3.2.6.
	Number of safety-related defect complaints, percentage investigated	SASB-05	2.31.4.3.
	Number of vehicles recalled	SASB-06	2.31.4.3.
Labour Relations	Percentage of active workforce covered under collective-bargaining agreements, broken down by France and foreign employees <sup>(2)</sup>	SASB-07	3.1.3.
	Number and duration of strikes and lockouts	SASB-08	3.1.11.
Fuel Economy & Use-phase Emissions	Sales-weighted average passenger fleet fuel economy, consumption, or emissions, by region	SASB-09	2.1.11. 2.1.1.3.
	Number of (1) zero emission vehicles (ZEV) sold, (2) hybrid vehicles sold, and (3) plug-in hybrid vehicles sold	SASB-10	2.1.2.
Materials Sourcing	Percentage of materials costs for items containing critical materials	SASB-11	Not available
	Percentage of tungsten, tin, tantalum, and gold smelters and refiners within the supply chain that are verified conflict-free	SASB-12	Not available
	Discussion of the management of risks associated with the use of critical materials and conflict minerals	SASB-13	4 introduction / 4.2.1.1.

(1) The standard codification of the SASB indicators in the format SASB TR0101-XX was simplified into SASB - XX because only the Transportation sector indicators are used.

(2) The reference SASB indicator calls for a US/non-US distinction. We opted for a France/non France split to ensure coherence with the location of Groupe PSA headquarters.

## 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.*

**Peugeot S.A.**

**For the year ended 31 December 2017**

**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 2017, 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.

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;

<sup>(1)</sup> ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

■ At the level of a representative sample of sites selected by us<sup>(1)</sup> on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 25% of headcount and between 18% and 100% of quantitative environmental data disclosed.

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>(2)</sup> represents 26% of headcount and between 31% and 46% of quantitative environmental information selected.

We consider that this work allows us to express a reasonable assurance opinion on the information selected by company.

## Conclusion

In our opinion, the information selected by the company and listed at the end of this report, has been established, in all material aspects, in compliance with the Guidelines.

Neuilly-sur-Seine, March 12, 2018

*Original French report signed by:*

Independent third-party body

Grant Thornton

Membre français de Grant Thornton International

Gilles Hengoat

Partner

(1) **For social and environmental information:** Caen; Poissy; Rennes; Sept-Fons; Valenciennes; Vélizy; Vigo.

**For environmental information only:** Porriño import subsidiary; Peugeot Citroën Retail Chantepie; Peugeot Citroën Retail Rennes; Peugeot Citroën Retail Vigo.

(2) **For social and environmental information:** Caen; Mangualde; Poissy; Rennes; Sept-Fons; Valenciennes; Vélizy; Vigo.

**For environmental information only:** Porriño import subsidiary; Peugeot Citroën Retail Chantepie; Peugeot Citroën Retail Rennes; Peugeot Citroën Retail Vigo.

## Appendix (1/2)

### LIST OF THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION SELECTED BY THE COMPANY AND COVERED BY THE LIMITED ASSURANCE

#### Social quantitative information:

- p Number of employees under permanent or fixed-term contract by region, gender and age group
- p Hiring for open-end contract
- p Breakdown of leavers under permanent contracts and dismissals
- p Total management lost-time accident frequency rate (TF1 Management)
- p Severity rate
- p Occupational illnesses
- p Hours of training

#### Environmental quantitative information:

- p Water use
- p Overall energy consumption
- p Scope 1 and 2 greenhouse gas emissions (GHG)
- p VOC emissions from paint shop facilities
- p Gross discharges into water from plants (COD, DBO5, MES)
- p Total weight of waste by type (foundry waste, non-hazardous waste, hazardous waste) and disposal method

#### Qualitative information of the following chapters:

- p 2.1. Greenhouse Gas Emissions
- p 2.2.1. Reduction of vehicle atmospheric pollutants
- p 2.3.3. Vehicle safety
- p 2.4. Environmental impact of materials and end of life: sustainable management of materials at every stage of the life cycle
- p 2.5. Mobility solutions
- p 4.1. Sustainable purchasing as a key element of group performance
- p 4.2. Supplier relationship and purchasing practices
- p 4.3. Social and environmental standards for purchasing
- p 6.1. Ethical practices in business relationships
- p 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:

- p Number of employees under permanent or fixed-term contract
- p Total management lost-time accident frequency rate (TF1 Management)
- p Severity rate

#### Environmental information:

- p Water use
- p Overall energy consumption
- p Scope 1 and 2 greenhouse gas emissions (GHG)
- p VOC emissions from paint shop facilities
- p Total weight of waste by type (non-hazardous waste and hazardous waste).

#### Societal information:

- p Supplier self-assessment results
- p Number of suppliers evaluated by an external body (ECOVADIS)
- p CSR supplier performance evaluated by an external body (ECOVADIS)





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