

# PSA PEUGEOT CITROËN GLOBAL FRAMEWORK AGREEMENT ON SOCIAL RESPONSIBILITY

*“A commitment to social responsibility without borders”*

## **PREAMBLE**

PSA Peugeot Citroën, a worldwide automotive corporation, is committed to growth founded on socially-responsible actions and behaviours in all countries in which it operates and in all fields in which it does business.

By signing the Global Compact on 9 April 2003, PSA Peugeot Citroën made the commitment to adhere to and promote the ten principles of the Compact, which are based on the Universal Declaration of Human Rights, The International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption.

These commitments have been reiterated in the corporation’s ethics charter, which was drawn up and distributed to all staff in March 2003. The charter puts forward a common set of key references. Each individual, from employees to top executives, must refer to and comply with the charter in all circumstances.

Through this global framework agreement, PSA Peugeot Citroën wishes to formalise the corporation’s commitments to fundamental human rights by working with the labour unions, the International Metalworkers’ Federation (IMF) and the European Metalworkers’ Federation (EMF).

This agreement is an integral part of the corporation’s social policy, which is a major asset in terms of sustainable growth and economic performance. The implementation of this policy requires constant communication between all labour and management representatives. Over the past several years, this policy has resulted in innovative practices in all countries, especially in the areas of fundamental human rights, equal opportunity, diversity, and developing the employment of women and the inclusion of disabled workers. As progress is made, the corporation’s policies are stated clearly and specific objectives, actions and measurable results are determined.

Furthermore, the parties to this agreement acknowledge that the automotive, finance, transport and logistics businesses operate in a context characterised by increasing globalisation and fierce competition. This means that significant efforts must be made to maintain competitiveness on the different markets. Labour and management representatives must thus work together on an ongoing basis to seek solutions that promote human progress while ensuring the long-term economic performance of the corporation.

This agreement puts forward a clear set of objectives and will serve as a frame of reference for each manager. It is the concrete expression of a shared willingness to promote fundamental human rights (Chapter 2), the management and development of human resources (Chapter 3), social requirements shared with suppliers (Chapter 4), taking into account the impact of the corporation's business on the areas in which it operates (Chapter 5), the deployment of these principles in each country (Chapter 6) and the future expansion of the European Works Council to become a Global Council (Chapter 7).

This agreement is intended as a vehicle for social progress and should also stimulate relations with other stakeholders, such as government authorities, industrial partners, suppliers, clients, shareholders and non-governmental organizations. The signatories of this agreement feel that for the implementation of these commitments to be successful, national- and local-level players in the fields concerned must be involved if sustainable social progress is to be achieved.

## **Chapter 1 : Scope of agreement**

This Global Framework Agreement applies directly to the entire consolidated automotive division (research and development, manufacturing, sales and support services) and to the finance, transport and logistics divisions for current and future subsidiaries, over which the corporation has a dominant influence, either through majority ownership or, when ownership is limited to 50%, through the corporation's responsibility for managing social issues in the subsidiary concerned.

PSA Peugeot Citroën agrees to transmit this Global Framework Agreement to Faurecia, which also has its own representative bodies at the European level, so that Faurecia may begin talks with labour and management representatives on the issues outlined in the agreement.

Furthermore, certain provisions (Chapter 4) also apply to suppliers, subcontractors, industrial partners and distribution networks.

## **Chapter 2 : PSA Peugeot Citroën's commitment to fundamental human rights**

PSA Peugeot Citroën and the labour union federations and organizations are committed to ensuring that the fundamental principles and rights at work set forth by the International Labour Organization (ILO) are adhered to. In addition, PSA Peugeot Citroën hereby states the corporation's commitment to adhering to the provisions of the Global Compact set forth by the United Nations (UN).

### **Article 2.1 – Support and respect the protection of internationally-proclaimed human rights**

PSA Peugeot Citroën applies in all areas of the corporation's business the laws and regulations in force in the countries in which the corporation operates. By signing this Global Framework Agreement, PSA Peugeot Citroën is stating the corporation's desire to go beyond merely abiding by national standards by providing a framework for fundamental human rights.

PSA Peugeot Citroën agrees to promote compliance with human rights in all countries in which the corporation is present, including in geographical areas where human rights are not yet sufficiently protected.

### **Article 2.2 – Avoid complicity in human rights abuses**

PSA Peugeot Citroën agrees to work towards preventing situations of complicity or acts of collusion concerning fundamental human rights violations. The corporation considers this a part of its responsibility to society.

PSA Peugeot Citroën condemns all infringements of respect for individual rights and dignity, verbal or physical abuse and harassment. This type of behaviour is liable to sanctions, and specific measures have been drawn up in all countries to prevent it.

### **Article 2.3 – Uphold freedom of association and the effective recognition of the right to collective bargaining**

PSA Peugeot Citroën is open to labour union activities and acknowledges the global right of workers to form labour unions and join the labour union of their choice and agrees to ensure that union independence and pluralism are maintained (ILO Convention no. 87).

PSA Peugeot Citroën is committed to protecting union members and leaders from anti-union discrimination and to abstaining from all forms of anti-union discrimination (ILO Convention no. 135).

PSA Peugeot Citroën acknowledges the right of employee representatives to be informed of and consulted on major decisions affecting the life of the company.

PSA Peugeot Citroën is committed to promoting collective bargaining, a key aspect of relations between labour and management (ILO Convention no. 98).

### **Article 2.4 – Eliminate all forms of forced and compulsory labour**

PSA Peugeot Citroën is committed to protecting freedom of employment and condemns forced labour, which the corporation considers any work imposed upon a worker via the use of threats (withholding of food, confiscation of land, non-payment of salary, physical violence, sexual abuse, or non-voluntary prison labour, etc.) (ILO Conventions nos. 29 and 105).

### **Article 2.5 – Effectively abolish child labour**

PSA Peugeot Citroën condemns and prohibits child labour.

For the corporation, the minimum age for general access to employment has been set at 18. This is higher than the minimum age for access to employment set by international standards, which is 15 (ILO Convention no. 138).

For countries or regions whose economies and education systems have not achieved sufficient levels of development and in order to contribute to improving this situation, the minimum age for access to employment may be set at 16. However, the health of adolescent workers must be protected and their safety ensured.

In such instances, the corporation agrees to set up specific training systems for the employees concerned in order to help them to achieve higher levels of general education and vocational training.

Different types of employment contracts may be offered in order to support young people while they are still in school and to promote access to employment at the company (such as through apprenticeship contracts, etc.).

### **Article 2.6 – Eliminate discrimination in respect of employment and occupation**

PSA Peugeot Citroën agrees not to discriminate based on culture, nationality, gender, religion, political or union activities, differing experiences, physical appearance, career paths, age, health or sexual orientation in recruitment and career advancement (ILO Convention no. 111).

PSA Peugeot Citroën intends to apply and promote best practices beyond what is legally required and to fight racism, sexism, xenophobia, homophobia and, more generally, intolerance of difference and to ensure respect for the personal lives of employees.

### **Article 2.7 – Work against all forms of corruption and prevent conflicts of interest**

PSA Peugeot Citroën is committed to working against all forms of corruption. The corporation agrees to raise employees' awareness of the issue through various communication campaigns and training programmes.

Employees of the corporation must avoid any conflict between the interests of the corporation and their own personal interests or those of their family members in accordance with the corporation's ethics charter.

All employees must thus refrain from taking a personal interest in suppliers or customers, except if this is done through the purchase of listed shares as part of the management of a securities portfolio and in compliance with rules against the use of privileged information.

## **Chapter 3 : PSA Peugeot Citroën's commitment to the management and development of human resources**

### **Article 3.1 – Manage employment and skills responsibly**

- **Ensure that diversity and equal opportunity underpin recruitment practices**

PSA Peugeot Citroën is committed to ensuring that all stages of the recruitment process are free from discrimination. Enhancing the diversity of the staff is a source of complementarities, social balance and economic effectiveness.

The necessary procedures and resources will thus be implemented in order to avoid discrimination and to promote equal opportunity.

- **Develop the skills of the future through continuing training**

PSA Peugeot Citroën is committed to developing the skills required through continuing training.

PSA Peugeot Citroën agrees to ensure that all employees are given the opportunity to receive training, especially programmes designed to improve skills with a view to increasing the level of mastery of new technologies, equipment, systems and processes.

The parties to this agreement agree that vocational training is a tool that enhances equality for all employees, regardless of their gender, origin, initial training completed, health or working conditions or hours. PSA thus agrees to adopt a pro-active policy in this area.

- **Promote career advancement**

PSA Peugeot Citroën is committed to ensuring equal opportunity in career advancement and mobility for all employees. Employee evaluation practices are objective and transparent, in the spirit of the agreement on diversity and social cohesion in the company signed by labour and management representatives in France in September 2004.

Procedures and indicators have been set up in order to monitor compliance with the principle of equal opportunity.

PSA Peugeot Citroën encourages each employee to play an active role in his professional development.

- **Provide employees with the means to participate**

PSA Peugeot Citroën is committed to providing employees with regular information on the company's operations and on issues likely to affect working conditions and employment, both directly and indirectly. This will be ensured through the local employee representative bodies and unions, in particular.

PSA Peugeot Citroën is committed to promoting employee participation and to taking into account employee initiatives.

- **Take a labour-oriented approach to changes in the business**

PSA Peugeot Citroën agrees to inform and consult with employee representatives in a timely manner in the event of changes in the company's business.

PSA Peugeot Citroën agrees to support employees through any changes in business or employment conditions.

### **Article 3.2 – Provide attractive working conditions**

- **Compensation**

PSA Peugeot Citroën compensates employees in line with market practices in each of the corporation's businesses (automotive, finance, transport and logistics) and is committed to ensuring that remuneration is better than, or at least equal to, the conditions set forth in the national legislation or collective-bargaining agreements.

Salary and other payments made for full-time work correspond at least to the minimum amount mandated by law and the guaranteed minimum for the profession or as set forth in the relevant collective bargaining agreements. They should therefore ensure that employees enjoy decent living conditions.

PSA Peugeot Citroën acknowledges the principle of equal pay for equally valued and productive work, in particular between men and women (ILO Convention no. 100).

The corporation's salary policy aims to ensure that compensation is determined according to fair, transparent and objective criteria.

Furthermore, in order to redistribute the fruits of the corporation's growth and the creation of value to which employees have contributed through their work, a profit-sharing scheme linked to company performance has been set up and includes all employees.

- **Protection of employees**

PSA Peugeot Citroën has set up, in all countries, contingency funds covering death and disability.

Similarly, PSA Peugeot Citroën is gradually setting up, in all countries, supplementary pension schemes based on defined contributions to compensate for the lower income replacement rates provided by compulsory schemes, and supplementary health insurance schemes depending on changes in the compulsory plan.

### **Article 3.3 – Ensure that working conditions meet the highest international standards**

- **Negotiated organization of work and scheduling**

PSA Peugeot Citroën agrees to ensure that the total number of hours worked is equal to or less than the totals set forth in the national legislation or the collective-bargaining agreements in the country concerned.

PSA Peugeot Citroën is committed to ensuring that break times and periodic days off correspond at the very least to the minimum conditions set forth in the national legislation or the collective-bargaining agreements concerned.

Fluctuations in demand and the diversity of the automobile market require adjustments to work schedules. The conditions for these adjustments are negotiated jointly between labour and management according to the methods and rules that have been negotiated or that are otherwise in effect in each country.

- **Safety, working conditions and health**

For PSA Peugeot Citroën, the only acceptable target is an accident-free workplace. The corporation is committed to ensuring that effective occupational health and safety policies based on prevention are applied at the various sites in the form of concrete action plans that involve each employee at his level of responsibility in the company, including labour and management representatives (ILO Convention no. 155).

PSA Peugeot Citroën is committed to progressively improving workstation ergonomics and to finding each employee an alternative position appropriate to his abilities, without discrimination.

PSA Peugeot Citroën has an active health policy, which is mainly oriented toward the prevention of illnesses that may appear or develop in the workplace.

Furthermore, the corporation promotes the actions of healthcare professionals in running informational and prevention campaigns targeting employees in areas such as tobacco use, alcoholism, drug abuse, AIDS and STDs.

### **Article 3.4 – Applying these commitments and negotiations in the subsidiaries**

Beyond the national-level negotiations in use (such as for salaries, working hours, etc.), each subsidiary agrees to negotiate with labour unions on the implementation of actions designed to meet the commitments and principles in this chapter and, in particular, those concerning training, career advancement and occupational safety.

## **Chapter 4 : Social requirements shared with suppliers, subcontractors, industrial partners and distribution networks**

While PSA Peugeot Citroën cannot take legal responsibility for its suppliers, subcontractors, industrial partners and distribution networks, the corporation will transmit this agreement to the companies concerned and request that they adhere to the international agreements of the ILO mentioned previously.

PSA Peugeot Citroën requires that its suppliers make similar commitments with regard to their respective suppliers and subcontractors.

When requesting quotes from suppliers, PSA Peugeot Citroën agrees to ensure that compliance with human rights as defined in Chapter 2 is a determining factor in the selection of suppliers for the panel.

Any failure to comply with human rights requirements will result in a warning from PSA PEUGEOT CITROEN and a plan of corrective measures must be drawn up. Non-compliance with these requirements will result in sanctions including withdrawal from the supplier panel.

A specific process will also be implemented for small suppliers and subcontractors so that they may apply the aforementioned ILO standards gradually.

## **Chapter 5 : Taking into account the impact of the company's business on the areas in which it operates**

PSA Peugeot Citroën is committed to promoting the training and employment of the local working population in order to contribute to economic and social development wherever the corporation does business.

Therefore, in the countries where the corporation operates, PSA Peugeot Citroën will use local human resources to fill vacant positions whenever possible and will strive to develop local integration whenever possible.

In the event of changes in the business, PSA Peugeot Citroën agrees to inform the relevant national authorities beforehand and to cooperate with them in order to better consider local interests.

## **Chapter 6 : Deployment of basic labour commitments**

This Global Framework Agreement, which has been signed by PSA Peugeot Citroën, the IMF, the EMF, labour unions in the main countries affiliated with them and non-affiliated labour unions, shall apply in each country where the business entities that fall within the scope of the agreement (Chapter 1) are represented.



The signatories agree to determine, through negotiation, actions that correspond to the four previous chapters to be implemented in application of this agreement. The specific characteristics of the automotive, finance, transport and logistics divisions, and their competitiveness on their respective markets, will be taken into account. In major countries, implementation of the agreement will result in the creation of a work programme.

PSA Peugeot Citroën agrees to widely inform corporation employees about the content of this agreement. The agreement will thus be distributed throughout the corporation using internal communication channels and will be translated into all languages used.

Any employee who has difficulty interpreting this agreement or who has doubts as to the proper application of the agreement is asked to refer to his direct supervisor or to the Human Resources and Relations Division and/or a labour union representative. Such referrals will not be held against the employee in question in any way whatsoever.

## **Chapter 7 : Monitoring of the agreement and the creation of a Global Council**

This agreement will be monitored at two levels.

In each of the major countries local social observatories will be set up. These will be made up of human resources divisions and labour unions. The social observatories will monitor the application of the Global Framework Agreement on an annual basis using a common monitoring document to be created jointly by the parties to this agreement.

At the corporate level, a report on the deployment of the agreement in the concerned countries will be presented each year to the PSA Peugeot Citroën Extended European Council on Social Responsibility.

With regard to global changes in the corporation's business, the parties of this agreement feel that the creation, in due time, of a Global Council is beneficial.

Initially, the current PSA Peugeot Citroën European Works Council will be expanded to include labour union representatives from the countries that meet the staffing level requirements set forth in the European Works Council agreement (such as Argentina and Brazil). These representatives will be invited to plenary sessions as observers.

The parties agree to examine, after 3 years, the opportunity to definitively undertake the transformation into a Global Council, given that the European directives will legitimately apply to the European subsidiaries and the Extended European Council.

Each plenary session of the Council will be preceded by a preparatory meeting to be attended by all representatives to the Council as well as IMF and EMF representatives.

## **Chapter 8 : Final provisions**

The signing of this agreement by all of the labour unions renders the agreement immediately applicable. The agreement is applicable for an indeterminate duration.

The parties agree to meet every three years to review the measures taken and to plan adjustments as needed through riders to this agreement, especially as regards changes in the applicable regulations or legislation.

In the event of differences in interpretation concerning the different translations of this agreement, the French version will take precedence.

This global framework agreement will be officially transmitted to the government and administrative authorities of each country concerned.