8.1. Board of Directors

8.1.1. MEMBERS, ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND INTERNAL CONTROL

Report by the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code

This report, prepared by the Chairman of the Board of Directors, presents the membership structure of the Board of Directors and the way in which the work of the Board of Directors was prepared and organized in 2009, as well as the internal control and risk management procedures implemented within the Group. This report also indicates the restrictions imposed by the Board of Directors on the powers of the Chief Executive Officer and sets out (i) the principles and rules adopted by the Board of Directors to determine the compensation and benefits granted to corporate officers, (ii) the procedures for attending Shareholders' Meetings and (iii) factors that may impact a public tender offer.

It was prepared in accordance with (i) French Act no. 2008-649 of July 3, 2008 which amended various provisions of French corporate law to align them with European Community law and (ii) the AFEP-MEDEF Corporate Governance Code applicable to listed companies which the Board of Directors has adopted as its reference framework for defining and implementing the Group's corporate governance rules (hereinafter referred to as the "Corporate Governance Code"). The English language version of this Code can be viewed on the website of the European Corporate Governance Institute at http://www.ecgi.org/codes/documents/afep_medef_code_dec2008_en.pdf.

This report was approved by Faurecia's Board of Directors at its February 8, 2010 meeting and was sent to the AMF at the same time as this Registration Document. It can be viewed on Faurecia's corporate website at the following address: http://www.faurecia.com/shareholders-investors/pages/AMF-regulated-information.aspx

1. Preparing and organizing the work of the Board of Directors

A. MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the applicable legal and regulatory requirements and the Company's bylaws, the Board of Directors comprises at least three and no more than fifteen members elected by shareholders in a General Meeting. They are appointed for six-year terms rather than the four years recommended in the Corporate Governance Code as the Board feels that this period more closely reflects the average production and marketing cycles for automakers' vehicle ranges.

The Board's membership structure changed significantly during 2009, notably due to Faurecia's acquisition of Emcon Technologies which was announced on November 2, 2009, as well as the fact that Jean-Louis Gérondeau sadly passed away on November 22, 2009. Following the changes approved at the Shareholders' Meeting of February 8, 2010 the Board of Directors now has eleven members. Four of these members are considered to be independent within the meaning of the Corporate Governance Code: Jean-Pierre Clamadieu, Frank Esser, Ross McInnes and Éric Bourdais de Charbonnière. Consequently, as recommended in the Corporate Governance Code, more than one third of the Board's members are independent directors. Five directors – Philippe Varin, Thierry Peugeot, Robert Peugeot, Frédéric Saint-Geours and Jean-Claude Hanus – hold executive management or supervisory positions within Peugeot SA, Faurecia's majority shareholder which owns 57.43% of the Company's capital. Lee Gardner, who is also a Board member, holds an executive position within One Equity Partners, a JP Morgan Chase subsidiary which is Faurecia's second largest shareholder. Lastly, Yann Delabrière has been Faurecia's Chairman and Chief Executive Officer since February 16, 2007. The Board considers that its membership adequately reflects the proportionate ownership interest of its major shareholders. At the Shareholders' Meeting of May 26, 2010, the Board will recommend the election of another independent director (see section 11), which will increase the number of Board members to twelve and the number of independent directors to five.

The members of the Board bring together a range of premier quality managerial, industrial and financial skills. Faurecia's directors come from a broad spectrum of professional backgrounds, including not only the automotive industry but also business sectors that differ from Faurecia's. They enhance the work and discussions of the Board and its committees through their diverse capabilities and the expert input they can give both from an international perspective as well as in terms of their specific experience in finance, manufacturing and management. They act in the best interests of all shareholders and are fully involved in defining Faurecia's corporate strategy so that they can actively contribute to and support the decisions of the Board.

Apart from the Chairman and Chief Executive Officer, no member of the Board of Directors holds an executive management or salaried position within a Group company.

Details of the directorships and other positions held by all of Faurecia's directors, as well as further information on each Board member are provided in section 8.1.2 of this Registration Document.

B. ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors determines the overall business, financial and economic strategies of the Company and the Group and oversees their implementation. Except for the powers directly vested in shareholders, and within the scope of the corporate purpose, at the Chairman's initiative the Board deals with all matters concerning the efficient running of the Company and is responsible for making all related decisions, particularly for strategic issues concerning the Company and the Group.

In order for it to be able to properly exercise its functions the Board of Directors has included the following requirements in its internal rules:

(i) the Chairman, assisted by the Board Secretary, shall be responsible for sending any useful information to the other Board members;

(ii) where items on the agenda at a Board or Committee meeting require specific analysis or review, information and/or documentation on the issues concerned shall be provided on a timely basis prior to the meeting;

(iii) the Board shall be regularly informed of any significant events affecting the Company's affairs;

(iv) at its meetings on February 2 and March 9, 2009 the Board of Directors amended its internal rules in order to authorize directors to participate in Board meetings by video- or teleconference on an exceptional basis, provided that at least four directors – including the Chairman – attend the meeting in person at the venue specified in the notice of meeting. The reasoning behind this amendment was to facilitate attendance at meetings as well as the decision-making process.

The internal rules of the Board of Directors – which may be consulted by shareholders at the Company's headquarters or on Faurecia's corporate website at www.faurecia.com – govern how the work of the Board is organized. They describe the Board's *modus operandi* and its role in the management of the Company and the Group as carried out in accordance with the law and the Company's bylaws. They also specify the rights and responsibilities of Board members, particularly regarding the prevention of conflicts of interest, the holding of multiple directorships and the need for strict confidentiality as well as diligence in taking part in the Board's work. In addition they set out rules governing transactions involving the Company's shares, as recommended by the *Autorité des Marchés Financiers*.

The Board of Directors decides which type of management structure the Company applies. The Company's management may be placed under the responsibility of either the Chairman of the Board of Directors or another person appointed by the Board who holds the title of Chief Executive Officer. Since the Board meeting of September 8, 2006, the positions of Chairman and Chief Executive Officer have been combined. The Board of Directors confirmed this management structure at its meeting of February 16, 2007.

Following the changes to the Board's membership structure in 2009 and early 2010, at its December 17, 2009 meeting, as an exceptional measure the directors decided to postpone until 2010 its self-assessment procedure concerning the Board's membership structure and operating procedures.

C. REPORT ON THE BOARD'S WORK IN 2009

The Board of Directors met eight times in 2009 with an average attendance rate of 83.85%.

At each of its meetings in 2009, the Board was informed of the Group's operating results and sales and earnings outlook. The budgets for 2009 (as revised at the end of the first-half) and 2010 were presented at the Board meetings of July 20, 2009 and December 17, 2009 respectively. The Board examined and approved (i) the 2008 parent company and consolidated financial statements, at its meeting of February 9, 2009; and (ii) the 2009 consolidated interim financial statements, at its July 20, 2009 meeting.

One of the Board's priorities in 2009 was the Group's financing structure. Consequently, during the year it reviewed and approved the renegotiation of Faurecia's bank borrowing facilities, the launch of a rights issue and the issuance of convertible bonds in October 2009. Throughout the year the Board also (i) reviewed the Group's new strategic objectives based on economic trends and developments, and (ii) examined and approved the completion of strategic transactions, notably the acquisitions of Emcon and Plastal.

At its meeting on February 9, 2009 the Board discussed the plan to carry out a rights issue, and approved the amount of compensation payable to the Chairman as well as a stock option plan to be set up for the Group's executives and other managers.

On March 2, 2009 the Board discussed the Group's financing, approved the 2008 Registration Document and called the Annual Shareholders' Meeting.

The April 9, 2009 meeting was dedicated to a strategic review of the Group's operations.

On April 23, 2009 the Board decided to carry out the above-mentioned rights issue with pre-emptive subscription rights for existing shareholders and it set the terms and conditions of the issue. At the same meeting the Board used the authorization granted at the Ordinary and Extraordinary Shareholders' Meeting of April 23, 2009 to approve the Chairman's signature of a liquidity agreement.

On July 20, 2009 the Board was given a presentation of the Group's medium-term business plan as well as a strategic analysis of the various businesses. At the same meeting the Board authorized the Chairman to enter into negotiations with One Equity Partner concerning the acquisition of Emcon.

The September 3, 2009 Board meeting was devoted to approving the acquisition of Emcon Technologies LLC.

On October 15, 2009 the Board (i) approved a public issue, without pre-emptive subscription rights or a priority subscription period, of convertible bonds maturing in January 2015, and (ii) authorized the Chairman to complete the acquisition of Plastal.

Lastly, at its December 17, 2009 meeting, the Board (i) adopted the 2010 budget, (ii) examined the Group's financing structure, the performance of the Board and the Group's strategy, (iii) called a Shareholders' Meeting to be held primarily for the purpose of approving the asset transfer for the Emcon acquisition, and (iv) adopted the internal rules of the Strategy Committee whose framework had been approved by the Board on October 15, 2009.

D. THE APPOINTMENTS AND COMPENSATION COMMITTEE

The role of the Appointments and Compensation Committee is to prepare matters for the Board's discussion, notably regarding (i) the selection and appointment of new directors, (ii) corporate officers' compensation, (iii) setting the terms and performance conditions applicable to stock option and share grant plans for corporate officers, and (iv) the periodic review of directors' compensation.

The Appointments and Compensation Committee met four times in 2009 with an average attendance rate of 91.66%. Up until February 8, 2010, the Committee's members were Philippe Varin (Chairman), Jean-Pierre Clamadieu and Jean-Claude Hanus. Since then, the Committee's members have been Jean-Pierre Clamadieu (Chairman), Frank Esser and Jean-Claude Hanus. The Committee currently includes two independent directors, one of whom is its Chairman.

At its meeting held on January 26, 2009 the Committee (i) examined the compensation payable to the Chairman of the Board, together with the factors taken into account to determine the variable portion of his compensation, (ii) assessed the membership structure and the operating procedures of the Board, and (iii) reviewed whether any stock options should be granted during the year. The Committee's meeting on July 20 2009 was dedicated to (i) reviewing the evaluations of executive officers, (ii) examining the medium-term performance incentives for key managers and (iii) selecting a Board nominee to replace Isabel Marey-Semper who had announced she was stepping down from her position as a director. At its November 27, 2009 meeting the Appointments and Compensation Committee discussed (i) the creation of another Board committee – the Strategy Committee – and that Committee's internal rules, (ii) amendments to the Board of Directors' internal rules, (iii) directors' compensation, (iv) the membership structure of the Board, and (v) an analysis of a medium-term incentive plan for Faurecia's executive directors. Lastly, at its December 8, 2009 meeting the Committee continued its analysis of directors' compensation and finalized the draft medium-term incentive plan.

E. THE AUDIT COMMITTEE

The responsibilities of the Audit Committee were revised during the Committee meeting held on February 6, 2009 and the Board meeting of February 9, 2009 in line with the French governmental order dated December 8, 2008 on statutory audits. The Audit Committee's role is to conduct an in-depth review of the interim and annual financial statements, the Group's most significant financial transactions and its reporting schedules. It also monitors off-balance sheet commitments and factors that enable the Group's risks to be assessed. It is responsible for preparing the Board meetings held to review the interim and annual financial statements and for informing the Board on these subjects. For that purpose, it reviews the financial statements before they are submitted to the Board and issues an opinion on:

- the application and relevance of the accounting policies and methods used, as well as its review of material risks;
- the appointment, fees and audit program of the Statutory Auditors and issues relating to their independence.

In addition, the Committee ensures that (i) senior management and the Statutory Auditors formally approve accounting policies that have a significant impact on the presentation of the financial statements and that these accounting policies are presented to the Board of Directors; (ii) senior management explains and substantiates to the Board the main accounting options that are selected and that the Statutory Auditors review these options; and (iii) the Statutory Auditors have access to all the information they require for performing their duties and are given the means to relay any significant observations.

The Audit Committee also monitors the effectiveness of internal control systems and is given a presentation by the Head of Internal Audit once a year on this issue.

The Audit Committee met four times in 2009 with an average attendance rate of 85.41%. Its membership structure was changed during 2009 and at the year-end the Committee comprised Ross McInnes (Chairman) and Frédéric Saint-Geours. On February 8, 2010, Éric Bourdais de Charbonnière joined the Audit Committee, thereby restoring the number of independent directors to two-thirds of the Committee members as recommended in the AFEP-MEDEF Corporate Governance Code.

The main aims of the Audit Committee meeting held on February 6, 2009 were to (i) prepare and examine the 2008 financial statements of the Company and the Group, (ii) review the Group's cash position and bank covenants, and (iii) amend the Audit Committee's internal rules to ensure compliance with the French Governmental Order dated December 8, 2008. The April 8, 2009 Audit Committee meeting was devoted to a presentation of work carried out by the Internal Audit department, as well as discussing the implementation of the Group's ERP system and the organizational structure of the Group Finance Department. At its July 20, 2009 meeting the Audit Committee examined the 2009 interim financial statements and reviewed the Group's cash position and goodwill valuations. Lastly, the December 17, 2009 Audit Committee meeting focused on the accounting options used for the 2009 financial statements and a presentation given by the Statutory Auditors on their work carried out during the year. At each of its meetings the Committee members reviewed Faurecia's cash position and bank covenants.

During its meetings in 2009 the Audit Committee was also given presentations by the Chief Financial Officer and the heads of the Accounting and Tax departments.

The Committee also met with the Statutory Auditors who gave the Committee members their observations.

The Chairman of the Committee submitted reports on the Committee's work to the Board of Directors on February 9, April 9, July 20 and December 17, 2009.

F. THE STRATEGY COMMITTEE

Following Faurecia's announcement on November 2, 2009 concerning the acquisition of Emcon Technologies, on October 15, 2009 the Board decided on the creation of a Strategy Committee. The internal rules of this new Committee were adopted by the Board on December 17, 2009.

The Strategy Committee must have at least three members. The Chairman of the Board of Directors is automatically a member of the Strategy Committee as is the Chief Executive Officer, provided he is a director.

The Strategy Committee's role is to prepare the matters to be discussed by the Board relating to the Group's main strategic objectives. To this end, it issues proposals, opinions and recommendations on:

- the Group's strategic and medium-term plans;
- plans to acquire new businesses, including acquisitions of both assets and companies;
- plans to dispose of assets, companies or equity interests belonging to the Group;
- plans to set up joint ventures with partners.

Effective from February 8, 2010 the members of the Strategy Committee are Philippe Varin (Chairman), Lee Gardner and Yann Delabrière.

G. CORPORATE OFFICERS' COMPENSATION

Details relating to corporate officers' fixed and variable compensation and benefits in kind, together with the criteria for setting these amounts and comparisons with compensation paid in previous years are provided in sections 8.1.3 and 8.1.4 of this Registration Document.

In addition, Faurecia issued a press release on December 19, 2008 stating that the Board of Directors considered that the Company's corporate governance policy was in line with the recommendations issued by the AFEP-MEDEF in October 2008 on the compensation of executive corporate officers of listed companies and that most of these recommendations had already been implemented. At its December 17, 2009 meeting the Board reviewed its share grant plans and decided that any shares granted to the Chairman will henceforth be subject to performance conditions. Consequently all of the AFEP-MEDEF recommendations have now been applied.

H. FACTORS THAT MAY IMPACT A PUBLIC TENDER OFFER

The disclosures required under Article L. 225-100-3 of the French Commercial Code are provided in sections 8.1.3-8.1.4, 8.1.1, 10.2.2, 10.3.2 and 10.3.2.2 of this Registration Document.

I. CONDITIONS FOR ATTENDING SHAREHOLDERS' MEETINGS

The specific conditions for attending Shareholders' Meetings are described in Articles 17 and 18 of the Company's bylaws available (in French only) on the Company's website at www.faurecia.com, as well as in section 10.3.2.1 below.

2. Internal control and risk management procedures set up by the Faurecia Group

A. INTERNAL CONTROL: DEFINITION AND AIMS

The Group uses the definition of internal control set out in the Reference Framework issued by the AMF, as amended by the findings of the AMF's Small and Mid Caps Working Group issued on January 9, 2008. This definition is very similar to that previously used by Faurecia.

The AMF Reference Framework states that internal control comprises a set of resources, patterns of conduct, procedures and actions adapted to the individual characteristics of each company which:

- contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources; and
- enables it to take into consideration, in an appropriate manner, all major risks, be they operational, financial or compliance.

The underlying aim of internal control is to ensure that:

- laws and regulations are complied with;
- the instructions and directional guidelines fixed by the Board of Directors are applied;
- the Company's internal processes are functioning correctly, particularly those implicating the security of its assets;
- financial information is reliable.

However, internal control cannot provide an absolute guarantee that a company's objectives will be met as any internal control system has inherent limitations. These limitations are due to several factors, notably the uncertainties in the outside world, the exercise of people's judgment or the cost/benefit relationship of setting up new controls.

In its capacity as the Group's parent company, Faurecia S.A. verifies that internal control procedures have been set up within its subsidiaries. These procedures are adapted to the specific characteristics of the subsidiaries and to relations between the parent company and the companies included in the scope of consolidation.

B. REFERENCE FRAMEWORK USED BY FAURECIA

The Faurecia Group has set itself the objective of having an internal control system that complies with the AMF's Reference Framework and application guide. This objective applies to (i) processes relating to the preparation of accounting and financial information intended for publication and (ii) the general organization of the Group's operating divisions and the risk management procedures set up by the Company.

The Group's internal control system is designed based on Faurecia's operating and legal structure and concerns all fully consolidated subsidiaries.

The summarized information provided in this report on Faurecia's internal control procedures is focused on the main areas that could have an impact on the financial and accounting information published by the Group.

C. RISK ANALYSIS AND RISK MANAGEMENT PROCEDURES

The Group's objectives are set by the Board of Directors. They relate not only to financial performance but also to areas in which the Group aims to achieve a particular level of excellence, such as human resources management, quality, innovation, working conditions and environmental performance.

The Group also carefully tracks that its operating risks are properly managed. These risks are classified into ten main categories: personal safety, quality, program management, financial risks, information systems, purchasing, asset protection (fire risks), reliability of financial information, fraud, and the environment.

Operations managers are responsible for identifying and controlling the risks of their entity.

The Company has undertaken a risk review and considers that it is not exposed to any material risks other than those described in section 3.5 of this Registration Document.

D. PARTICIPANTS AND ORGANIZATION OF INTERNAL CONTROL PROCEDURES

Internal control processes are implemented by both senior management and all of the Group's other employees on a daily basis.

The main participants in the internal control system are as follows:

- the Board of Directors, which is responsible for determining Faurecia's overall strategic vision and the strategy of its core businesses, and for overseeing their implementation;
- the Audit Committee, described earlier in this report, whose responsibilities are set by the Board of Directors and which plays a vital role in the performance of internal controls and the monitoring of existing procedures;
- the Group Executive Committee, which orchestrates the Group's strategy, allocates the resources required to implement this strategy, sets the objectives for all Group entities and verifies that these objectives are met;
- monthly operations committee meetings are held between Group senior management and the executive team of each business in order to review management indicators. This Committee particularly focuses on the various key aspects of development programs relating to quality, financial performance and respecting deadlines;
- the Financing and Treasury department, the Financial Control department, the Quality department, the Legal Affairs department and the Country Financial departments, which all play a specific role in the internal control process on account of their cross-functional skills;

- the Internal Audit department which (i) reviews the internal control system and any changes to the related processes; (ii) ensures that the Group's procedures comply with the applicable legislation and market recommendations; (iii) verifies that the system as a whole is complete, consistent and relevant; (iv) sets up and monitors tests and checks; (v) ensures that action plans are properly implemented; and (vi) reports on the system's effectiveness.

The Internal Audit department reports directly to the Group's Finance department. Its work is approved and supervised by the Chairman of the Board and the Audit Committee. The role of the Internal Audit department is to ensure continuous improvement in the effectiveness of all systems of internal financial control, by applying a systematic and methodical approach. It is authorized to take action where required in relation to any Group process throughout the world. It conducts its assignments in a wholly objective manner and systematically supports its findings with precise facts and figures that have been duly verified. All of the Internal Audit department's work is made available to Group senior management, to which it reports regularly on the progress of its assignments and the measures taken to reach its objectives. It also presents its audit plan, as well as the reports it has drawn up – including a self-assessment of its performance – to the Group Executive Committee twice a year, and to the Audit Committee once a year.

In 2004, the department drew up an Internal Audit Charter which defines its roles and remit, as well as the purpose and methods of its assignments.

The work of the Group's internal departments is rounded out by the actions of external parties, including:

- the Group's Statutory Auditors, who perform an audit of the Group every year within the scope of their statutory audit engagement on the Group's consolidated financial statements and other audit engagements regarding the financial statements of Group entities. In accordance with French company law, the financial statements of the Company and the Group are certified by two audit firms which undertake a joint review of the full accounts and the procedures used for preparing them and also examine certain Group internal control processes concerning the preparation of accounting and financial information. Backed by members of their networks in each of the Group's host countries, these two audit firms perform statutory or contractual audit engagements for all of the Group's fully consolidated companies;
- third-party organizations which carry out the following certification processes for the whole Group over a three-year cycle:
  - environment (ISO 14001),
  - quality (ISO/TS);
- engineers from fire and property & casualty insurance companies which conduct a two-yearly audit at each of Faurecia's sites with the aim of:
  - assessing fire risks and any potential impact on production and customers;
  - assessing whether the prevention and protection measures in place are adequate;
  - issuing recommendations on reducing risks.

E. DESCRIPTION OF INTERNAL CONTROL PROCEDURES

The Group's internal control system is underpinned by a set of procedures that can be accessed by all employees via the intranet. These procedures form part of the Faurecia Excellence System (FES) which defines the way in which the Group's employees work across the globe and structures the Group's identity.

The related FES Core Procedures (FCP) are organized around the following six processes:

- leadership, which sets a common framework for all Group entities in relation to issues such as financial control, setting objectives, drawing up strategic plans, quality policies, communication and health and safety;
- development, which includes the applicable procedures for defining the Group's product offering, innovation strategy and program control measures;
- production, corresponding to the various production process stages within the Group's plants: preparing for the start-up of new programs or units; planning and controlling the production process; and managing flows;
- customer relations, which details the process for building up customer relations and ensuring customer satisfaction through competitively priced high-quality products and services;
- supplier relations, covering processes set up with the Group's suppliers with a view to building a sustainable relationship based on excellence;
- employee empowerment, encompassing human resource policies.

These procedures are developed by each Group function while respecting a common general framework, and apply to all Faurecia entities throughout the world. They are regularly updated and enhanced. In late September 2009, the Group launched an FES intranet portal which was extremely well received by users.

An annual audit is carried out by the Group at each plant to ensure that the FES is correctly implemented. Following these audits each site is given a rating of Insufficient, Acceptable, Excellent or Benchmark. Where a site is rated Insufficient it is required to prepare a remedial action plan, which is presented directly to Faurecia's Chairman, with a view to reaching an Acceptable level within a maximum period of three months.

Program control measures are subject to specific procedures in light of the Group's core business of designing and manufacturing parts, sub-assemblies and modules for the automotive industry. Each contract signed with a customer represents a program and corresponds to a project which:

- responds to a specific request from an automaker ("Request for Quotation" or RFQ) for the supply of complex automotive equipment;
- meets set objectives concerning quality, cost and lead times;
- meets the Group's profitability criteria.

The life of a program can stretch to ten years, from the beginning of the development phase (including the order-placing phase and start-up of industrial production) to the end of series life (production).

Various control tools and procedures are used throughout the life of a program which is precisely structured into successive stages through the Group's Program Management System (PMS). Each program involves various milestones from the bid processing stage to the end of product life. As part of this control system, program reviews are carried out once a month by the Business Group concerned. Formal reports of these reviews are required and a certain number of documents must be submitted, including the Business Plan. This process is designed to identify program risks on an ongoing basis, in order to draw up and implement the necessary action plans.

Right from its inception – *i.e.* during the filing of the bid – each program is subject to a forward-looking financial analysis in the form of a Business Plan (BP). BPs are prepared in accordance with a standard method developed and monitored by Group management. The BP is regularly updated as assumptions change, and it contains all the information required to assess a program at every stage, right from preparing the quotation, through contract negotiations and the development phase.

In order to enhance the efficiency and effectiveness of its programs the Group has launched a program management excellence plan which covers methodology, quality, profitability and the individual career development of program managers. The aim of this plan is ensure that development procedures are strictly applied and that deadlines are met, right from the business acquisition phase through to series production. As part of the plan the Group monitors progress indicators on a monthly basis. An audit process has been set up to ensure the plan is complied with and to identify and standardize best practices for program teams.

Code of Ethics

The Faurecia Group is deeply committed to respecting the fundamental principles of accountability, integrity and ethical conduct. The Group's Code of Ethics form an integral part of the FCPs. It defines the general rules on ethical behavior applicable on a day-to-day basis to all of Faurecia's employees in their relations both inside and outside the Group, as well as to the Group's partners. The Code also describes how the Group seeks to implement its core values of respecting customers, shareholders, the people it works with and the environment. In addition to strengthening the measures already in place, the Code introduced a whistle-blowing procedure enabling employees to notify Faurecia, in confidence, of any breaches of the law or Group procedures. A reinforced warning procedure has also been set up relating to incidents involving serious risks for Faurecia in the areas of accounting, financial audit and anti-corruption measures. An external organization is responsible for handling the initial process triggered by the warning procedure and can alert the Group Chairman and CEO if it deems it necessary, who can then request the Group's Internal Audit department to perform the requisite investigations. The Code of Ethics has been widely relayed throughout the Group – notably via intranet – so that all employees can access it and comply with it at all times and in all circumstances. At the same time, it is aimed at developing a sense of accountability and involvement among the Group's staff.

F. INTERNAL CONTROL PROCEDURES RELATING TO QUALITY RISK MANAGEMENT

Quality risks are measured based on precise indicators and are detailed in both monthly reports and continuous improvement plans. A specific Group-wide monitoring system has been put in place to trigger warnings if any safety or regulatory requirements are breached and corrective measures are subsequently taken. Each safety warning is systematically followed up by a quality audit in the subsequent month. The objective for 2010 is once again to ensure that there are no safety or regulatory warnings triggered with an impact on customers.

The rollout of the Breakthrough Quality Plan launched in October 2006 has enabled the Group to significantly improve its management of quality and program risks. The plan is based on seven straightforward practical rules, including QRQC (Quick Response on Quality Control) – an approach designed to correct development and production problems rapidly and which must be carefully and strictly applied by each employee.

The risk prevention and protection system is based on:

- daily on-site reviews as well as audits conducted by the Quality department. These audits are regularly performed for all of the Group's sites and programs and the ensuing recommendations are systematically monitored. Priority action is taken for sites and programs that are deemed to be critical;
- a highly practical quality validation review system for critical program phases;
- a training plan for all players involved in the program development phase;
- the measurement of programs for the first six months following the start of series production, based on precise criteria and leading to immediate corrective action where required;
- a structured process for reporting information up to management as well as a management support system;
- quality audits designed to cover all Group sites and programs on a rotating basis.

G. INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Principles applied to the preparation of financial statements

The Board of Directors is collectively responsible for publishing reliable financial and accounting information. To achieve this objective Group senior management relies on input from the Accounting, Consolidation, Financial Control and Financial Communications departments.

The Accounting Department prepares monthly consolidated financial statements and the interim and annual financial information that is issued publicly. It ensures that local financial managers prepare the financial statements of subsidiaries in accordance with applicable regulations, defines the Group's accounting policies under IFRS, and verifies that these policies are applied correctly by all subsidiaries. It also prepares the financial statements of Faurecia S.A.

The internal control procedures required for producing reliable accounting information are put in place at a local level and primarily comprise physical inventories, segregation of tasks and reconciliations with independent information sources.

The following principles are implemented across the Group regarding the preparation of financial statements:

- ensuring that information about transactions is complete;
- ensuring that transactions comply with the applicable accounting principles;
- periodically reviewing the value of assets.

Ensuring consistency between financial reporting tools and the Group's operating systems is vital for the preparation of reliable financial and accounting information. The volume of information involved, the quality and integrity required to process the information and ever-tighter financial reporting deadlines – enabling management to respond quickly and to efficiently control operations – require the use of effective information systems. The major systems upgrade program that began in July 2008 at sites in France was rolled out to Europe, Asia and South America in 2009 and will gradually be extended to all of the Group's sites.

The Group's financial statements are prepared using information provided by each subsidiary and integrated into the BO Finance reporting and consolidation system. The accounting data submitted by each subsidiary are prepared in accordance with the Group's accounting policies, which since 2004 comply with IFRS as adopted by the European Union. An IFRS accounting manual is included in the Faurecia Core Procedures system, which can be accessed via the intranet.

Each subsidiary's accounting information comprises income statements prepared by nature and by function, as well as a breakdown by business segment, an analysis of current and deferred taxes, a balance sheet, a cash flow statement, and a statement of commitments and contingent liabilities.

Inter-company transactions are entered monthly using the ICS software.

The Finance Department also uses (i) short- and medium-term forecasts to verify the value of cash-generating units; (ii) actuarial reports to assess pension and other employee benefit obligations; and (iii) fair-value measurements of derivatives confirmed by the Group's banking counterparties.

In each subsidiary, the head of accounting and the financial controller have access to all the information they require in order to draw up accurate financial statements in compliance with local GAAP for the statutory accounts and with the Group's accounting policies for reporting purposes.

At every interim and annual close the heads of all subsidiaries are required to prepare an IFRS/local GAAP reconciliation for equity and income and expenses.

Every month instructions are sent to the accountants and financial controllers specifying the closing procedures to be followed. In addition, training sessions on the BO Finance systems are regularly provided to newly recruited accounting and financial staff.

The preparation of monthly reporting packages requires each entity to ensure it has the appropriate resources to draw up quality information.

Off-balance sheet commitments

Off-balance sheet commitments are handled in accordance with a specific identification and valuation process.

Each commitment is tracked by nature. Currency and interest-rate risks, as well as inter-company financing in foreign currencies, are managed at Group level under the supervision of the Group Finance department. Foreign currency hedges are set up where required. Any sureties or guarantees granted by Faurecia S.A. are issued and monitored at Group level.

Identification and analysis of risks impacting accounting and financial information

The preparation of full monthly financial statements greatly reduces risks at interim and annual closes, particularly regarding meeting financial reporting deadlines. Any problems are anticipated, inter-company accounts are reconciled each month, specific transactions are accounted for without waiting for the yearly close, and tax calculations are regularly substantiated.

By preparing and reviewing monthly financial statements and reconciling them with the budget each entity can detect any anomalies in the accounts, such as in relation to inventories or cash flows. Implemented in tandem with specific procedures, this process is intended to reduce the risk of errors and fraud.

Hard close procedure

A hard close is carried out at October 31 each year aimed at anticipating, evaluating and validating the main accounting options for the yearly close. Similarly a hard close is carried out in May for the interim financial statements at June 30.

Accounting and financial control tools

The Group has drawn up procedures for preparing and processing financial and accounting information. These procedures comply with applicable accounting principles and standards and, like all the other internal control procedures, are available on the Company's intranet. The following figure among the most important Group procedures:

- a capital expenditure authorization procedure, aimed at determining capital spending criteria and designating authorized signatories who can commit the Company for amounts up to pre-defined thresholds;
- an authorization procedure for capital increases, capital injections, acquisitions of shareholdings and inter-company loans;
- a procedure for drafting Program Business Plans;
- a procedure relating to the acquisition of new programs;
- a procedure for consolidating the financial statements.

Since 2008 the Group has been gradually reorganizing its financial services with the overall aim of segregating "accounting" functions from "financial control" functions and creating shared accounting services centers for each country, with these centers reporting to the Finance Director of the country concerned. Under this new organizational structure the Group Finance Department is responsible for drawing up accounting and financial rules and procedures as well as for consolidation processes, audits and managing the Group's cash position and financing.

The underlying aim of this new structure is to gradually strengthen the roles and responsibilities of the accounting function and enhance internal control and reporting processes, as well as to increase the effectiveness of information systems and reinforce financial controls relating to programs. In addition, it is intended to help build the skill sets of the employees involved and boost their motivation as their tasks will be more interesting and rewarding than previously.

Financial reporting processes

The Group's financial reporting processes are aimed at providing systems for informing and steering the Group and ensuring maximum responsiveness to any risks that may arise. A "reporting glossary" describes the content of all reporting data and procedures explain how reporting should be carried out.

Since 2004, the Group has used the BO Finance consolidation system for its monthly reporting process. This tool provides for the reporting of both financial information (income statement and balance sheet data) and non-financial information (such as indicators relating to quality, production, purchasing, safety and human resources).

The level of control over the process for consolidating results at Group level has been reinforced by applying blocking controls upstream in reporting schedules, and intermediate controls for the reporting system.

Monthly reporting data include estimated sales and operating profit for each business unit within three days of the month-end, and definitive data five days after the month-end prepared in accordance with the Group's accounting policies. Every month, the Operations Committee reviews the operating performance and action plans of each Group business.

Medium-term plan and the budget

Faurecia's budget is drawn up on an annual basis and updated half-yearly.

The Group Finance Department provides the economic and financial assumptions to be used in the budget, and sets specific objectives for each operating unit. The budget is then tailored to each plant, R&D center and administrative center. Finally, it is converted to monthly periods using standard schedules, and then consolidated.

In order to effectively anticipate short-term changes and improve responsiveness, the monthly reporting package includes a rolling three-month forecast (current and subsequent quarters) for the income statement and cash flow statement.

As Faurecia's contracts span several years, the Group needs a medium-term overview of its financial position in order to effectively manage risks. To this end, the Group draws up a five-year plan (known as the medium-term plan) each year in which the program-related dimension plays an essential part. This plan makes it possible to clarify the Group's outlook in terms of profitability and required resources. It is consolidated on the same basis as the monthly reporting process, by applying the same stringent procedures, and is used to define the targets set in the budget.

Financial press releases, annual report and Registration Document

The Group's Finance and Communications departments are responsible for drawing up and relaying all of the Group's financial information to the financial markets. Financial communication is transmitted through two main vehicles:

- the Annual Report/Registration Document; and
- financial press releases.

Preparation of the Annual Report/Registration Document is coordinated by the Legal Affairs department. A wide number of people who are experts in their field contribute to the process, ensuring that the document contains in-depth, high-quality and broad-ranging information. The Registration Document is then reviewed and approved by the Board of Directors before it is published.

Financial press releases are systematically reviewed by the Finance department, and results announcements are also reviewed by the Board of Directors.

H. MAIN DEVELOPMENTS

During the year the Group continued to develop its risk assessment policy and enhance its internal control procedures:

- it pursued its rollout of the standards and procedures applicable under the Faurecia Excellence System, notably by regularly performing audits and using self-assessment questionnaires enabling each site to appraise whether it complies with these standards;
- the risk mapping process that is currently underway enabled the Group to identify ten significant categories of Group-wide risks. The Board ensured that based on the analysis performed there was reasonable assurance that the identified risks are controlled. The current objective is to facilitate the monitoring of these risks by using (i) a grid setting out the procedures implemented for protecting the Group against each of the identified risks; and (ii) an action plan for managing each identified risk in order to enhance risk prevention and strengthen the overall risk management process. The aim is to assess risks in each area and monitor any changes, ensure that appropriate action plans are put in place by the risk prevention functions and, where necessary, supplement existing control procedures and systems. The Group's main risk factors are explained in the management report;
- the recommendations sent by the Internal Audit department to the audited sites are followed up on an ongoing basis, based on (i) a questionnaire sent three, six, and twelve months after the internal audit report is issued; (ii) monitoring by the Operations Committee; and (iii) a post audit of the site if deemed necessary;
- in addition, by upgrading its information systems based on SAP architecture the Group has created standardized, reliable and up-to-the-minute tools that correspond to Faurecia's standards and procedures and which will be gradually rolled out across the Group. All of the systems at the pilot sites went live during the year and the first four rollouts were subsequently launched with the related systems going live in June and July 2009.

3. Restrictions placed by the Board of Directors on the powers of the Chairman and Chief Executive Officer

The Board of Directors has entrusted its Chairman with responsibility for the Company's general management. The Board's internal rules, which are available (in French only) on the Company's website at www.faurecia.fr, specify the terms and conditions of performance of the Board's own responsibilities as well as the duties of the Chairman. These rules also state that the Board should be consulted on all Company and Group strategic decisions at the Chairman's initiative. At its meeting of July 20, 2009, the Board of Directors authorized the Chairman and Chief Executive Officer to give endorsements or guarantees subject to an overall ceiling of €50 million, with a limit of €10 million per transaction. If the Group is required to provide advance payment guarantees or performance bonds for contracts with successive performance commitments, the Chief Executive Officer is authorized to provide guarantees representing a maximum of €5 million per transaction, subject to the same overall ceiling. Through its internal rules and within the scope of the applicable laws governing its activities, the Board has the powers to deal with all matters required for the efficient running of the Company.

At its meeting of December 17, 2009 the Board amended its internal rules to include the express requirement that the Chairman must obtain approval from the Board before carrying out any acquisition, disposal or joint venture project representing a total asset value of over €100 million and/or revenue in excess of €300 million.

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 Faurecia

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.

Year ended December 31, 2009

To the Shareholders,

In our capacity as Statutory Auditors of Faurecia 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, 2009.

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-La Défense, April 12, 2010

The Statutory Auditors

PricewaterhouseCoopers	Ernst & Young Audit
Dominique Ménard	Laurent Miannay