

CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

This report is presented to the Annual General Meeting of Chargeurs on April 30, 2014, pursuant to article L. 225-37 of the French Commercial Code. It was submitted to the Audit Committee for review on March 6, 2014 and was approved by the Board of Directors on the same date.

REFERENCES

The Board of Directors has decided to use the Corporate Governance Code for Small- and Mid-cap companies published by Middlednext in December 2009 as Chargeurs' reference for corporate governance practices and procedures, and particularly for the preparation of this report. This Code can be downloaded from the Middlednext website (in French only).

Chargeurs' risk management and internal control practices and procedures are based on the general principles defined by the French securities regulator (*Autorité des Marchés Financiers*) in its July 22, 2010 document entitled "*Cadre de référence sur les dispositifs de gestion des risques et de contrôle interne : guide de mise en œuvre pour les valeurs moyennes et petites*", which provides risk management and internal control reference guidelines for small- and mid-cap companies.

Chargeurs has been gradually implementing the recommendations contained in the Middlednext Code and intends to continue this process. In line with this, the members of the Board of Directors have been informed of the items included in the "*Points de vigilance*" ("Points to be watched") sections of the Code, which set out the main issues to be addressed in order to ensure that the Company's governance system operates smoothly. In addition, in accordance with AMF recommendation 2013-20 issued on November 18, 2013, the Chargeurs annual report contains a summary table setting out the recommendations in the Code that are not relevant to the Company or which the Company has elected not to apply.

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

Chairman and Chief Executive Officer

At its meeting of April 30, 2013, the Board of Directors renewed Eduardo Malone's term as Chairman and Chief Executive Officer.

Limitations of power

Internally, the Chairman and Chief Executive Officer must ensure that he has the approval of the Board of Directors to grant guarantees before making commitments on behalf of the Company, except in the event that the Board of Directors has expressly delegated power within the limits defined in articles L. 225-35 and R. 225-28 of the French Commercial Code.

Chief Operating Officer

At its meeting of April 30, 2013, the Board of Directors renewed Martine Odillard's term as Chief Operating Officer.

Limitations of power

Internally, the Chief Operating Officer must ensure she follows the Chairman and Chief Executive Officer's instructions and must seek his approval or validation for transactions outside the scope of routine management before making commitments on behalf of the Company.

Change in governance structure

At its meeting on March 6, 2014, the Board of Directors decided to opt for a new organization by separating the functions of Chairman of the Board of Directors and Chief Executive Officer, in line with the Company's bylaws. Following this, Martine Odillard was appointed Chief Executive Officer of the Company effective March 7, 2014 and Eduardo Malone was reconfirmed as Chairman of the Board of Directors.

BOARD OF DIRECTORS

Members

The membership of the Board of Directors is presented in the "Corporate governance" section of the annual report.

At December 31, 2013, the Board comprised five Directors, including the Chairman and the Chief Operating Officer. On May 5, 2011, the Annual General Meeting had approved a resolution put forward by the Board of Directors to appoint a woman to the Board (Martine Odillard).

Based on the independence criteria set out in the Middlednext Code and adopted by Chargeurs, the Board includes two independent Directors: Giuseppe Pirola and Georges Ralli. The Board of Directors has an international profile, with three non-French members (an Argentine, a Belgian and an Italian).

In accordance with AMF recommendation 2013-20 issued on November 18, 2013, the annual report includes a summary table setting out changes in the Board of Directors' membership during 2013, as well as the independent status of each Director as assessed using the independence criteria contained in the Middlednext Code.

The Board does not have any members representing either employee shareholders or employees in general, as the Company's headcount is below the thresholds specified in articles L. 225-23 and L. 225-27-1 of the French Commercial Code that trigger the requirement for such Board members.

Organization of the work of the Board of Directors

The Board of Directors meets at least four times a year: twice to examine the interim and annual financial statements, once to review Group strategy in relation to the budget and business plan and once after the Annual General Meeting to implement the decisions voted by shareholders. At each meeting, the Directors also discuss the Group's business performance, major projects and the matters submitted to the Board for a decision.

As the Board of Directors' roles and responsibilities and main operating procedures are set out in the Company's bylaws, the Board considers that it does not require specific rules of procedure. The Directors receive in a timely manner the information required for them to make an informed contribution to the Board's discussions. They may also ask the Chairman and Chief Executive Officer and/or the Chief Operating Officer to give them any additional information they may consider useful for performing their duties. The Chief Executive Officer or the Chief Operating Officer regularly provides the Board with competitor analyses and updates on market trends. In addition, at the Board meeting on the provisional accounts and the budget, the heads of Chargeurs' businesses review their operations and present the outlook for each unit concerned.

Compensation paid to the Chairman and Chief Executive Officer by Group companies is set by the Board of Directors and comprises a fixed and variable component. The variable portion represents a percentage of the base amount and is contingent on meeting performance conditions concerning the Group's financial results.

Compensation paid to the Chief Operating Officer by Group companies is also set by the Board of Directors and likewise comprises a fixed and variable component. The variable portion is contingent on meeting performance conditions based on both the Group's financial results and on targets set at the beginning of each year for the Chief Operating Officer's areas of responsibility.

The total amount of Directors' fees allocated in 2013 amounted to €32,500, with each of the members receiving an equal share but determined on a proportionate basis to

their length of time in office, except for the Chairman and the Chief Operating Officer who do not receive any fees in their capacity as Directors of Chargeurs.

The Board met four times in 2013 with an average attendance rate of 86%. Each meeting lasted two hours on average.

The Board did not carry out a formal self-assessment of its work and procedures in 2013. However, the Directors discussed these issues at various times during the year, therefore complying with the overall objectives of the Middlednext Code's recommendations.

AUDIT COMMITTEE

At its meeting on December 3, 2009, the Board set up an Audit Committee in application of article L. 823-19 of the French Commercial Code. In 2013, the Audit Committee comprised two Directors – Guiseppe Pirola, Chairman, and Salim Meir Ibrahim until April 30, 2013 then Georges Ralli thereafter. The Group considered this membership structure appropriate in view of the skills and experience of each of the Committee's members. The Audit Committee has its own rules of procedure that set out its roles and responsibilities and its operating processes.

The Audit Committee meets at least twice a year, before the Board meetings held to approve the publication of the annual and interim financial statements. It is tasked with assisting the Board in its role of approving the annual and interim financial statements of the parent company and the Group and preparing information to be disclosed to shareholders and the markets. It monitors the procedures used for Chargeurs' financial reporting process and ensures that the Group's internal control and risk management systems are effective. The Audit Committee also oversees the Statutory Auditors' audit of the financial statements of the parent company and the Group, and verifies the Auditors' independence.

The Audit Committee Chairman reports to the Board on the Committee's work on a regular basis.

The Audit Committee met twice in 2013. During these meetings it examined (i) the process for preparing the financial statements for first-half 2013, (ii) the Statutory Auditors' assignments and fee proposal, (iii) the Company's corporate social responsibility (CSR) guidelines and action plans, to which it paid particular attention in view of the increasing importance of CSR and the numerous recent developments in the area, and (iv) Chargeurs' internal control and risk management systems.

When determining the roles and responsibilities of the Audit Committee, the Company referred to the report of the AMF Working Group on Audit Committees, which was issued in 2010 and can be viewed on the AMF's website at <http://www.amf-france.org>.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Definition and objectives of internal control

Internal control is a system that a company defines and implements under its own responsibility to provide reasonable assurance concerning:

- Compliance with laws and regulations.
- Implementation of the instructions and guidelines set by senior management or the Board of Directors.
- Efficient operation of the Company's internal processes, particularly those contributing to the protection of its assets.
- Reliability of financial reporting.

More generally, it contributes to the control of the Company's businesses, the effectiveness of its operations and the efficient use of its resources.

By helping to anticipate and control risks that could prevent the Company from meeting its objectives, internal control plays a key role in managing and overseeing its various business operations.

Scope of internal control

The Group is organized around a lean holding company (Chargeurs) and three core businesses (Chargeurs Protective Films, Chargeurs Interlining and Chargeurs Wool), each with its own holding company and operating subsidiaries.

Components of internal control

An efficient organization

Empowering the operating companies is a fundamental principle at Chargeurs. At the same time, efficient information systems have been deployed to provide the holding company with (i) high quality financial information; (ii) detailed understanding of how the businesses work and how they generate earnings and cash; and (iii) the ability to swiftly identify risks.

In recent years, this third issue has become increasingly critical with the development of the Chargeurs management model, which uses such asset financing techniques as factoring and lease financing. The model is based on obtaining accurate information about risks so that they can be actively managed. For the implemented financial structures to operate effectively, it is essential to analyze and eliminate a large number of risks. At the same time, such transactions, designed with risk management professionals like insurers, banks and investors, automatically bring with them the controls that are a standard feature of asset financing.

Chargeurs is engaged in several very different businesses and has operations around the world. To take into account this diversity and the specificities of the management model, organizational measures have been put into place to manage the risks that could have a material adverse effect on earnings, assets and commitments. The cornerstones of the system are:

- Empowerment and accountability: the Chairmen and Managing Directors of the subsidiaries have full responsibility for managing their units.
- Short lines of communication.
- Regular reporting on strategic issues.
- Group insurance programs covering all insurable risks.
- An Insurance Manager for each core business.
- Shared operating procedures and rules.
- Corporate Social Responsibility (CSR) teams at both Group line and in each business (set up during 2013).

An information system focused on accountability

Chargeurs' information system is based on the monthly income statements and key balance sheet indicators reported by each of our 64 consolidated companies.

Reflecting our deep-rooted culture of producing high-quality financial information, we were one of the first companies in France to set up a monthly management reporting system fully aligned with the accounting standards used to produce the statutory and consolidated financial statements.

Over the years, this process has been improved and, for several years now, management and statutory reporting data have been managed by the same information system. With the generation of the consolidated accounts now simply the last phase in the process, this ensures constant control over the production of financial information.

In addition, since 2010, our financial controllers have used a highly efficient reporting and consolidation software application perfectly suited to Chargeurs' current business and structure.

Each subsidiary's Managing Director and Finance Director sends me comments on their monthly results, presented in a standard format.

I review these results, together with the updated annual forecasts reflecting the impact of any significant new developments, during monthly meetings with the Managing Directors of the core businesses.

A system to map, analyze and deal with the main identifiable risks

The Executive Committee pinpoints mission-critical issues and designates the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place so that I am informed directly, at regular intervals, of the status of these managers' work. The quality of their status reports is one of the areas covered during their annual performance review.

The issues dealt with generally concern events that could have a material adverse effect on our financial results and our Group's various risk exposures.

An outside consulting firm, specialized in economic forecasting, is used to help evaluate macro-economic risks specific to each of our host countries. The consultants periodically present their findings to the Executive Committee and model certain specific risks when requested by one of our businesses.

From time to time, Chargeurs retains the services of specialized firms to either perform key analyses or temporarily support its operational teams when critical projects are being implemented. In 2012, for example, an insurance broker was commissioned to perform an international audit of the Group's insurance policies, which in particular provided a comprehensive, holistic vision of its risk coverage, and in 2013, a consulting firm was used to help prepare the CSR action plans.

The Executive Committee therefore plays a central role in the risk management process.

The main risks identified by the Company in 2013 are the same as the ones set out in section 1.2 "Risk factors" in the Registration Document filed with the AMF on December 30, 2009.

During 2013, the Company introduced a set of CSR reporting guidelines for its consolidated subsidiaries. These guidelines provide details on Chargeurs' CSR commitment, define the CSR indicators used in the Group's businesses, and describe the CSR reporting procedures applicable Group-wide.

Control procedures sized to address the challenges of each process

Since 2003, the main management processes have been analyzed in order to document and map financial statement risks, the related potential financial impact and the internal controls in place to contain them.

As part of this exercise, each core business has identified the three or four most sensitive processes and reviewed the highest risk transactions within each one. The procedures in place to manage and control these transactions have also been duly identified.

These analyses serve to prioritize future measures, representing the starting point for the Group's drive to strengthen control over its processes.

Constant oversight of internal control procedures

Supervising internal control

The subsidiaries' Finance Directors are responsible for controlling the accounting and reporting processes. Second-tier controls are performed by the Finance Directors of the core businesses as part of their oversight role with regard to the subsidiaries.

Internal audit

Chargeurs does not have an integrated internal audit department and therefore generally relies on local specialized firms in each region.

Internal audit processes are overseen by Group Financial Control, which reports to senior management. Supervision of internal audit matters is shared between the different members of the Audit Committee.

During 2013, Chargeurs continued to apply the new version of its administrative and finance manual, updated in 2010.

External audit

Two audit firms share the task of auditing our consolidated financial statements. All of the local Auditors' observations arising from their audits of our subsidiaries' accounts are reported to the subsidiaries' senior management. The Group Auditors produce a summary of these observations, which is presented to me during twice-yearly meetings.

The Group Finance Department is responsible for ensuring that the Auditors' recommendations involving organizational changes or changes to procedures are implemented without delay.

The representation letters issued by the subsidiaries' Managing Directors to the Auditors are centralized by Chargeurs, to emphasize each Managing Director's accountability for information related to his or her subsidiary included in the Group financial statements.

Chargeurs' risk-management and internal control situation at end-2013

I believe that the risk management and internal control procedures related to the processing and preparation of accounting and financial information at the end of 2013 were appropriate considering the Group's characteristics. As these characteristics make in-depth testing of our processes very costly, few such tests are currently performed. Further investments will be committed in coming years in this area.

The 2014 action plan is based on the following strategic priorities:

- Continuing to monitor the internal control system and effective application of procedures, notably those described in the updated 2010 administrative and finance manual.
- Systematically updating the internal control risk maps and continuing to raise awareness of internal control and risk management issues within the Group's operating entities.
- Continuing to deploy the CSR reporting and compliance action plans.
- Regularly documenting delegations of authority and updating them in line with any changes in the roles and responsibilities of the authorized parties.

Shareholder participation in General Meetings

Article 19 of the Chargeurs bylaws, relative to attendance and representation at General Meetings, provides for the following:

Shareholders may give proxy to their spouse or another shareholder in accordance with the applicable laws and regulations.

Minors and incapacitated persons may be represented by their legal guardian or conservator, and companies and other legal entities may be represented by a person with power of attorney or other authority, in accordance with the applicable laws and regulations.

Spouses, guardians, conservators and other representatives are not required to be shareholders of Chargeurs.

Only shareholders whose shares are registered or recorded in a securities account on the basis prescribed by law are entitled to participate in General Meetings.

The Board may decide to issue admission cards to eligible persons in their name and for their use only.

Shareholders can vote by filling out and returning to the Company a postal voting form or proxy form, in accordance with the applicable regulations.

Prior to each meeting, the Board may decide that shareholders who take part in the meeting via videoconference (or any other telecommunication means that allows them to be identified and whose nature and conditions of use are determined by a decree of the *Conseil d'État*) will be deemed present and included for quorum and majority purposes.

Items that could have an impact in the event of a public tender offer

None of the items mentioned in article L. 225-100-3 of the French Commercial Code would have an impact in the event of a public tender offer, except for the following:

- The Company's capital structure, as described in the report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
- Direct or indirect investments in the Company's shares of which Chargeurs is notified pursuant to articles L. 233-7 and L. 233-12 of the French Commercial Code, and which are discussed in the report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
- The rules governing the election or replacement of Board members and changes to the Company's bylaws, referred to in articles 9, 10 and 22 of the bylaws.
- The powers of the members of the Board of Directors, defined in article 14 of the bylaws.



Eduardo Malone
Chairman of the Board of Directors
March 2014

SUMMARY TABLE OF THE RECOMMENDATIONS IN THE MIDDLENEXT CORPORATE GOVERNANCE CODE THAT ARE NOT RELEVANT TO CHARGEURS OR THAT CHARGEURS ELECTED NOT TO APPLY

at December 31, 2013

Disclosed in accordance with AMF Recommendation 2013-20 issued on November 18, 2013

SUBJECT	Content of the recommendation	Chargeurs' position
R1: Employment contracts held by corporate officers	Subject to compliance with the applicable regulations, the Board of Directors should assess whether or not to authorize managers to hold an employment contract while exercising a corporate officer's term as Chairman, Chairman and Chief Executive Officer, Chief Executive Officer, Chairman of the Managing Board or Legal Manager. The report to the Annual General Meeting should set out the reasons for the decision taken by the Company.	This issue is dealt with in the section of the 2013 annual report entitled "Directors' and officers' compensation". Eduardo Malone's employment contract has been suspended since he took up office as Chairman and Chief Executive Officer. Martine Odillard's employment contract has been suspended since she took up office as Chief Operating Officer. The Board of Directors discussed this matter at the time Eduardo Malone and Martine Odillard took up their respective offices.
R3: Termination benefits	If provision has been made for the payment of termination benefits subject to conditions that comply with the law, the maximum amount payable, after including any severance pay due under the terms of any employment contract, should not exceed two years of the beneficiary's compensation (base and variable), except in cases where said compensation is clearly out of touch with the market (as is the case with start-ups, for example). Termination benefits should not be paid to executive officers who leave the Company at their own initiative to take up a new position or who change positions within a group. In addition, leavers' compensation should not be artificially inflated in the period prior to their departure.	This recommendation is not relevant to Chargeurs.
R4: Supplementary retirement plans	The Company should indicate in its report to shareholders any defined-benefit supplementary retirement plans it has set up for its executive officers and should provide justification for them, in the interests of transparency.	This recommendation is not relevant to Chargeurs.
R5: Stock options and free shares	The allocation of stock options and/or free shares should not be excessively concentrated on executives. In addition, stock options and/or free shares should not be allocated to executive officers on their departure. Some or all of the stock options and/or free shares allocated to executives should only vest if a number of relevant performance conditions are met, set in line with the company's medium- and long-term interests.	This recommendation is not relevant to Chargeurs.
R6: Board rules of procedure	The Board of Directors should have specific rules of procedure that should cover at least the five points detailed in the MiddleNext Code. The rules of procedure, or substantial extracts thereof, should be made available to the public.	Chargeurs applies the "comply or explain" rule. See the Chairman's report on corporate governance and internal control: "As the Board of Directors' roles and responsibilities and main operating procedures are set out in the Company's bylaws, the Board considers that it does not need to draw up specific rules of procedure."

<p>R11: Information provided to Directors</p>	<p>The Board's rules of procedure should state the practical terms and conditions applicable for information given to Directors, and should provide for reasonable timescales.</p>	<p>Chargeurs applies the "comply or explain" rule.</p> <p>See the Chairman's report on corporate governance and internal control: "The Directors receive sufficiently ahead of time the information required for them to make an informed contribution to the Board's discussions. They may also ask the Chairman and Chief Executive Officer and/or the Chief Operating Officer to give them any additional information they may consider useful for performing their duties. The Chief Executive Officer or the Chief Operating Officer regularly provides the Board with competitor analyses and updates on market trends. In addition, at the Board meeting on the provisional accounts and the budget, the heads of Chargeurs' businesses give the Directors a review of their operations and a presentation on the outlook for each unit concerned."</p>
<p>R15: Formal self-assessments of the Board's work</p>	<p>Once a year, the Chairman of the Board should ask for Board members' views on the Board's practices and the preparation of its work. This discussion should be recorded in the minutes of the meeting concerned.</p>	<p>Chargeurs applies the "comply or explain" rule.</p> <p>See the Chairman's report on corporate governance and internal control: "The Board did not carry out a formal self-assessment of its work and procedures in 2013. However, the Directors discussed these issues at various times during the year."</p>