

2009 COMMUNICATION ON PROGRESS GLOBAL COMPACT

PSA Peugeot Citroën's 2009 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 [2009 Annual Report](#)
- ▶ its [2009 Sustainable Development Performance Indicators](#) document
- ▶ its [2009 Registration Document](#)
- ▶ its [Sustainable Development Website](#)

For the seventh straight year, the reporting on sustainable development shows our continuous determination to improve transparency, with the implementation of the GRI3 (Global Reporting Initiative) reference system. A [GRI Index](#) and a [correlation table for Global Compact's 10 principles](#), included in the Sustainable Development Performance Indicators document (page 159 to 163), and also available on PSA Peugeot Citroën's sustainable development website, give direct access to performance indicators and related targets.

The scope of reporting includes 32 Automobile Division sites, Automobiles Peugeot and Automobile Citroën sales subsidiaries, PCI, PMTC, GEFCO subsidiaries, and the parts manufacturer Faurecia.

The Group's i) process for compiling 2009 environmental and social indicators, and ii) data of a selection of environmental and social indicators such as water and energy consumption, CO₂, NO₂, SO₂ and VOC emissions, and lost-time incident frequency and severity rate 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 explained by Philippe Varin, Chairman (see [Message from the Chairman](#)), PSA Peugeot Citroën defined in late 2009 the Group's strategic vision. This vision, which is aligned with the Group's core values of respect, responsibility, continuous improvement and boldness, has set the course for the next ten years. It is structured around operating priorities, expressed in the form of three strategic ambitions: to stay one-step ahead in products and services, to become a more global Group and to set the industry benchmark for operating efficiency. These three ambitions are all underpinned by a fourth: a commitment to responsible growth.

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 page 132 of the Sustainable Development Performance Indicators document.

PSA Peugeot Citroën's Global Framework Agreement on Social Responsibility

In the social area, the Group made a review of the Global Framework Agreement on Social Responsibility signed in 2006 and renewed in May 2010 with the European Metalworkers' Federation (EMF) and the International Metalworkers' Federation (IMF). In this new agreement:

- The initial commitments are strengthened: the respect of the fundamental human rights and good practices of management and human resources' development, the sharing of its requirements with its partners and the recognition of the company activities impacts in the areas where it operates.
- A section regarding the commitments and actions taken to protect the environment has been added.

This new agreement also refers to the Group's revised Code of Ethics, presented and distributed to all employees in June 2010.

A specific monitoring has been set up in order to commit the subsidiaries to a continuous improvement process. Every year, each of the 127 subsidiaries prepares three action plans and manages their deployment in order to progress on certain of the 15 commitments; some of them are detailed specifically below. 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 a good respect of the commitments as well as a satisfactory progression level: 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 audit aims to strengthen the homogeneity of the labour practices inside the Group and to proscribe every practices or mode of enforcement which are not compliant with the agreement's commitments.

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 2009, some 14,535 employees, or 11.4% of the global workforce, participated in training in human rights policies and procedures.

As part of the deployment of the new Global Framework Agreement on Social Responsibility signed in May 2010, every employee was informed of the Group's commitments to respecting and promoting human rights through presentation meetings, posters, mailing, 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 2009, a total of 150 agreements were signed – including 120 outside France – on a wide range of topics concerning the main transformations within the company and working conditions. 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. Some subsidiaries have drawn up a specific training plan for the employee representatives.
- None of the Group's subsidiaries was convicted in 2009 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. A new project has been set up: "religions and cultures harmony".
- 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. PSA Peugeot Citroën formed a working group in 2009 to update the Code of Ethics. This new Code of Ethics is rolled out since June 2010 with awareness and training actions to explain the new Code, which the Group considers as a benchmark for all employees, particularly managers. 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 committee.

- 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

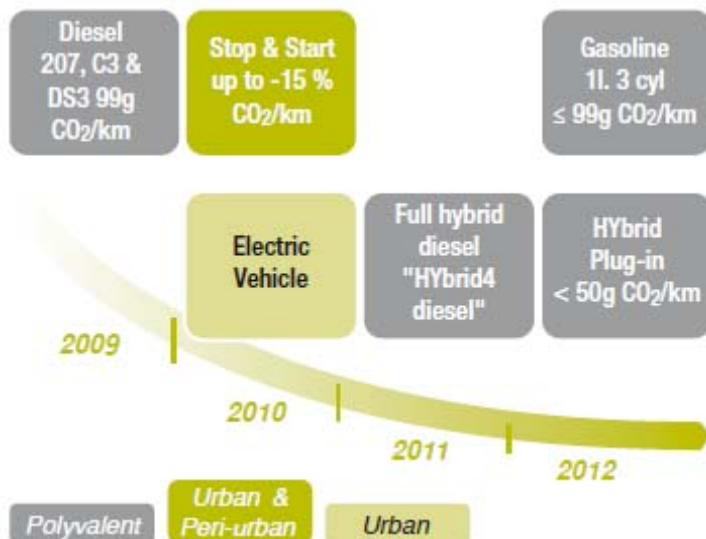
fighting corruption and of training and communication initiatives concerning the rules governing gifts from suppliers at a number of subsidiaries.

- A total of 2 050 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 2009.

Environment:

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

- In 2009, the Group sold nearly a million vehicles (947,000) emitting less than 130 g/km of CO₂ worldwide, and 805,000 emitting less than 120 g/km.
- The Group's average corporate CO₂ emissions in Europe stood at 135.8 g/km in 2009, versus 140.1 g in 2008.
- Fifteen Peugeot and Citroën model families are sold in versions that emit less than 130 g/km of CO₂. The current model line-up also includes versions emitting less than 100 g/km of CO₂, such as the Peugeot 207, Citroën C3 and Citroën DS3.
- Peugeot Citroën is developing a number of complementary technologies to meet differing customer needs in terms of use and price. The Group is focusing on:
 - Improving the fuel efficiency of petrol and diesel-powered internal combustion engines as well as the overall fuel efficiency of its vehicles, in particular by optimizing vehicle architecture (aerodynamics and mass) and equipment (gearboxes, tyres, air conditioning systems, etc.).
 - Deploying Stop & Start, diesel hybrid and plug-in hybrid technologies designed to deliver powerful breakthroughs in reducing CO₂ emissions.
 - Launching zero-emission electric vehicles (ZEVs) in 2010.



- The Group is expanding its CNG, LPG and Flex-Fuel vehicles to appropriate markets. In addition, all Peugeot and Citroën vehicles can run on blends of 30% biodiesel and 10% ethanol, as appropriate. In order to extend the use of biofuels, without detracting from their positive social and environmental impact, PSA Peugeot Citroën is contributing to the development of so-called "advanced" biofuels by participating in research projects and real-world trials.

The Group pursued its industrial environmental management initiatives in 2009.

- Greenhouse gas emissions per vehicle have been almost halved since 1995, while volatile organic compound emissions have been more than halved, to less than 4kg per vehicle from more than 8kg in 1995.
- Over the 1995-2009 period, water withdrawn per vehicle has been reduced by 64%, to 5.12 cubic metres from 14.16 cubic metres.

The Group is committed to reducing the environmental footprint of the Group's manufacturing operations:

- Carefully manage energy consumption, with a target of 2.05 MWh per vehicle produced in 2012.
- Reduce VOC emissions to 3.42 kg per vehicle produced in 2012.
- Reduce water consumption to 4 cubic meters per vehicle produced in 2012.

The commitment to protect the environment has been added in the renewed Global Framework Agreement on Social Responsibility.

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.

By late 2009, 385 suppliers had pledged to comply with PSA Peugeot Citroën's social and environmental responsibility requirements, representing 67% of purchasing spend.

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 and which will be accelerated in 2010.

Automotive Industry Platform (PFA) members, including the Group, signed a common charter on 7 June 2010 confirming their commitment to the social and environmental responsibility of companies in the French automotive sector. These players are convinced that the automotive industry cannot meet sustainable development challenges without mutual respect based on values of responsibility and balance between all the stakeholders.

PFA members confirm their commitment to fundamental human rights, the respect of working conditions, the protection of the health and safety of their employees and subcontractors, and to non-discrimination, the freedom of association and the recognition of trade union rights. They underline the importance of a strong environmental policy and the inclusion of environmental quality in products and production systems alike. They also pledge to fight against corruption and to respect the law. Without jeopardising economic efficiency, the purchasing policies place environmental and social criteria at the heart of the selection process for suppliers, on equal footing with quality, lead times and costs.

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, suppliers and consumers (Sustainable Development Performance Indicators document pp13-14 and 2009 Annual Report pp25-29).

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. As a dialog platform, The IVM initiates and promotes idea-sharing, research and trials aimed at understanding how urban mobility is changing (Sustainable Development Performance Indicators document p135).

The results obtained and the way in which teams have embraced the programs undertaken lead PSA Peugeot Citroën to express confidence about its compliance with the Ten Principles of the Global Compact and its own continuous progress in these areas.