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 April 20, 2017, 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 8, 2017 and was approved by the Board of Directors on the same date.

REFERENCE FRAMEWORK

The Board of Directors has decided to use the Corporate Governance Code for Small- and Mid-caps published by MiddleNext (revised in September 2016) as Chargeurs' reference framework for corporate governance practices and procedures, and particularly for the preparation of this report.

This Code can be downloaded from the MiddleNext website (in French only).

Since changing its governance structure on October 30, 2015, Chargeurs has enriched its corporate governance rules with a view to continually ensuring that its governance practices are adapted to its operating context and requirements and building a set of rules that will facilitate its business development over the long term. As part of this continuous improvement approach, the Company has particularly drawn on the MiddleNext Code (including its September 2016 revised version), and therefore applies the majority of the recommendations contained in this Code.

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 MiddleNext 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 and have reviewed 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. The directors recognize that the purpose of these sections 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 oeuvre 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

GOVERNANCE STRUCTURE

On October 30, 2015, Chargeurs acquired a new major shareholder (Columbus Holding SAS) and the Board of Directors decided to change the Company's governance structure by combining the positions of Chairman of the Board and Chief Executive Officer. Michaël Fribourg was then appointed as Chargeurs' Chairman and Chief Executive Officer.

Chairman and Chief Executive Officer

Following the decision to change the Company's governance structure, 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.

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

Combining the roles of Chairman and Chief Executive Officer fully respects the balanced governance rules described in this report and is a perfect fit with Chargeurs' decentralized operational structure under which there is a separate CEO for each of the Company's four business lines. It also facilitates highly efficient management and reporting processes and contributes to the Group's development, thanks to the regular, effective discussions that take place between the Chairman and Chief Executive Officer and the business line's CEOs, in an overall climate of trust and confidence.

The new governance structure not only gives the Group a clear, strong vision of its future prospects and development, led by a Chairman and Chief Executive Officer who has deep and unrivaled expertise in the Company's businesses and the operational challenges they face, but also enables responsive decision-making — an essential requirement for today's fiercely competitive global markets. At the same time, it is the best type of structure for achieving the Group's strategic transformation that is being spearheaded by the new Chairman and Chief Executive Officer.

Lastly, having a combined position of Chairman and Chief Executive Officer facilitates dialog between the Board and shareholders, as they have a single point of contact, and this forges close investor relations with shareholders, based on strong and ongoing communication. In particular, every year the Chairman and Chief Executive Officer meets with shareholders and financial analysts when Chargeurs releases its annual results.

Restrictions on the Chairman and Chief Executive Officer's powers

In accordance with the Company's bylaws, when the Chairman of the Board also performs the role of Chief Executive Officer, he 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 shareholders in General Meetings 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

A list of the members of the Board of Directors is provided on page 162 of the Annual Report.

The Board has five members, including the Chairman and Chief Executive Officer, as well as a non-voting director (*censeur*) who attends Board meetings in a consultative capacity.

The criteria used by the Board to assess whether directors are independent are set out in its Rules of Procedure and are largely based on the recommendations of the MiddleNext Code. Consequently, the Board assesses whether each member:

- is an executive in the Company or the Group or has any particular ties with any of the executives of the Company or the Group;
- is — or has been in the past three years — an employee or a corporate officer of the Company or another Group entity;
- is a significant client, supplier or banker of the Company or a company of the Group, or a client, supplier or banker for whom the Company or the Group represents a significant share of its business;
- has a close family relationship with a corporate officer;
- is — or has been in the past six years — a Statutory Auditor of the Company.

Having reviewed each of its member's situations on a case-by-case basis, the Board considers that it has two independent directors, at December 31, 2016: Catherine Sabouret and Isabelle Guichot.

Directors are appointed for a term of three years, which is perfectly adapted to the Company's operations and requirements. Their terms of office are staggered, as shown in the table on page 162 of the Annual Report.

Changes to the Board of Directors as proposed at the Annual General Meeting of April 20, 2017

In view of the recent changes made to the Board's structure, the following directors will be put forward for election or re-election at the Annual General Meeting of April 20, 2017:

- Cécilia Ragueneau, who is being put forward for election as an independent director. If she is elected, the number of women on the Board will be kept at two, which complies with the provisions of French Act 2001-103 dated January 27, 2011 relating to balanced gender representation on corporate boards. The profile of Cécilia Ragueneau is provided on page 166 of the Annual Report.
- Emmanuel Coquoin, who is being put forward for re-election as his term of office is due to expire at the close of the Meeting.

The Company's directors have diverse professional and personal backgrounds and significant international experience. The names of the members of the Board and their profiles are provided on page 166 of the Annual Report, which is published on Chargeurs' website. These profiles show a range of complementary skills and experience, representing a major asset for the Group.

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's membership during 2016, as well as the independence status of each director as assessed using the criteria applied by the Board.

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.

Professional ethics and conduct, roles and responsibilities and organization of the work of the Board of Directors

The Board of Directors' roles and responsibilities and main operating procedures are set out in the Company's bylaws. At its March 14, 2016 meeting, the Board decided to introduce a set of Rules of Procedure that supplement the bylaws by setting out the organizational and operating procedures of the Board and its Committees as well as the rights and obligations of directors, non-voting directors and members of the Board Committees.

The Rules of Procedure were subsequently amended at the Board meeting held on December 7, 2016 in order to take into account the main provisions of the revised version of the MiddleNext Code as well as the new role of Audit Committees specified in article L. 823-19 of the French Commercial Code, as amended by Government Order 2016-315 dated March 17, 2016, relating to audit reform.

The Rules of Procedure correspond to an internal document but substantial extracts are included in this report.

Each director is informed of the obligations arising from their appointment and the rules of professional ethics and conduct applicable to them in accordance with the provisions of the Rules of Procedure and the recommendations contained in the MiddleNext Code. The Company has not identified any cases of non-compliance with these rules.

To the best of the Company's knowledge, as of the date of this document there are no conflicts of interest, and no such conflicts were identified in 2016, between the duties that the directors have to the Company and their personal interests or other duties.

Furthermore, no related-party agreements governed by article L. 225-38 of the French Commercial Code were signed or renewed during 2016.

The directors have been given a guide on the prevention of insider trading, which reminds them of their legal and regulatory obligations in their capacity as "insiders" with respect to Chargeurs. They have also been advised of the new disclosure rules applicable to transactions in the Company's securities, as required under the European Market Abuse Regulation — which came into force in France on July 3, 2016 — and the related implementation regulation dated March 10, 2016.

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

It generally 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 any matters specifically submitted to the Board.

However, since 2016, the Board's workload has increased considerably and now far exceeds simply monitoring the Group's daily running. Consequently, special Board meetings are held to discuss and review the Company's key strategic projects. In practice this means that Board meetings may be called at any time depending on the current circumstances and the directors are fully involved in overseeing the Group's main strategic goals and actions.

At its meetings, the Board also regularly reviews and is consulted on the measures put in place by the Company in relation to succession planning for top executives and other key personnel. Succession planning was earmarked as a priority from the start of 2016 in order to anticipate future requirements and adapt the Group's organizational structure in line with its developments and growth. This notably led the Company to expand its Executive Committee during the year by appointing (i) a

Secretary General, whose main responsibilities will include overseeing the succession planning policy and ensuring the continued excellence of the Group's management teams, and (ii) an Executive Vice-President, International Business Development and Acquisitions. In addition, in early 2017 a new Chief Executive Officer was appointed for Chargeurs Technical Substrates.

Prior to each Board meeting, the directors receive all of the information and documents they require in order to perform their duties, in the form of a meeting pack that contains the agenda and a presentation of the Company's operations and the various projects submitted for their approval. The meeting pack is provided sufficiently in advance so that the directors can effectively prepare for 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 carrying out their work.

The Chairman and Chief Executive Officer communicates transparently with the members of the Board, keeping them up to date about the Company's operations, business trends and developments and competition.

The directors also have numerous opportunities to meet and discuss with the Chief Executive Officers of the Group's four business lines, both during the Board meetings dealing with the presentation of their forecast accounts and budget and during visits to Chargeurs' production sites. Board members are also invited to the Group's annual seminar, which brings together the executives of its international subsidiaries.

The directors receive attendance fees, whose aggregate amount is approved by shareholders at the Annual General Meeting. In 2016, the total amount of these fees paid was €200,000, which was allocated among the directors based on their attendance at meetings of the Board and the Board Committees (apart from the Chairman and Chief Executive Officer who does not receive fees for his role as a director of the Company). In accordance with article L. 225-102-1 of the French Commercial Code, a table summarizing the directors' fees received by the directors and the non-voting director is provided on page 143 of the Annual Report.

Work of the Board of Directors in 2016

In 2016, the Board met nine times, five more than usual. The attendance rate at these meetings was 100% and they lasted an average of two hours. The members of the Board were particularly involved in the various major projects launched by the Company during the year.

The Board's work during the year included approving the parent company and consolidated financial statements for 2015 as well as the interim consolidated financial statements at June 30, 2016. On the basis of these interim financial statements it decided to pay an interim dividend for 2016. It also approved the forecast accounts for 2016 and the 2017 budget.

Also at its meetings in 2016, the Board:

- Monitored the Group's business operations and financing, including the review and approval of two issues of ordinary bonds for €57 million and €15 million respectively.
- Approved several major strategic decisions, such as Chargeurs Protective Films' acquisition of Main Tape in the USA.
- Was consulted on, and kept informed of, the recruitment process for Chargeurs Technical Substrates' new Chief Executive Officer.
- Used the shareholder authorization to buy back the Company's shares via a liquidity contract.
- Put in place Rules of Procedure for the Board and subsequently aligned them with the new laws and regulations.
- Decided on the compensation package to be awarded to the Chairman and Chief Executive Officer.
- Tracked the progress of the Company's update to its legal risk map.
- Reviewed the Statutory Auditors' engagements.

As well as attending meetings, the directors were invited to visit several production sites both in and outside France in order to give them further insight into the Group's operations.

The Board of Directors did not carry out a formal self-assessment of the work and procedures of the Board or the Audit or Compensation Committees in 2016. However, the directors discussed these issues at various times during the year, therefore complying with the overall objectives of the MiddleNext Code's recommendations.

COMPENSATION COMMITTEE

Membership structure and roles and responsibilities of the Compensation Committee

The Compensation Committee was set up by the Board of Directors at its meeting on December 16, 2015. At December 31, 2016, it had two members: Isabelle Guichot (independent director and Chair of the Committee) and Nicolas Urbain (a non-director member, who is the permanent representative of Colombus Holdings SAS on Chargeurs SA's Board).

The profiles of the Compensation Committee members are provided on page 143 of the Annual Report.

The membership structure of the Compensation Committee and the experience of each of its members are suited to the Board of Directors' size and requirements.

The Board's Rules of Procedure state:

"The roles and responsibilities of the Compensation Committee include putting forward proposals and recommendations to the Board of Directors concerning:

- the Company's overall executive compensation policy;
- the compensation packages awarded to executives and the calculation methods used for setting the relevant amounts; and
- more generally, any matters concerning executive compensation submitted to the Committee by the Chairman of the Board of Directors.

The Compensation Committee may use the services of external specialists, at the Company's expense, provided it informs the Chairman of the Board in advance and receives the Board's prior approval. Where this is the case, the Committee is required to report on the use of such specialists to the Board of Directors."

Consequently, the Compensation Committee assists the Board in the above-mentioned areas and helps it to set the compensation and benefits of executives so that the Company can 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 thirteenth recommendation (R13) of the MiddleNext Code relating to setting and disclosing executive compensation: Completeness, Balance, Benchmark, Consistency, Clarity, Measurement and Transparency.

Work of the Compensation Committee in 2016

The Compensation Committee met four times in 2016, with an attendance rate of 100%. During these meetings, the Committee reviewed and issued recommendations on the following matters:

Compensation and benefits of the Chairman and Chief Executive Officer

The Committee issued recommendations to assist the Board with setting the variable portion of the Chairman and Chief Executive Officer's compensation for 2016 based on (i) the achievement levels of the performance criteria set by the Board at its December 16, 2015 meeting, and (ii) an assessment of Chargeurs' share performance in 2016.

It also issued recommendations about the Chairman and Chief Executive Officer's compensation package for 2017. All of these recommendations were followed by the Board.

Information on the compensation and benefits of the Company's Chairman and Chief Executive Officer, is provided on pages 144-147 of the Annual Report.

Fixed and variable compensation awarded to the Chief Executive Officers of the Group's four business lines

After reviewing the fixed and variable compensation for 2016 awarded to the Chief Executive Officers of the Group's four business lines, the Compensation Committee put forward proposals to the Board about their variable compensation for 2017.

Directors' fees

The Committee issued a recommendation on the aggregate amount of directors' fees to be set for 2017, which will be submitted for shareholder approval at the Annual General Meeting of April 20, 2017.

AUDIT COMMITTEE

Membership structure and roles and responsibilities of the 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.

At December 31, 2016, this Committee had two members, both of whom are directors: Catherine Sabouret (Committee Chair) and Emmanuel Coquoin. The Board's non-voting director, Georges Ralli, also attends Audit Committee meetings.

The profiles of the Compensation Committee members are provided on pages 163-165 of the Annual Report.

The membership structure of the Audit Committee and the experience of each of its members are suited to the Board of Directors' size and requirements.

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.

Acting on the Audit Committee's recommendation, the Board amended its Rules of Procedure on December 7, 2016, notably to take into account the new roles of audit committees provided for in article L. 823-19 of the French Commercial Code, as amended by Government Order 2016-315 dated March 17, 2016. Following these amendments, the Rules of Procedure now state:

"The Audit Committee's roles and responsibilities include:

- monitoring the processes used to prepare financial information and the methods applied for preparing the financial statements and, where necessary, putting forward recommendations on ensuring the integrity of financial information;
- reviewing and analyzing the annual financial statements and reporting to the Board on this review;

- monitoring the effectiveness of the measures put in place related to risk management, internal control, regulatory and operational compliance and respecting the applicable rules on professional ethics and conduct;
- monitoring and participating in the procedure for selecting Statutory Auditors including submitting recommendations (i) in accordance with Article 16 of EU Regulation 537/2014 at the end of the selection procedure for appointing new Statutory Auditors (notably when the existing Statutory Auditors' term has reached the maximum authorized duration); or (ii) on re-appointing existing Statutory Auditors;
- overseeing the work carried out by the Statutory Auditors and giving an opinion on the quality of their engagement, taking into account the observations and conclusions of the French Auditors' Oversight Body (H3C) following its periodic quality controls;
- ensuring compliance with the rules guaranteeing the independence of the Statutory Auditors, and, in particular (i) verifying that the conditions set out in article 6 of EU Regulation 537/2014 are respected (compliance with the conditions applicable before accepting or continuing an engagement for a statutory audit, annual confirmation of independence and assessment of any threats to their independence), and (ii) taking the measures required in accordance with paragraph 3 of article 4 of said EU Regulation if the total fees received by the Statutory Auditors from the Company in each of the last three consecutive fiscal years exceed 15% of those Auditors' total client fees for the year concerned;
- approving any supply of non-audit services by the Statutory Auditors which are authorized in the "Authorized Services Charter" drawn up by the Audit Committee;
- examining the Chairman's report on the membership of the Board of Directors, the preparation and organization of its work, and internal control and risk management procedures;
- regularly reporting to the Board on the Committee's work, notably on the role it plays in relation to monitoring the audit engagements of the Statutory Auditors, and issuing any recommendations concerning the above-mentioned topics and informing the Board on any difficulties it may encounter."

"The Audit Committee meets as often as the Committee's Chair thinks fit and at least twice a year, before the Board meetings held to approve the publication of the interim and annual financial statements. Other meetings may be requested by the Chairman of the Board if he considers it necessary. Agendas for Audit Committee meetings are drawn up by the Committee Chair, or in her absence the Chairman of the Board.

The Committee Chair regularly reports to the Board of Directors on the work of the Audit Committee and promptly informs the Board if any difficulties are encountered."

Work of the Audit Committee in 2016

The Audit Committee met three times in 2016, with an attendance rate of 100%.

During these meetings, the Committee particularly focused on the following:

- examining the processes used to prepare the parent company and consolidated financial statements for 2015 and the draft interim financial statements for the first half of 2016;
- submitting proposals to the Board concerning the Statutory Auditors whose terms are due to expire at the April 20, 2017 Annual General Meeting; managing the selection process organized by the Company for appointing new Statutory Auditors (including reviewing the scope of the invitation to tender, the specifications and the selection criteria). This work continued in 2017 and involved holding interviews with the three pre-selected firms, and issuing a recommendation to the Board on the selection of the new Statutory Auditors whose appointment will be proposed at the April 20, 2017 Annual General Meeting (in accordance with the obligations applicable following the audit reform introduced by EU Directive 2014/56, EU Regulation 537/2014 and French Governmental Order 2016-315 dated March 17, 2016);
- in application of the above-mentioned audit reform, during 2016 the Audit Committee drew up a charter of non-audit services that it authorizes to be supplied by the Statutory Auditors and their networks and which do not fall within the scope of services that are prohibited under EU Regulation 537/2014;
- reviewing the "Points to be watched" and the recommendations in the revised version of the MiddleNext Code issued in September 2016;
- monitoring the progress of and reviewing the work carried out by a law firm commissioned by the Company in 2016 to update the Group's legal risks map. Information on this update is provided below in the "Internal control and risk management procedures" section.

During its meetings held in 2016, the Audit Committee heard reports from the Group Chief Financial Officer, the Group Secretary General, the Statutory Auditors (during the meetings concerning the review of the financial statements) and the law firm commissioned to update Chargeurs' legal risks map.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

Internal control is a system that the 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, operational, industrial, commercial and financial processes, particularly those contributing to the safeguarding of its assets;
- reliability of financial reporting.

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

By helping to anticipate and manage the Company's risks, internal control plays a key role in conducting 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 lines:

- Chargeurs Protective Films;
- Chargeurs Fashion Technologies;
- Chargeurs Technical Substrates;
- Chargeurs Luxury Materials.

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 Chief Executive Officers 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 line and at corporate level;
- Corporate Social Responsibility (CSR) teams at both corporate level and in each business line.

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 (56 companies at December 31, 2016).

Each subsidiary's Chief Executive Officer 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 Chief Executive Officers of the business lines.

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 the Group's financial results and its various risk exposures.

An outside consulting firm, specialized in economic forecasting, is used to help evaluate macro-economic risks specific to each of the Group's 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 uses the services of specialized firms to either perform key analyses or temporarily support operational teams when critical projects are being implemented.

Several projects were launched in 2016 as part of the Group's continuous improvement approach to enhancing the quality of its internal control and risk management procedures.

In view of these projects and in order to partner the growth trajectories of the Group's various businesses, the holding company's teams were expanded during the year. This particularly involved setting up a new internal consulting team comprising three people with diverse profiles, which is dedicated to helping each business line with their key projects.

Also during the year, the Group commissioned a law firm to update its legal risks map. The work underway on this update is being closely monitored by the Company and the Audit Committee, which regularly reports to the Board on the progress made.

The overriding aims of the project — which was launched in early 2016 — are to identify, analyze and assess the legal risks to which the Group is or could be exposed to in relation to its operations. Once the project is completed in the course of 2017 it will result in a strengthened risk control and management system, notably by designating "risk bearers" at the level of both the holding company and the various business lines.

The same law firm is also assisting the Company with setting up the compliance programs provided for in French Act 2016-1691 dated December 9, 2016 related to transparency, anticorruption measures and the modernization of the economy (the "Sapi 2" Act). In connection with this, Joëlle Fabre-Hoffmeister, the Group Secretary General, has also been appointed Chief Compliance Officer. In this role, her main responsibility is to ensure that the Group's rules of professional ethics and conduct are respected.

Chargeurs' subsidiaries use CSR reporting guidelines that were drawn up in 2013, which (i) set out the Group's CSR commitments, (ii) list the CSR indicators used for operations, and (iii) describe the CSR reporting processes in place within the Group. During 2016, the Group further strengthened its commitment to CSR, incorporating it into its continuous improvement process, and making it one of the pillars for successfully growing its business. The actions undertaken so far in this area, and the progress achieved to date, are described on page 70 of the Annual Report.

The Executive Committee plays a central role in the risk management process. A list of this Committee's members is provided on page 162 of the Annual Report.

RISK FACTORS

The Group has put in place an overall risk map which is regularly updated. As mentioned above, a project to update the legal risks map is currently under way. The risks discussed in this report correspond to the main risks that the Group believes may have a material adverse effect on its business, financial position, results or outlook.

Other risks and uncertainties that the Group is not currently aware of or that are not currently material may nevertheless have an adverse effect on its 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 it endeavors to anticipate and offset the impact of an economic slowdown in any of its 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 lines 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 order to anticipate and more effectively ward against measures that could have an adverse effect on its businesses, the Group seeks advice from local managers who understand the specific features of their respective countries.

As the Group's operations in emerging markets are spread across several countries and continents, the occurrence of unfavorable events or circumstances in any 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 capable of acquiring and continuously upgrading 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 lines focus on strict cost control, offering customers the best possible service and meeting high standards of product quality, technical content and innovation. They have also developed systems to monitor developments affecting their customers and competitors.

Customer dependence risks

The Group has a broad customer base spread throughout the world. In 2016, its top ten customers accounted for 13.3% of consolidated revenue.

This diversification attenuates the potential impact of customer default or a change in 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 2016. 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 to establish a long-term relationship with the supplier concerned.

In several mainly emerging markets, the Group operates through a local partner that manufactures part of its 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 matters such as dispute resolution.

Information systems failure risk

The business lines 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 business line 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 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 the Annual Report, on page 48.

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, the Group has 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, the Group has built up a portfolio of registered patents, brands and models, and it also uses various confidentiality agreements, copyright agreements, registered trade secrets and other measures to protect its 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, the Group uses 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. As mentioned above, the Company has taken measures to put in place the compliance programs provided for in France's "Sapin 2" Act and has appointed a Group Chief Compliance Officer.

Since 2013, Group managers have been required to give a signed commitment to apply fair and honest business practices. This commitment will be updated as part of the compliance programs described above.

Financial risks

Financial risks, such as market, currency, interest rate, commodity, credit and liquidity risks, are described in note 21 to the 2016 consolidated financial statements.

In accordance with paragraph 6 of article L. 225-37 of the French Commercial Code, the Group has not identified any risk exposure related to the effects of climate change.

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 line 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 action plans, 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 lines 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.

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

During 2016, the Group continued to apply its administrative and finance manual.

External audit

Two audit firms share the task of auditing Chargeurs' consolidated financial statements. All of the local Auditors' observations arising from their audits of Group subsidiaries' accounts are reported to the subsidiaries' Chief Executive Officer. 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' Chief Executive Officers to the Auditors are official confirmation of their accountability for any information related to their subsidiary that is included in the Group financial statements.

Risk Management and Internal Control situation at end-2016: findings

The risk management and internal control procedures related to the processing and preparation of accounting and financial information at the end of 2016 were considered to be appropriate given the Group's size and complexity.

The 2017 action plan is part of the Group's continuous improvement process and is based on the following priorities:

- effectively implementing the compliance programs required under France's "Sapin 2" Act and relaying formal documentation to all employees on the Group's corporate values and rules of business conduct;
- managing legal risks, based on their degree of priority, by putting in place action plans;
- continuing to monitor the internal control system and effective application of procedures;
- regularly updating the internal control risk maps to reflect changes in operating 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 18 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 21 of the bylaws;
- the powers of the members of the Board of Directors, defined in article 13 of the bylaws;
- following the adoption of a number of resolutions by shareholders at the March 14, 2016 Annual General Meeting, the Board of Directors has been authorized to issue and buy back Chargeurs shares a list of these authorizations is set out on page 151 of the Annual Report.

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

March 2017

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

at December 31, 2016

AMF RECOMMENDATION 2013-20 OF NOVEMBER 18, 2013

Recommendation	Chargeurs' position
R3: Composition of the Board — Independent directors There are five criteria justifying the independence of directors, characterized by the absence of any significant financial, contractual or family relationship likely to affect their independence of judgment. Consequently, an independent director must not: – Be — or have been in the past five years — a salaried employee or corporate officer of the company or of a company in its group. – Have — or have had in the past two years — significant business relations with the company or its group (as a customer, supplier, competitor, service provider, creditor, banker, etc.). – Be a major shareholder of the company or hold a significant percentage of its voting rights. – Have any close family relationship or other personal ties with a corporate officer or a major shareholder of the company. – Be — or have been in the past six years — a Statutory Auditor of the company. Independence is also a state of mind whereby a person must be capable of fully exercising their freedom of judgment and of putting forward objections or stepping down if they consider this necessary.	The criteria that Chargeurs' Board of Directors uses to assess the independence of its members is closely based on the recommendations in the MiddleNext Code. However, the Board has decided not to apply the new timeframes recommended in the September 2016 revised version of the MiddleNext Code for criteria (i) and (ii). In criterion (i), the length of time during which an independent director must not have been an employee or corporate officer of the company or its group has been extended to five years in the revised Code (from three previously), and in criterion (ii), the number of years during which an independent director must not have had significant business relations with the company or group has now been set at two years. The Board considered that these extended timeframes do not provide an additional guarantee of independence compared with the previously applicable periods and that the lengths of time concerned should be assessed in light of each director's specific situation.
R7: Board rules of procedure The Board of Directors should have rules of procedure covering at least the following eight areas: – The roles and responsibilities of the Board and any transactions or operations that require the Board's prior approval. – The Board's membership structure and independence criteria. – The roles and responsibilities of any Board Committees. – The obligations and duties of Board members (ethics: loyalty, non-competition, disclosure of conflicts of interest, duty to abstain, confidentiality, etc.). – The operating procedures of the Board (frequency of meetings, notice of meetings, information provided to directors, self-assessment, use of videoconferencing and other forms of telecommunications), and of any Board Committees. – The methods used to protect the company's directors and officers (e.g. D&O insurance). – The rules applied for determining directors' compensation – Succession planning (top executives and other key management personnel).	The only area of Recommendation R7 that is not covered in the Rules of Procedure of Chargeurs' Board of Directors is the issue of succession planning. However, since 2016, the Company has put in place a succession planning strategy, which notably led to the recruitment of a new Chief Executive Officer for Chargeurs Technical Substrates in early 2017. The Board is regularly kept informed of, and is consulted on, the Company's succession planning measures and the profiles selected. Consequently, it can be considered that succession planning is one of the topics addressed by the Board in compliance with Recommendation R14 of the MiddleNext Code.
R11: Board evaluation Once a year, the Chairman of the Board should ask the directors to comment on the work and procedures of the Board and any Board Committees. The discussion should be recorded in the minutes of the meeting concerned. The Chairman should state in his report that this procedure has taken place.	In 2016, the Board of Directors did not carry out a formal self-assessment of the work and operating procedures of the Board or the Audit or Compensation Committees. However, the directors did discuss these issues at various times during the year in line with Recommendation R11 of the MiddleNext Code.

MiddleNext Corporate Governance Code recommendations that were not applicable or were not applied

Recommendation	Chargeurs' position
R15: Corporate officers and employment contracts In compliance with the relevant regulations, the Board of Directors should decide whether or not to authorize the following corporate officers to continue to have an employment contract when serving their terms: the Chairman, the Chairman and Chief Executive Officer, the Chief Executive Officer (for joint-stock corporations with a Board of Directors), the Chairman of the Management Board (for joint stock corporations with a Management Board and a Supervisory Board) and the Managing Partner (for partnerships limited by shares). 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.
R16: 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 compensation of the executive concerned 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.
R17: Supplementary pension plans In addition to the authorization procedures provided for by law, 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.
R18: Stock options and free shares Grants of stock options and free shares should not disproportionately benefit executives. In addition, corporate officers should not receive any stock options or free shares when they leave office. The stock options and free shares awarded to executives should only vest if certain pre-defined performance conditions are met. These performance conditions should be assessed over a significant period and should align the executive's interests with the company's medium to long-term interests.	This recommendation does not apply to Chargeurs.

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 SA

For the year ended December 31, 2016

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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, 2016.

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
- to 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, March 27, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	S&W Associés
Eric Bertier	Virginie Coniau

STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Chargeurs and the consolidated companies, and (ii) the management report included in the annual financial report presents a true and fair view of the business development, results and financial position of Chargeurs and the consolidated companies, together with a description of the main risks and uncertainties they face.

Michaël Fribourg,
Chairman and Chief Executive Officer

March 2017