



Information relating to the 2020 compensation policy applicable to the Chairman and Chief Executive Officer

In determining the compensation policy applicable to the Chairman and Chief Executive Officer for the financial year ending December 31, 2020 (the "**2020 Compensation Policy of the Chairman and Chief Executive Officer**"), the Compensation Committee has analysed the structure of the Chairman and Chief Executive Officer's compensation based on a comparative review on the basis of four panels used by Valeo¹, with particular attention to the European car makers and OEMs panel (the "**2020 Comparative Study**").

In general, the 2020 Comparative Study shows that the fixed compensation as well as the ceilings for variable and long-term compensation are in line with the market and will therefore remain unchanged in the 2020 Compensation Policy of the Chairman and Chief Executive Officer compared to those set in the 2019 Compensation Policy approved at a rate of 91.92% by the General Shareholders' Meeting of May 23, 2019 under its tenth resolution (the "**2019 Compensation Policy of the Chairman and Chief Executive Officer**").

At its meeting held on March 24, 2020, the Board of Directors, on the recommendation of the Compensation Committee, established the 2020 Compensation Policy of the Chairman and Chief Executive Officer, as summarized below, with certain adjustments related to the elements used to assess the qualitative criteria determining the variable compensation, as compared to the 2019 Compensation Policy of the Chairman and Chief Executive Officer.

In accordance with article L. 225-37-2 of the French Commercial Code, the General Shareholders' Meeting of June 25, 2020 will be called upon to approve the elements of the 2020 Compensation Policy of the Chairman and Chief Executive Officer (*ex ante* vote).

1. Annual fixed compensation

The Chairman and Chief Executive Officer's fixed annual compensation amounts to EUR 1 100 000 since May 23, 2019.

It is not planned to change this amount until the end of Jacques Aschenbroich's current term of office as Chairman and Chief Executive Officer.

2. Annual variable compensation

The principles and criteria relating to this element of compensation set out in the 2019 Compensation Policy of the Chairman and Chief Executive Officer remain unchanged in the 2020 Compensation Policy of the Chairman and Chief Executive Officer, subject to a few adjustments related to the elements used to assess the qualitative criteria.

Thus, the principles and criteria relating to the annual variable compensation will be as follows for 2020:

¹ 1. CAC 40, 2. CAC 40 excluding finance and luxury sector companies, 3. European car makers and OEMs and 4. International OEMs. These panels are available on the Company's website (www.valeo.com), under "Corporate Governance".

Quantifiable criteria^{(1) (2)}	
Nature of the quantifiable criteria	Maximum amount of the variable portion as a % of annual fixed compensation
Operating margin rate ⁽³⁾	25%
Free cash flow	25%
Net Income	20%
ROCE rate ⁽³⁾	20%
Group order intake ⁽⁴⁾	25%
TOTAL QUANTIFIABLE CRITERIA	115%
Qualitative criteria	
Nature of the qualitative criteria	Maximum amount of the variable portion as a % of annual fixed compensation
Strategic vision <i>Strategic vision assessed against the following indicators:</i> <ul style="list-style-type: none"> ■ strategic and technological operations carried out by Valeo; ■ development of technology platforms in line with the Investor Day communication; ■ new evaluation of the presentation at the next strategic seminar of a technology roadmap and its impact on R&D and human resources. 	20%
Risk management <i>This criteria is measured in particular by the following indicators:</i> <ul style="list-style-type: none"> ■ compliance: continued and intensified measures to reinforce the compliance policy; ■ management of the Group's cash; ■ Company's transformation, organizational changes, evolution of the professions, implementation of industrial and human resources to make the transformation successful; ■ quality of management and adaptability to the effects of the Covid-19 crisis. 	15%
Corporate Social Responsibility <i>Overall assessment of safety performance, in particular through the following indicators:</i> <ul style="list-style-type: none"> ■ number of lost-time workplace accidents; ■ decrease in the number of accidents in categories 1 (death, amputation, severe trauma, disability/incapacity) and 2 (major material damage and major accident). <i>Progress made by Valeo in terms of skills and diversity management</i> <ul style="list-style-type: none"> ■ presentation of a plan to increase the number of women on management committees by 2024 and 2030 (quantitative objectives and accompanying measures). <i>Build and present a vision of carbon neutrality for Valeo in 2020, including 5-year objectives</i>	20%
TOTAL QUALITATIVE CRITERIA	55%
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	
170 %	
<p>(1) Excluding regulatory and tax impacts.</p> <p>(2) Concerning the quantifiable criteria, excluding the impact of the Covid-19 epidemic whose impact on the Group cannot be predicted on the date of this announcement. Thus, when assessing the degree of achievement of these quantifiable objectives, the Board of Directors may take this impact into account.</p> <p>(3) Excluding Top Column Modules.</p> <p>(4) Excluding Top Column Modules and VSeA.</p>	

3. Long-term variable compensation- Performance shares

The final allocation of performance shares would depend on performance, based on two internal performance criteria already used – namely the operating margin rate and the pre-tax rate of return on assets (ROA) – as well as an external performance criterion, the Total Shareholder Return (TSR). Valeo's TSR will be measured against the CAC 40 index and a panel of European automotive companies. Internal performance criteria will represent a maximum of 80% of allotted shares (40% for each criterion), while the external performance criterion will represent no more than 20% of the allotment.

The table below summarizes the criteria and methods used to assess the performance shares selected as part of the 2020 Compensation Policy of the Chairman and Chief Executive Officer:

Criterion	Weight / Assessment
Internal performance criterion: ROA rate^(*) (40%)	<p>Performance measured by two criteria (operating margin rate and ROA rate) for each of the three financial years (Y, Y+1, and Y+2) of the vesting period. The criterion will be satisfied if, for each financial year covered under the grant, the rate effectively achieved for each criterion is greater than or equal to the target rate established by the Board of Directors, it being understood that (i) the target rate cannot be lower than the guidance for the financial year of reference, (ii) the selected criterion cannot be changed by the Board of Directors at a later date and (iii) the target rates cannot be changed by the Board of Directors at a later date, except by a duly justified decision in the context of exceptional circumstances beyond the beneficiaries' control.</p> <ul style="list-style-type: none"> - If, for each financial year covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those three financial years: 100%. - If, for only two of the financial years covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those two financial years: 50%. - If, for only one of the financial years covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for that financial year: 20%. - If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the scheme: 0%.
Internal performance criterion: operating margin rate^(*) (40%)	
External performance criterion: TSR (20%)	<p>TSR recorded over a period of three years from January 1 of the allotment year to December 31 of the year prior to delivery.</p> <ul style="list-style-type: none"> - If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 10% (0% if equal or lower). - If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies of a European car makers Panel² over the reference period: 10% (0% if equal or lower).

(*) For 2020, the guidance is 10% for the ROA rate ((taking into account share in net earnings of equity-accounted companies) and for the operating margin rate (excluding share in net earnings of equity-accounted companies), the guidance is 6%. It should be noted that the Group's guidance excludes the impact of the Covid-19 epidemic, whose impact on the Group cannot be predicted on the date of this announcement. The Board of Directors may take this possible impact into account.

The maximum amount of the Chairman and Chief Executive Officer's long-term variable compensation, which remains 270% of the annual fixed compensation in all circumstances, has not been changed from the figure set in the 2019 Compensation Policy of the Chairman and Chief Executive Officer, as the 2020 Comparative Study confirmed that this percentage was appropriate.

² The European Automotive Panel was amended by the Board of Directors at its meeting of October 24, 2019. GKN, a panel member, was acquired by a fund and then delisted. Its inclusion in the panel was no longer relevant and it was therefore replaced by Schaeffler, a German automotive equipment manufacturer.

The other principles and criteria for this compensation component set out in the 2019 Compensation Policy of the Chairman and Chief Executive Officer remain unchanged in the 2020 Compensation Policy of the Chairman and Chief Executive Officer³.

4. Other compensation components

The principles and criteria relating to the other elements of compensation set out in the 2019 Compensation Policy of the Chairman and Chief Executive Officer remain unchanged in the 2020 Compensation Policy of the Chairman and Chief Executive Officer, subject to the pension commitment, as described below, specifically for Jacques Aschenbroich.

Jacques Aschenbroich benefits from a defined benefit pension plan in accordance with Group and market practices.

In accordance with French Ordinance no. 2019-697 of July 3, 2019, the so-called "Article 39" defined benefit pension plan, which no longer welcomes new members since July 1, 2017, no longer allows for the acquisition of new rights as from January 1, 2020 (the "**Closed Plan**"). Thus, in accordance with the new legal provisions, a new commitment is made in favour of Jacques Aschenbroich. This new plan, effective as of January 1, 2020, in accordance with Article L. 137-11-2 of the French Social Security Code, includes the same ceilings and performance conditions as the Closed Plan.

Its main characteristics are as follows:

- supplementary pension rights are equal to 1% of the reference salary per vesting year;
- the vesting of supplementary pension rights is subject to a performance-related condition, which is deemed to have been met if the variable portion of Jacques Aschenbroich's compensation, paid in Y+1 in respect of year Y, reaches 100% of the fixed compensation due in respect of year Y. In the event that the variable portion does not reach 100% of the fixed compensation, the rights granted will be calculated on a pro rata basis;
- the reference salary is the base salary and the variable compensation received in each year of vesting;
- the cap due to the nature of the plan: a cap of 20% of the final reference salary as defined in the Closed Plan (cap which applies to the sum of the rights acquired under the Closed Plan and under the new plan);
- the cap on the base for determining entitlements: all plans combined are capped at 55% of the final reference salary.

Under this new plan, the rights of Jacques Aschenbroich will vest without condition of presence in the Company at the end of his career.

The rights under the Closed Plan crystallized at December 31, 2019 and remain conditional on the presence of Jacques Aschenbroich within Valeo at the time of his retirement.

³ Based on the condition of presence, performance shares awarded would only be awarded, for the Chairman and Chief Executive Officer, provided his term of office was in effect on the final award date. It is specified, for the avoidance of doubt, in the 2020 Remuneration Policy of the Chairman and Chief Executive Officer, that should the roles of Chairman of the Board of Directors and Chief Executive Officer be separated before the final award date, the office of Chairman of the Board of Directors or Chief Executive Officer will be taken into account when assessing whether the condition is satisfied. For the purposes of the grant made in 2020, in the event that, following the separation of Chairman and Chief Executive Officer roles, Jacques Aschenbroich would remain Chairman of the Board of Directors until the end of the vesting period of the performance shares granted in 2020, it was agreed that the number of performance shares that would be definitively granted to him would be reduced to be adjusted on a pro rata basis for the period during which he was Chairman and Chief Executive Officer.