

CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

This report has been prepared by the Chairman for presentation to the Annual General Meeting of Chargeurs shareholders of May 5, 2015, 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 for review on March 17, 2015 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 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 (AMF: *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 ("comply or explain" recommendation), 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, with explanations provided in each case.

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

In 2014, the Board of Directors decided to change the Company's governance structure by separating the functions of Chairman of the Board of Directors and Chief Executive Officer, as allowed for in the Company's bylaws. In application of this decision, 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.

Chairman

During the meeting held immediately after the Annual General Meeting of April 30, 2014, the Board of Directors renewed Eduardo Malone's term as Chairman of the Board.

The Chairman organizes and leads the work of the Board and reports thereon to the shareholders at General Meetings. He oversees the effectiveness of the Company's governance structures and monitors compliance with generally accepted governance principles and best practices.

Chief Executive Officer

During the meeting held immediately after the Annual General Meeting of April 30, 2014, the Board of Directors renewed Martine Odillard's term as Chief Executive Officer.

The Chief Executive Officer is responsible for implementing the strategy decided by the Board of Directors and for the day-to-day management of the Company. She 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.

Restrictions on the Chief Executive Officer's powers

Internal restrictions on the 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

Members

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

At December 31, 2014, the Board comprised five directors, including the Chairman and the Chief Executive Officer. Martine Odillard was elected to the Board at the Annual General Meeting of May 5, 2011. At the Annual General Meeting of April 30, 2014, a new Director – Catherine Sabouret – was elected, raising the number of women on the Board to two.

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

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 2014, 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 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.

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. 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/or the Chief Executive Officer to give them any additional information they may consider useful for performing their duties. The Chief Executive Officer regularly provides the Board with competitor analyses and updates on market trends. In addition, at the Board meeting held to review accounting projections and the budget, the heads of Chargeurs' businesses present their operations and the outlook for each unit concerned.

Compensation paid to the Chairman and Chief Executive Officer, acting in this capacity until March 6, 2014, was set by the Board of Directors. His incentive bonus, representing a percentage of his base salary, was contingent on consolidated earnings performance.

Compensation paid to the Chief Operating Officer, acting in this capacity until March 6, 2014, was set by the Board of Directors. Her incentive bonus was contingent on meeting the following objectives: (i) consolidated earnings performance and (ii) the performance of the corporate services she led as Chief Operating Officer, as

measured against the objectives set at the beginning of the year.

As of March 7, 2014, the Chairman of the Board of Directors is not paid any compensation by Chargeurs.

Also as of March 7, 2014, the compensation paid to the Chief Executive Officer is set by the Board of Directors. The variable portion is determined based on the Group's earnings performance – with actual performance in relation to annual targets assessed over a three-year period – and on qualitative targets set at the beginning of each year.

Total Directors' fees allocated in 2014 amounted to €27,500, with each Director receiving an equal share but determined on a proportionate basis to their length of time in office, except for the Chairman and the Chief Executive Officer who do not receive any fees in their capacity as Directors of Chargeurs.

The Board met five times in 2014 with an average attendance rate of 88%. Each meeting lasted two hours on average.

The Board of Directors did not carry out a formal self-assessment of its work and procedures in 2014. 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 decided to set up an Audit Committee in application of article L. 823-19 of the French Commercial Code. In 2014, the Audit Committee comprised two Directors – Giuseppe Pirola, Committee Chairman until April 30, then Catherine Sabouret as from that date, and Georges Ralli. 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 three times in 2014. During these meetings it examined: (i) the process for preparing the financial statements for first-half 2014; (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' governance rules and 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 level and in each business.

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 61 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 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 deve-

lopments, are reviewed during monthly meetings between the Group Chief Executive Officer and 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 the 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 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 2013, for example, a consulting firm was used to help prepare the CSR action plans. The same firm was called back in 2014 to assist in the process to improve these plans.

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

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

The main risks identified by the Company in 2014 are substantively 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.

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 relies on local specialized firms in each region.

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

During 2014, 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 the 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-2014

The risk management and internal control procedures related to the processing and preparation of accounting and financial information at the end of 2014 were considered to be appropriate given the Group's characteristics. As these characteristics make in-depth testing of our processes very costly, few such tests are currently performed.

The 2015 action plan represents a continuation of the previous plan and 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 action plans in line with the commitments given in the CSR report;
- 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 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.



Eduardo Malone
Chairman of the Board of Directors
March 2015

MIDDLENEXT CORPORATE GOVERNANCE CODE RECOMMENDATIONS THAT WERE NOT APPLICABLE OR WERE NOT APPLIED

At December 31, 2014

AMF recommendation 2013-20 of November 18, 2013

PURPOSE	Description	CHARGEURS' POSITION
R1: Combining corporate office with an employment contract	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 issue is discussed in the "Executive Directors' compensation" section of the 2014 annual report. Eduardo Malone's employment contract with Chargeurs Boissy, a subsidiary of Chargeurs SA, was suspended upon his appointment as Chairman and Chief Executive Officer. When he stepped down as Chief Executive Officer on March 6, 2014, the contract came back into effect until he retired from the Group on October 31, 2014. Martine Odillard's employment contract was suspended following her appointment as Chief Operating Officer on September 14, 2010. She currently holds the position of Chief Executive Officer. In both cases, the Board of Directors discussed the matter of their employment contracts when they were appointed as corporate officers.
R3: Termination benefits	Where payment of a termination benefit is provided for in accordance with the law, the total benefit – including any amount due under the employment contract, if applicable – should not exceed the equivalent of two years' fixed and variable compensation, except where the officer's compensation is considerably less than the market rate (this may be the case, for example, for business start-ups). In addition, no termination benefit should be paid to a corporate officer who steps down in order to take up a new position or moves to a new position within the group. Care should also be taken to avoid artificially inflating an officer's compensation for the period before he or she steps down.	This recommendation does not apply to Chargeurs.
R4: Supplementary pension plans	In the interests of transparency, the Board of Directors' report to the Annual General Meeting should include details of any defined benefit pension plans set up for corporate officers, and the reasons for such benefits.	This recommendation does not apply to Chargeurs.
R5: Stock options and stock grants	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.
R6: Board of Directors' internal rules	Internal rules should be drawn up for the Board of Directors comprising at least the five sections described in the MiddleNext Code. These rules or substantial extracts thereof should be published.	Chargeurs applies the "comply or explain" principle. Refer to 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."

R11: Information given to Directors	The internal rules should include practical procedures to ensure that Directors are kept fully informed on a timely basis.	Chargeurs applies the “comply or explain” principle. See above comment concerning R6. The Directors receive the information needed to exercise their judgment sufficiently well in advance to enable them to efficiently prepare for Board meetings. Directors may ask the Chairman and/or the Chief Executive Officer for any other information they may consider necessary to exercise their judgment. The Board of Directors is kept regularly informed of developments affecting the business segments and the competitive environment by the Chairman and/or the Chief Executive Officer. During the Board meeting held to review financial projections and the budget, the heads of the business units present their respective businesses and the outlook for each one.
R15: Self-assessment of the Board of Directors’ work and procedures	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. 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 2014 but the Directors discussed these issues at various times during the year.”

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

(Year ended December 31, 2014)

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, and in accordance with article L. 225-235 of the French Commercial Code, 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, 2014.

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.
- 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 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 1, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit
Éric Bertier

S & W Associés
Maryse Le Goff