

# CHAIRMAN'S REPORT

## ON CORPORATE GOVERNANCE AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

This report has been prepared by the Chairman for presentation to the Annual General Meeting of Chargeurs shareholders of May 4, 2016, as required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

The preparation process included making inquiries of the departments involved in overseeing internal control and risk management processes.

The report was submitted to the Audit Committee and the Compensation Committee for review on March 9, 2016 and was approved by the Board of Directors on the same date.

### REFERENCE

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

Chargeurs has been gradually implementing the recommendations contained in the Middelnext Code and intends to continue this process.

[NB: during the Board meeting held on March 14, 2016, post mixed general meeting, it was decided to put in place a set of internal regulations designed to identify clearly the internal procedures, the rights and obligations of the Directors, non-voting Directors and Committee members.]

In addition to this report and as recommended by France's securities regulator (AMF) in its "comply or explain" recommendation 2013-20 issued on November 18, 2013, the Chargeurs annual report contains a summary table setting out

the recommendations in the Middelnext Code that are not relevant to the Company or that the Company has elected not to apply, with explanations provided in each case.

The members of the Board of Directors have been informed of the "*Points de vigilance*" ("Points to be watched") section of the Code, which describes the main issues to be addressed in order to ensure that the Company's governance system operates smoothly. The Directors recognize that the purpose of this section of the Code is to encourage the Board to consider these issues, without necessarily being required to prepare explicit, detailed responses.

Chargeurs' practices and procedures in the areas of risk management and internal control are based on the general principles defined by the AMF 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 a risk management and internal control framework and guidelines for small- and mid-cap companies.

### CORPORATE GOVERNANCE

2015 was a pivotal year in the Company's history.

On October 30, 2015, Chargeurs acquired a new reference shareholder with the purchase by Columbus Holding SAS from the concert group comprising Jérôme Seydoux and the companies he controls (Pathé and OJEU), and Eduardo Malone and the company he controls (SOFI EMY), all of their respective interests in Chargeurs, representing 6,334,805 shares and 27.76% of the capital.

Jérôme Seydoux, Eduardo Malone and Martine Odillard stepped down after spending 35 years, 41 years and 36 years respectively at the helm of the Company.

### APPOINTMENT OF NEW DIRECTORS

Following the resignation of Jérôme Seydoux, Eduardo Malone and Martine Odillard, the Board of Directors appointed the following new members:

- **Columbus Holding SAS**, represented by Nicolas Urbain, to replace Jérôme Seydoux;
- **Michaël Fribourg** to replace Eduardo Malone;
- **Emmanuel Coquoïn** to replace Martine Odillard.

[NB: In accordance with the law and the Company's bylaws, these appointments have been proposed at the General Meeting held on March 14, 2016 and they were ratified with a large majority.]

## GOVERNANCE STRUCTURE

At its meeting on October 30, 2015, the Board of Directors decided to change the Company's governance structure, as allowed for in article 14.2 of the bylaws, by combining the positions of Chairman of the Board and Chief Executive Officer.

Reflecting his executive role, the Chairman of the Board has been given the title of Chairman and Chief Executive Officer.

### Chairman and Chief Executive Officer

Following the decision to change the Company's governance structure, on October 30, 2015 the Board of Directors appointed Michaël Fribourg as:

- Chairman of the Board of Directors, for his term as a member of the Board; and
- Chief Executive Officer, for a period of five years.

As Chairman and Chief Executive Officer, Michaël Fribourg (i) organizes and leads the work of the Board and reports thereon to the shareholders at General Meetings; oversees the effectiveness of the Company's governance structures and monitors compliance with generally accepted governance principles and best practices; and (ii) assumes responsibility for implementing the strategy decided by the Board of Directors and for the day-to-day management of the Company.

### Restrictions on the Chairman and Chief Executive Officer's powers

In accordance with the Company's bylaws, the Chairman and Chief Executive Officer (or the Chief Executive Officer when the two positions are held by different people) has the broadest powers to act in all circumstances in the Company's name, within the limits of the corporate purpose and except for those powers that the law attributes to the shareholders in General Meeting and to the Board of Directors. He represents the Company in its dealings with third parties.

Internal restrictions on the Chairman and Chief Executive Officer's powers concern the requirement to obtain the Board of Directors' prior approval before issuing any guarantees that are binding on the Company, except in cases where the Board of Directors has expressly delegated its authority within the limits defined in articles L. 225-35 and R. 225-28 of the French Commercial Code.

## BOARD OF DIRECTORS

### Membership

The membership of the Board of Directors is presented in the "Corporate governance" section of the Annual Report.

The Board had five directors, including the Chairman and Chief Executive Officer.

Following a case-by-case review of the Directors' situation based on the independence criteria set out in the Middenext Code and adopted by Chargeurs, two members of the Board

in its new configuration qualify as independent, Catherine Sabouret and Georges Ralli (whose term of office as a Director comes to an end after the Annual General Meeting on May 4, 2016).

### Changes to the Board of Directors as proposed to the Shareholders Meeting of May 4, 2016

We draw to your attention, in the context of changes to the Board of Directors, the following appointments as proposed to the Shareholders Meeting of May 4, 2016 :

- the appointment of Isabelle Guichot, independent director, will be put forward and will thus bring to two the number of women on the Board of Directors. Isabelle Guichot has a significant track record in the luxury fashion industry through her experience as Head of many leading International brands. In this way, Chargeurs will comply in advance with the provisions regarding corporate governance required by law 2011-103 of January 27, 2011 in relation to the gender balance on Board of Directors;
- after the appointment of Columbus Holding SAS as a Director, taken over from Jérôme Seydoux, is due to end after the Shareholders Meeting of May 4, 2016 and its reappointment is put to the vote of such Shareholders Meeting;
- the appointment of Georges Ralli, as non-voting director (censeur) will also be put to the vote of Shareholders Meeting. Georges Ralli, who has years of experience as a managing executive and international banker, is considered a renowned authority of international group management. As a non-voting director (censeur), Mr Ralli will attend Board meetings and take part in deliberations, by way of consultation.

Board members have diverse professional and personal backgrounds and significant international experience.

In accordance with AMF recommendation 2013-20 issued on November 18, 2013, the annual report includes a summary table describing changes in the Board of Directors' membership during 2015, as well as the situation of each Director in relation to the independence criteria contained in the Middenext 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 employee representation.

### Organization of the work of the Board of Directors

The Board of Directors decides the Company' business strategy and oversees its implementation.

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 as reflected in 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.

In 2015, the Board met six times, twice more than in a normal year. The main reason for the additional meetings was to make various decisions related to last October's change of governance.

The role of the Board and its main operating procedures are described in the Company's bylaws.

Following the change of governance structure, the Board of Directors in its new configuration reviewed some of its procedures and identified a need to bring them up to date. This led to the decision to present a resolution at the General Meeting called on March 14, 2016, concerning Board decisions and the Board's adoption of a set of internal rules.

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 to give them any additional information they may consider useful for performing their duties.

Prior to the change of governance structure, the Chief Executive Officer regularly provided the Board with competitor analyses and updates on market trends. This information is now provided by the Chairman and Chief Executive Officer with input from the Managing Directors of the business segments.

At the Board meeting held to review accounting projections and the budget, the Managing Directors of the business segments present their operations and the outlook for each unit concerned.

The total fees awarded to the members of the Board of Directors in 2015 amounted to €45,000. These fees were allocated among the former and new members based on their attendance at Board meetings, except for the new Chairman and Chief Executive Officer and the former Chief Executive Officer who did not receive any fees in their capacity as Directors of Chargeurs SA.

The six Board meetings held in 2015 lasted for an average of three hours and the average attendance rate was 93%.

The Board of Directors did not carry out a formal self-assessment of its work and procedures in 2015. However, the Directors discussed these issues at various times during the year, therefore complying with the overall objectives of the Middlednext Code's recommendations. Following the change of reference shareholder on October 30, 2015, when the new Chairman and Chief Executive Officer took up his position he also reviewed the Board's work and procedures.

## COMPENSATION COMMITTEE

At its meeting on December 16, 2015, the Board of Directors decided to set up a Compensation Committee. The members of the Committee are Georges Ralli (independent Director and Committee Chairman) and Nicolas Urbain (permanent representative of Columbus Holdings SAS on the Chargeurs SA Board).

The Compensation Committee is tasked with assisting the Board of Directors and recommending senior management compensation packages that enable the Company to retain,

motivate and hire the best talent, while ensuring that executive pay is aligned with shareholders' interests and the Company's performance. The Compensation Committee applies the seven criteria listed in the second recommendation (R2) of the Middlednext Code: Completeness, Balance, Benchmark, Consistency, Clarity, Measurement and Transparency.

The Committee's membership and the experience of its members are consistent with the size and needs of the Board of Directors.

The Compensation Committee met for the first time on December 16, 2015 in connection with the 2016 budget exercise. During the meeting, it formulated recommendations concerning (i) the criteria to be applied by the Board for the determination of senior management compensation, and (ii) the attendance fees to be awarded to the Directors and the members of the Committees of the Board for 2016.

## AUDIT COMMITTEE

At its meeting on December 3, 2009, the Board decided to set up an Audit Committee in application of article L. 823-19 of the French Commercial Code.

During most of 2015, the Audit Committee comprised two Directors—Catherine Sabouret (Committee Chairman) and Georges Ralli. On December 16, 2015, the Board of Directors decided to appoint a third member, Emmanuel Coquoin.

The Board considers that this membership structure is appropriate in view of the skills and experience of each of the Committee's members.

When determining the roles and responsibilities of the Audit Committee, and for the execution of these responsibilities, 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>.

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 2015.

During these meetings it examined the process for preparing the annual financial statements for 2014 and the interim financial statements for first-half 2015, the Statutory Auditors' engagements and fee proposal, and the Company's corporate social responsibility (CSR) guidelines and action plans.



## 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. It cannot, however, provide an absolute guarantee that all risks have been eliminated.

### SCOPE OF INTERNAL CONTROL

The Group is organized around a lean holding company and four business segments:

- Chargeurs Protective Films;
- Chargeurs Fashion Technologies (the new name of Chargeurs Interlining);
- Chargeurs Technical Substrates;
- Chargeurs Wool.

Chargeurs Technical Substrates was previously part of Chargeurs Fashion Technologies. It became the Group's fourth operating segment in 2015.

### COMPONENTS OF INTERNAL CONTROL

#### An Efficient Organization

Chargeurs is organized around decentralized operating structures and efficient information systems that provide the corporate teams 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.

The Group is engaged in several very different businesses and has operations around the world. To take into account this diversity, 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 business segment and at corporate level;
- Corporate Social Responsibility (CSR) teams at both corporate level and in each business segment.

#### An Information System Focused on Accountability

All Group companies produce monthly management reporting packages using the same information system and the same accounting standards (IFRS).

The Chargeurs' information system is based on the monthly income statements and key balance sheet indicators reported by each of our consolidated companies (57 companies at December 31, 2015).

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

These results, together with the updated annual forecasts reflecting the impact of any significant new developments, are reviewed during monthly meetings between the Chairman and Chief Executive Officer and the Managing Directors of the business segments.

#### A System to Map, Analyze and Address 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 the Chairman and Chief Executive Officer is 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 business segments.

From time to time, we retain the services of specialized firms to either perform key analyses or temporarily support our operational teams when critical projects are being implemented.

In 2013, CSR reporting guidelines were prepared for the consolidated subsidiaries describing our CSR commitments, the indicators used to report the CSR performance of each business and the CSR reporting process.

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

## RISK FACTORS

The Group has prepared a risk map that is regularly updated. The risks discussed in this report correspond to the main risks that we believe may have a material adverse effect on the Group's business, financial position, results or outlook.

Other risks and uncertainties that we are not currently aware of or that are not currently material may nevertheless have a material adverse effect on the Group's business, financial position, results or outlook in the future.

### Operational Risks

#### Economic Risks

Chargeurs' global footprint represents a natural partial hedge against regional economic risks.

The Group has operations primarily in Europe, the United States and Asia, and its business is therefore sensitive to changes in economic conditions in these regions.

Although we endeavor to anticipate and offset the impact of an economic slowdown in any of our host countries, there is no guarantee that the Group will always be able to adapt quickly enough. Its global footprint, with operations in four business segments with diversified geographic and end-customer profiles, nevertheless helps to attenuate the risk.

#### Emerging Market Risks

Although the Group's businesses are conducted primarily in Europe and the United States, it also has operations in emerging markets in Asia, South America and Africa. Operations in these countries give rise to a certain number of risks that are different from those arising in more developed economies, including greater exchange rate, interest rate and GDP volatility, relatively unstable government, collection difficulties, significant regulatory changes (tax rules, exchange controls, etc.) or erratic application of existing regulations. In 2015, these risks took the shape of currency devaluations in Argentina and Brazil.

In order to anticipate and more effectively ward against measures that could have a material adverse effect on our businesses, we seek advice from local managers who understand the specific features of their respective countries.

When it is relevant, the Group could use financial instrument on the FOREX market.

As the Group's operations in emerging markets are spread across several countries and continents, the occurrence of unfavorable events or circumstances in one of these countries should have only a limited adverse effect on its financial position, results and outlook.

#### Technology Risks

A key feature of the Group's protective film, interlining and technical fabric markets is the rapid pace of technological change. For this reason, the development of new technologies is an important driver of business growth.

Each business must be able to continuously maintain, protect and improve its technical and technological expertise.

For a number of years, research and development in both products and processes has been a priority and a critical success factor for the Group.

#### Competition Risks

The Group operates in highly competitive markets and the pressure may further increase in the future.

Competitors—particularly those operating in low-cost economies—may adopt aggressive pricing strategies, diversify their product offer, enter into long-term strategic or contractual relationships with current or prospective customers in the Group's markets or expand or acquire companies or assets that represent potential targets for the Group.

In order to manage this risk effectively, the business segments focus on controlling costs, offering customers the best possible service and meeting high standards of product quality, technical content and innovation. In addition, they have developed systems to monitor developments affecting their customers and competitors.

The Group is always looking to optimize its process.

#### Customer Dependence Risks

The Group has a broad customer base spread throughout the world. In 2015, its top ten customers accounted for 12.7% of consolidated revenue.

This diversification attenuates the potential impact of customer default or a change of customer behavior.



## Supplier and Partner Dependence Risks

Thanks to its diversified business base, the Group was not exposed to any particular risk of dependence on suppliers in 2015. However, some Group companies may deal with a limited number of suppliers for some of their activities.

When a company deals with a single supplier for a significant proportion of its purchases, a master agreement is signed to avoid the risk of deliveries being interrupted and establish a long-term relationship with the supplier concerned.

In several mainly emerging markets, we operate through a local partner that manufactures part of our local product offer, seeks out new customers and manages relations with the local authorities. These partnerships enable us to benefit from the support of experienced teams with deep local roots.

When the partnerships take the form of joint ventures, the Group may not exercise legal or *de facto* control over the joint venture's operating and financial policies. To reduce the unfavorable impact of a possible dispute with a partner, a long-term agreement is signed dealing with such matters as dispute resolution.

## Information Systems Failure Risk

The business segments are increasingly dependent on IT infrastructure and applications to manage their various business processes, including purchasing, product distribution, billing, reporting and consolidation.

A single reporting and consolidation application has been deployed that is used by all entities. Apart from this system, each segment has its own IT infrastructure and applications operated under its direct responsibility.

Causes of system failures or downtime may be external (viruses, hacking, power cuts, network failure, etc.) or internal (malicious damage, data security breaches, etc.)

To minimize the impact of system failures, data are protected by automatically producing regular back-up copies at several sites and/or using secure external data centers, and by applying strict security rules (intruder tests, firewalls, etc.).

## Environmental and Industrial Risks

### Environmental Risks

The Group's production facilities may be responsible for environmental disamenities or damage or be the source of injuries or an industrial accident, such as a fire at a plant. There is no guarantee that these facilities will not be a source of pollution, disamenities, environmental damage or injury. In addition, acts of violence, vandalism, sabotage or terrorism committed on the premises of our production facilities could have similar consequences.

Group policy has always been to maintain the highest level of protection of its production facilities against natural hazards, technological risks and environmental risks.

The Group's businesses are subject to various, regularly revised environmental regulations in their host countries, requiring them to apply increasingly strict environmental standards and workplace health and safety standards. They are therefore exposed to a regulatory compliance risk. The Group's environmental policy, performance and certifications are described in the "Environmental Information" section of this report, on page 32.

### Industrial Risks

The Group's production facilities are exposed to industrial risks resulting from their operations, such as fire, explosion and/or machine breakdown risks. The Group pays close attention to properly managing its production facilities. However, there is no guarantee that it will not experience any unplanned production stoppages, due for example to human error, power cuts, interruptions in the supply of essential raw materials (such as polyethylene or wool), malicious or other damage, natural disasters or cases of *force majeure*.

To minimize the impact of these risks, we have deployed a risk management system combining an appropriate insurance program covering property damage, personal injury, business interruption and liability risks, and control processes and procedures to limit the potential consequences (such as sprinkler systems and containment ponds).

## Legal Risks

### Legal Risks

In the normal course of business, Group companies may be involved in a number of legal, administrative or arbitration proceedings.

Several such proceedings are currently in progress, in France and abroad. These proceedings are overseen by the Group Legal Department, assisted by local legal advisors specialized in the matter concerned.

For each known dispute, the associated risks are assessed at each period-end after obtaining legal advice, and a provision is set aside to cover the estimated exposure, if considered necessary.

Although the outcome of the proceedings currently in progress is not known, the Group believes that they will not have any material adverse effect on its financial position.

### Intellectual Property Risks

Intellectual property rights play an important role in protecting the Group's assets and value creation process.

The Group believes that it is essential to innovate and to develop proprietary products and processes. Protection of the underlying intellectual property rights is often a key factor enabling the Group to use its innovations to create value.

To obtain and guarantee this protection, we have built up a portfolio of registered patents, trademarks and models, and we also use various confidentiality agreements, copyright agreements, registered trade secrets and other measures to protect the Group's rights.

### Tax Risks

Group policy is to comply with local tax laws and regulations in each of its host countries and also with international tax laws and regulations. Certain laws or regulations may nonetheless represent a source of risks, because they are ambiguous or give rise to differing interpretations by tax lawyers and/or the local tax authorities.

In order to effectively anticipate changes in tax laws and regulations based on available information, we use the services of tax advisors throughout the world.

In addition, Group companies may be audited by their local tax authorities in the normal course of business.

### Ethical Risks

The Group pays close attention to observing the highest ethical standards.

There is no guarantee that these standards will not be breached by individual employees acting independently from their co-workers.

In this case, any victims of the breach could bring liability claims against Group employees, executives or companies.

To effectively manage these risks based on the information available, the Group monitors legal and regulatory changes in this area. Since 2013, Group managers give a signed commitment to support fair and honest business practices.

### Financial Risks

Financial risks, such as market, currency, interest rate, commodity, credit and liquidity risks, are described in note 23 to the 2015 consolidated financial statements.

### Control Procedures Sized to Address the Challenges of Each Process

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 business segment 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 business segments 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.

Their activities are overseen by the Group Finance Department, which reports to the Chairman and Chief Executive Officer, and are also discussed by the Audit Committee.

During 2015, the Group continued to apply its administrative and finance manual.

### 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 the Chairman and Chief Executive Officer 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-2015

The risk management and internal control procedures related to the processing and preparation of accounting and financial information at the end of 2015 were considered to be appropriate given the Group's size and complexity.

The 2016 action plan represents part of the continuous improvement process and is based on the following priorities:

- continuing to monitor the internal control system and effective application of procedures;
- regularly updating the internal control risk maps to reflect changes in our environments and continuing to raise awareness of internal control and risk management issues within the Group's operating entities;
- continuing to deploy the CSR action plans in line with the commitments given in the CSR report;
- regularly documenting delegations of authority and updating them to reflect 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 law.

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, in the form of its choice, 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 video conference (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 voting 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;
- following the adoption of certain resolutions by the Shareholders' Meeting of March 14, 2016, a list of which is set out at page 109, powers have been given to the Board of Directors in relation to the issuance and purchase of shares.

Michaël Fribourg  
Chairman of the Board of Directors  
and Chief Executive Officer

March 2016



## MIDDLNEXT CORPORATE GOVERNANCE CODE RECOMMENDATIONS THAT WERE NOT APPLICABLE OR WERE NOT APPLIED

### At December 31, 2015

#### AMF RECOMMENDATION 2013-20 OF NOVEMBER 18, 2013

Purpose	Description	Chargeurs' position
<b>R1: Combining corporate office with an employment contract</b>	The Board of Directors should assess, in compliance with the relevant regulations, whether or not to authorize the Chairman, the Chairman and Chief Executive Officer, the Chief Executive Officer or the Chairman of the Management Board to continue to have an employment contract with the Company following their appointment as a corporate officer. The reasons for the decision should be presented in detail in the Board's report to the Annual General Meeting.	This recommendation does not apply to Chargeurs.
<b>R4: Supplementary pension plans</b>	In the interests of transparency, the Board of Directors' report to the Annual General Meeting should include details of any defined benefit supplementary pension plans set up for corporate officers, and the reasons for such benefits.	This recommendation does not apply to Chargeurs.
<b>R5: Stock options and stock grants</b>	Stock option grants and stock grants should not disproportionately benefit the corporate officers. In addition, corporate officers should not receive any stock options or stock grants when they step down from their position. Furthermore, corporate officers' stock options and stock grants should be subject to performance conditions that align the officer's interests with the Company's medium to long-term interests.	This recommendation does not apply to Chargeurs.
<b>R15: Self-assessment of the Board of Directors' work and procedures</b>	Once a year, the Chairman of the Board should ask the Directors to comment on the Board's work and procedures. The discussion should be recorded in the minutes of the meeting concerned.	Chargeurs applies the "comply or explain" principle. <i>Refer to the Chairman's Report on Corporate Governance and Internal Control: "The Board of Directors did not carry out a formal self-assessment of its work and procedures in 2015 but the Directors discussed these issues at various times during the year".</i>



## STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHARGEURS S.A.

For the year ended December 31, 2015

*This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of Chargeurs S.A., and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility to:

- report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- attest that the report sets out the other information required by article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;

- determining if any material weaknesses in the internal control and risk management procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report prepared in accordance with article L. 225-37 of the French Commercial Code.

### OTHER INFORMATION

We attest that the Chairman's report sets out the other information required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris – April 5, 2016

The Statutory Auditors

PricewaterhouseCoopers  
Audit

S&W Associés

Éric Bertier

Virginie Coniau