

2008 COMMUNICATION ON PROGRESS GLOBAL COMPACT

PSA Peugeot Citroën 2008 report on sustainable development

In harmony with its commitment to the Global Compact, PSA Peugeot Citroën reports its progress in the area of sustainable development to stakeholders by means of:

- ▶ its [2008 Sustainable Development and Annual Report](#)
- ▶ its [2008 Sustainable Development Performance Indicators](#)
- ▶ its [2008 Registration Document](#)
- ▶ its [Sustainable Development Website](#)

For the sixth year, the reporting on sustainable development shows our continuing determination to improve transparency, with the implementation of the GRI 3 (Global Reporting Initiative) reference system. A [GRI Index](#) and a [correlation table for Global Compact 10 principles](#), included in the Sustainable Development Performance Indicators document (page 149 to 152), and also available on PSA Peugeot Citroën's sustainable development website, give direct access to performance indicators and related targets. In addition, key indicators are published in our Sustainable Development and Annual Report (p 76 to 92).

The scope of reporting includes 28 Automobile Division sites, Automobiles Peugeot and Automobile Citroën sales subsidiaries, PCI, PMTC, GEFCO subsidiaries, and the parts manufacturer Faurecia.

The Group's methods for measuring and consolidating 2008 environmental and social data have been checked by an independent company, which has issued a moderate level of assurance.

PSA Peugeot Citroën's commitment to sustainable development and to Global Compact

As Philippe Varin, Chairman, pointed out (see [Message from the Chairman](#)), PSA Peugeot Citroën plays an active role in the search and implementing solutions for a sustainable mobility.

In addition, PSA Peugeot Citroën joined the Global Compact in 2003, pledging to uphold and promote its ten principles in the Group's policies. The Group also made an undertaking to employees to uphold and promote the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

These commitments are publicised on the Group's Sustainable Development Website; on the Group's intranet, which offers a direct link to the Universal Declaration of Human Rights on the UN Website, for employees worldwide; and on page 66 of the Sustainable Development and Annual Report and page 122 of the Sustainable Development Performance Indicators supplement.

PSA Peugeot Citroën's Global Framework Agreement on Social Responsibility

In the social area, in 2006, the Group signed a [Global Framework Agreement on Social Responsibility](#) with the European Metalworkers' Federation (EMF) representing 85 trade-union organizations and the International Metalworkers' Federation (IMF).

The agreement's main purpose is to advance corporate social responsibility across subsidiaries and units. It encompasses 14 commitments, some of which are addressed specifically below. Since then, the Global Framework Agreement has been rolled out in 110 subsidiaries in 31 countries, along with an application guide. Every year, each subsidiary prepares three action plans and manages their deployment. The unions represented at each subsidiary are asked for their input on how the previous year's action plans were implemented and participate in the selection of action plans for the current year. The plans' application is reviewed annually. Presented to the broadened European Works Council, the June 2009 review covering the first three years of the

agreement showed that the commitments had been met and that satisfactory progress had been made: 87% of subsidiaries fully apply the commitments of the Global Framework Agreement on Social Responsibility, up from 75% in 2006.

Internal audits are supplemented by external compliance audits concerning employee relations information and social responsibility commitments. The results of these audits are reported by subsidiaries, in line with the Global Agreement, covering such areas as compliance with human rights and the elimination of discriminatory practices.

Human Rights

The Group promotes the respect of human rights in every host country, even in regions where such respect is not always forthcoming.

- Deployment of Commitment 1 under the Global Framework Agreement, “Avoid complicity in human rights abuses”, has resulted, for example, in the introduction of whistleblowing processes concerning human rights abuses and the display and dissemination of the Code of Ethics in a number of subsidiaries.
- In 2008, some 13,055 employees, or 9% of the global workforce, participated in training in human rights policies and procedures.

As part of the deployment of the Global Framework Agreement on Social Responsibility, every employee was informed of the Group’s commitments to respecting and promoting human rights through presentation meetings, posters, brochures and other means.

Labour

Moreover, PSA Peugeot Citroën actively supports employee freedom of association and representation around the world and is committed to respecting the independence and pluralism of trade unions. Active, ongoing social dialogue is maintained with union representatives in every host country.

- 97.5% of employees are represented by independent unions or employee representatives, versus 97% in 2006.
- In 2008, nearly 240 agreements were signed, including 140 outside France, covering all of the major issues concerning the company and its employees, such as international expansion and new workplace practices and organisations. The large number of agreements signed reflects the Group’s commitment to defining and deploying social policies in consultation with unions and other employee representatives.
- Deployment of Commitment 2 under the Global Framework Agreement, “Uphold freedom of association and the effective recognition of the right to collective bargaining”, has resulted, for example, in the creation of employee representation organizations in a number of subsidiaries and the establishment of a provisional calendar for more frequent meetings between employee representatives and management, specifying a minimum number of meetings per year.
- None of the Group’s subsidiaries was convicted in 2008 of involvement in human rights violations or the use of forced labour.
- Deployment of Commitment 3 under the Global Framework Agreement, “Effectively abolish child labour”, has resulted, for example, in the updating of internal regulations and the introduction of processes, recruiting rules and standards setting a minimum age for hiring in a number of subsidiaries.
- Deployment of Commitment 4 under the Global Framework Agreement, “Eliminate discrimination in respect of employment and occupation”, has resulted, for example, in training and awareness initiatives for supervisors and employee representatives to tackle discrimination and promote equal opportunity in a number of subsidiaries.
- In 2008-2009, the Group was awarded the French government’s new “Diversity label”. In addition, French quality standards agency AFAQ/AFNOR renewed the Group’s “Equal Opportunity Employer” label. PSA Peugeot Citroën was also the first company to receive this distinction from France’s Ministry of Gender and Professional Equality in 2005.

Anti-Corruption

The Group’s business conduct is based on the principles set out in its [Code of Ethics](#), in particular those related to not financing political parties, avoiding conflicts of interest and fighting against corruption.

Demonstrating the commitment to fighting against corruption is based on the following key factors: the involvement of every employee; an analysis of risks and the definition of processes to control them; the traceability of every transaction; the separation of powers and multiple signatures depending on the amount of the transaction; careful selection of partners.

A variety of audits and other internal control procedures are performed every year to detect any cases of corruption, with disciplinary action taken in line with the severity of the case. In addition, employees may report suspected cases of corruption or potential corruption to the Group's Ethics Delegate.

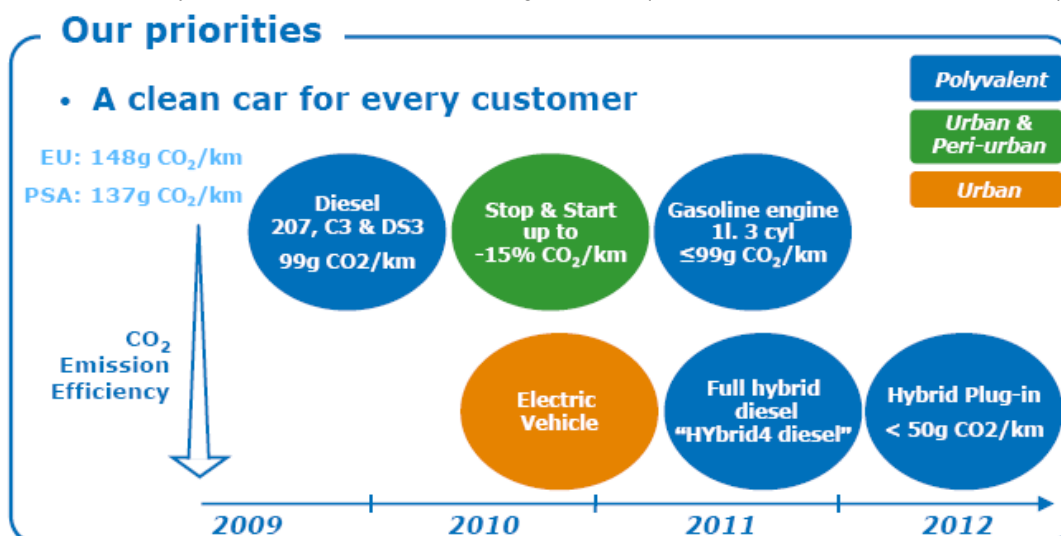
- Under the Global Framework Agreement on Social Responsibility, PSA Peugeot Citroën is committed to fighting against all forms of corruption through Commitment 5, "Work against all forms of corruption and prevent conflicts of interest". Deployment of this commitment has resulted in, for example, the introduction of training and awareness initiatives on fighting corruption and of training and communication initiatives concerning the rules governing gifts from suppliers at a number of subsidiaries.
- A total of 955 employees participated in dedicated training on corruption and conflicts of interest. Furthermore, anti-corruption guidelines have been prepared for purchasing officers.
- The Group (excluding Faurecia) was not convicted of corruption in 2008.

Environment:

The improvement of the energy efficiency of the vehicles and the reduction of greenhouse gas emissions remain the main issues.

- The Group leads the way for vehicles emitting less than 120g of CO₂/km in Europe, with market share of 27%.
- PSA Peugeot Citroën is the only carmaker to have honoured the commitment made by the European Automobile Manufacturers Association (ACEA) to the European Commission in 1998 to voluntarily reduce CO₂ emissions to 140g/km by 2008.
- For the third year in a row, PSA Peugeot Citroën sold one million vehicles emitting less than 140 g of CO₂/km in 2008.
- As part of its strategy concerning research and development, on which €2.1 billion was spent in 2008, the Group is stepping up development of hybrid technology. A strategic partnership was signed with Bosch, while the Paris Auto Show saw the unveiling of the Peugeot Prologue HYbrid4, the HDi hybrid Citroën Hypnos and C4 and Peugeot 308, the Peugeot 908 HYbrid2, the Citroën C4 WRC Hybrid and the Peugeot RC HYbrid4.
- The Group is expanding its CNG and Flex-Fuel vehicles to appropriate markets, with the introduction of the multipurpose 1.6-liter CNG engine in China and the Middle East and the marketing of vehicles burning ethanol-based E85 fuel in Brazil and Sweden. In addition, all Peugeot and Citroën vehicles can run on blends of 30% biodiesel and 10% ethanol, as appropriate.

The environmental performance of PSA Peugeot Citroën products is a priority, and our objectives in this area are ambitious. They are summarised in the following roadmap (published on the first half results 2009):



The Group pursued its environmental management initiatives in 2008. However, a sharp decline in activity in the fourth quarter and an inability to adjust energy and water use to production volumes — because of fixed use at non-production sites, for example — resulted in a slight deterioration in the ratios compared to the number of vehicles painted, despite an overall decline in absolute values. Nonetheless, we are maintaining our energy use per vehicle objective of 2.1 MWh in 2010.

All of the Group's environmental indicators are available on the dedicated Sustainable Development Website and in the Sustainable Development Performance Indicators supplement.

The Group's manufacturing strategy integrates environmental protection as part of a continuous improvement process, based on a disciplined organisation, a method and a management system structured around ISO 14001 certification, the allocation of substantial funding and human resources, and an effective environmental reporting and management system. All production plants have earned ISO 14001 certification.

Extending the Group's commitment across its spheres of influence

Two major components of the Global Framework Agreement on Social Responsibility reflect the Group's commitment to sharing best practices outside its direct scope:

- Commitment 13: Sharing social responsibility practices with suppliers, subcontractors and dealership networks.
- Commitment 14: Taking into account the impact of the company's business on host communities.

The Group continues its efforts to raise its suppliers' awareness of sustainable development. In 2006, the Group had set out its [environmental and social requirements for suppliers](#) in order to obtain an official commitment from them.

In particular, these requirements cover upholding and promoting human rights; freedom of association and effective recognition of the right to collective bargaining; elimination of all forms of forced and compulsory labour; effective abolition of child labour; elimination of discrimination; anti-corruption; the environmental quality management system; R&D and environmental policies; banned substances and materials; and relations between the Group's suppliers and their own suppliers.

As of 31 December 2008, 71% of worldwide standard parts purchases were covered by a supplier agreement, compared with 43% a year earlier. Around 305 standard and non-standard parts suppliers are now involved in the process. These requirements are part of a complete system aimed at making the social and environmental responsibility of suppliers a selection and performance monitoring criterion, in the same way as price and quality. This process is bolstered by self-assessment questionnaires sent to suppliers deemed to be "potentially at risk", as well as by an audit process introduced in 2008.

At the same time, a sensitivity campaign was conducted throughout 2008 to improve purchasing employee awareness of these issues. Quality auditors, for example, may report any violations of fundamental human rights.

The expectations of customers, employees and shareholders are a core concern at PSA Peugeot Citroën. In addition to industrial and business partners, the Group is gradually establishing dialogue with representatives of civil society. The principles of this dialogue are spelled out in the Sustainable Development and Annual Report (in the diagram on pages 46 and 47 and more specifically on pages 10 and 11 for shareholders, pages 70 and 71 for suppliers, and pages 72 and 72 for consumers).

Set up in 2000, the City on the Move Institute (IVM) illustrates the Group's commitment to openness with regard to society and the issues raised by mobility needs. The IVM initiates and promotes research and trials aimed at understanding how urban mobility is changing (Sustainable Development and Annual Report, page 74).

The results obtained and the way in which teams have embraced the programs undertaken mean that PSA Peugeot Citroën is confident about compliance with the Ten Principles of the Global Compact and its own continuous progress in these areas.