

**Christophe Périllat's compensation policy for the financial year ending December 31, 2022 as Deputy Chief Executive Officer, then as Chief Executive Officer as of the separation of the roles on January 26, 2022**

It is noted that, in accordance with the succession plan unanimously approved by the Board of Directors on October 27, 2020 and disclosed on the same day, Christophe Périllat succeeded Jacques Aschenbroich in his role as Chief Executive Officer of Valeo on January 26, 2022.

In accordance with the recommendations of the AFEP-MEDEF Code, as of Christophe Périllat's appointment as Chief Executive Officer on January 26, 2022, his employment contract, which had been suspended as from his appointment as Deputy Chief Executive Officer on May 26, 2021 was terminated.

The Board of Directors held on March 24, 2021 set, on the recommendation of the Compensation Committee, the compensation policy of the Chief Executive Officer for the financial year ending December 31, 2022 in anticipation of the separation of the roles of Chairman and Chief Executive Officer. This compensation policy was submitted for approval by anticipation and was pre-approved by 95.14%, at the Shareholders' Meeting on May 26, 2021. It was supplemented by the Board of Directors on February 24, 2022, on the recommendation of the Compensation Committee, by variable compensation components for the 2022 financial year and will again be submitted to the Shareholder's Meeting on May 24, 2022; it being specified that the compensation components which were pre-approved at the Shareholders' Meeting on May 26, 2021 (the annual fixed compensation amount, the maximum amount of the annual variable portion of compensation fixed at 120% of the annual fixed compensation, long-term compensation including its maximum amount of 200% of the annual fixed compensation, pension plan, non-compete compensation, termination benefits and any benefits in kind) remain unchanged (the "**2022 Chief Executive Officer Compensation Policy**").

In accordance with Article L. 22-10-8 of the French Commercial Code, the Shareholders' Meeting to be held on May 24, 2022 will be called upon to approve the components of the 2022 compensation policy for Christophe Périllat for the financial year ending December 31, 2022 (the "**2022 Compensation Policy for Christophe Périllat**"), composed of (i) the compensation policy applicable to Christophe Périllat as Deputy Chief Executive Officer for the period from January 1 to 26, 2022 (the "**2022 Deputy Chief Executive Officer Compensation Policy**") and subsequently of (ii) the 2022 Chief Executive Officer Compensation Policy.

## **1. Annual fixed compensation**

### *As Deputy Chief Executive Officer from January 1 to 26, 2022*

The Board of Directors held on March 24, 2021 set, on the recommendation of the Compensation Committee, the (gross) annual fixed compensation of the Deputy Chief Executive Officer at EUR 725,000, which corresponds to the same level as that of the Chief Operating Officer (*Directeur des Opérations*) and Associate Chief Executive Officer (*Directeur Général Adjoint*) (between October 27, 2020 and May 26, 2021).

This annual fixed compensation which was included in the Deputy Chief Executive Officer's compensation policy for the financial year ending December 31, 2021<sup>1</sup> (the "**2021 Deputy Chief Executive Officer Compensation Policy**") remains unchanged in the 2022 Deputy Chief Executive Officer Compensation Policy.

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<sup>1</sup> Approved by 96.13% at the Shareholders' Meeting held on May 26, 2021 pursuant to the thirteenth resolution.

As Chief Executive Officer as of the separation of the roles on January 26, 2022

The Board of Directors held on March 24, 2021 set, on the recommendation of the Compensation Committee, the (gross) annual fixed compensation of the Chief Executive Officer at EUR 975,000. This compensation, which was approved by 95.14% at the Shareholders' Meeting held on May 26, 2021, remains unchanged in the 2022 Chief Executive Officer Compensation Policy.

## 2. Annual variable compensation

The compensation policy of the Chief Executive Officer for the financial year ending December 31, 2022, set in anticipation of the separation of the roles by the Board of Directors on March 24, 2021, on the recommendation of the Compensation Committee,<sup>2</sup> provides for a maximum variable portion for the Chief Executive Officer set at 120% of his annual fixed compensation, which corresponds to the same level as that of the Chief Operating Officer (*Directeur des Opérations*), Associate Chief Executive Officer (*Directeur Général Adjoint*) and Deputy Chief Executive Officer (*Directeur Général Délégué*). This maximum amount remains unchanged in the 2022 Compensation Policy for Christophe Périllat.

As part of its review of the 2022 Compensation Policy of Christophe Périllat, the Board of Directors held on February 24, 2022 set, on the recommendation of the Compensation Committee, the following quantifiable and qualitative criteria for the 2022 financial year:

- **four quantifiable criteria:** (i) EBITDA, (ii) free cash flow, (iii) net income and (iv) Group order intake;
- **four qualitative criteria:** (i) strategic vision, (ii) risk management, (iii) corporate social responsibility and (iv) the reduction of CO<sub>2</sub> emissions ("CAP 50").

The table below summarises, in a synthetic way, the quantifiable and qualitative criteria, the percentage of the annual fixed compensation related to each of the criteria as well as the maximum amount of the variable portion for 2022:

Quantifiable criteria <sup>(1) (2)</sup>	
Nature of the quantifiable criteria	Maximum amount of the variable portion as a % of the Chief Executive Officer's annual fixed compensation
EBITDA	18%
Free cash flow	18%
Net income	16%
Group order intake	18%
<b>TOTAL QUANTIFIABLE CRITERIA</b>	<b>70%</b>
Qualitative criteria	
Nature of the qualitative criteria	Maximum amount of the variable portion as a % of the Chief Executive Officer's annual fixed compensation
<b>Strategic vision</b> <i>This criterion is assessed in particular against the following elements:</i> <ul style="list-style-type: none"> <li>● <i>quality of strategic and financial communication, in particular the impact of the February 10 and 25, 2022 investor meetings and implementation of the roadmap;</i></li> </ul>	14%

<sup>2</sup> Approved by 95.14% at the Shareholders' Meeting held on May 26, 2021 pursuant to the fourteenth resolution.

<ul style="list-style-type: none"> <li>quality of the roadmap for the Group's businesses.</li> </ul>	
<p><b>Risk management</b> This criterion is assessed in particular against the following elements:</p> <ul style="list-style-type: none"> <li>compliance: measures implemented to ensure the strict enforcement of anti-corruption, anti-trust and personal data protection rules (GDPR);</li> <li>risk management related to the Group's operational excellence (management of the production plant, "red launches");</li> <li>management of inflation-related impacts;</li> <li>quality of the supplies crisis management (electric components and raw materials).</li> </ul>	12%
<p><b>Corporate social responsibility</b> CSR assessed in particular against the following elements:</p> <ul style="list-style-type: none"> <li>overall assessment of safety performances through the number of lost-time workplace accidents. Particular attention will be paid to France in 2022 with respect to lost-time workplace accidents;</li> <li>progression of the Gender Equity Index in 2022 to an average of 87 and improvement of the index of the countries below 75.</li> </ul>	12%
<p><b>Cap 50</b> Gradual reduction of CO<sub>2</sub> emissions by at least 0.75 Mt per year.</p>	12%
<b>TOTAL QUALITATIVE CRITERIA</b>	<b>50%</b>
<b>TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA</b>	<b>120%</b>
<p>(1) Excluding regulatory and tax impacts and excluding any economic and financial consequences of the war in Ukraine. (2) Including Valeo Siemens eAutomotive (VSeA).</p>	

### 3. Long-term compensation policy – Allotment of performance shares

The long-term compensation components set out in the Chief Executive Officer's compensation policy for the financial year ending December 31, 2022, approved in anticipation of the separation of the roles by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee<sup>3</sup>, remain unchanged in the 2022 Compensation Policy for Christophe Périllat and are set out below.

The performance shares will depend on performance measured against the following criteria, identical to those applicable to the long-term compensation of the Chairman and Chief Executive Officer and Deputy Chief Executive Officer for the 2021 financial year:

- (i) two internal performance criteria, namely the EBITDA level as well as the rate of return on capital employed (ROCE). The internal performance criteria represent no more than 60% of the allocated shares (30% for each criterion);
- (ii) an external performance criterion, Valeo's TSR, which will be measured against the CAC 40 index (10%) and against the European Automotive Panel (10%). Thus, the external performance criterion represents no more than 20% of the allocated shares;
- (iii) two corporate social responsibility (CSR)-related criteria: an environmental criterion relating to the level of CO<sub>2</sub> emissions and a gender diversity criterion based on the number of women in the Group's management committees (relating to the 300 most important Group management positions). The CSR criteria represent no more than 20% of the allocated shares (10% for each criterion).

The maximum amount of performance shares allocated to the Chief Executive Officer, valued under IFRS, must not exceed 200% of the Chief Executive Officer's annual fixed compensation (i.e. 91% of the maximum annual combined fixed and variable compensations on the basis of a full year compensation as Chief Executive Officer), which corresponds to the same level as that of the Chief Operating Officer (*Directeur des Opérations*), Associate Chief Executive Officer (*Directeur Général Adjoint*) and Deputy Chief Executive Officer (*Directeur Général Délégué*). The 200%

<sup>3</sup> Approved by 95.14% at the Shareholders' Meeting on May 26, 2021 pursuant to the fourteenth resolution.

threshold of the annual fixed compensation is a maximum amount and the Board of Directors reserves its right to grant a lower allocation of shares in light of Valeo's performance.

The table below summarises, in a synthetic way, the criteria and methods used to assess the performance shares selected as part of the 2022 Compensation Policy for Christophe Périllat:

Criterion	Weight/Assessment
<b>Internal performance criterion: ROCE rate (30%)</b> <sup>(1)</sup>	<p>Performance measured by two criteria (ROCE rate and EBITDA level) for each of the three financial years (Y, Y+1 and Y+2) of the vesting period. The relevant criterion will be satisfied if, for each financial year covered under the grant the rate effectively achieved for such 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"> <li>• 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%.</li> <li>• 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%.</li> <li>• 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%.</li> <li>• If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the scheme: 0%.</li> </ul>
<b>Internal performance criterion: EBITDA level (30%)</b> <sup>(1)</sup>	
<b>External performance criterion: TSR (20%)</b>	<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"> <li>• If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 100% (0% if equal or lower).</li> <li>• If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies in the European Automotive Panel over the reference period: 100% (0% if equal or lower).</li> </ul>
<b>Corporate social responsibility: CO<sub>2</sub> emissions (10%)</b> <sup>(2)</sup>	<p>CSR criterion recorded over a period of three years from January 1 of the allotment year to December 31 of the year prior to delivery and published at the time of the free shares allotment:</p> <ul style="list-style-type: none"> <li>• If the level of CO<sub>2</sub> emissions recorded over the reference period is lower than or equal to the target rate established for the reference period: 100% (0% if greater);</li> <li>• If the number of women within the Group's management committees (relating to the 300 most important Group management positions) recorded over the reference period is greater than or equal to the target rate established for the reference period: 100% (0% if lower).</li> </ul>
<b>Corporate social responsibility: the number of women within the Group's management committees (relating to the 300 most important Group management positions) (10%)</b> <sup>(3)</sup>	
<p>(1) For 2022, the guidance is 8.60% for the ROCE rate (including Valeo Siemens eAutomotive (VSeA) over 12 months) and 11.80% for the EBITDA (based on the integration of VSeA after July 2022 following the acquisition by Valeo of the 50% stake held by Siemens in VSeA), it being specified that this guidance does not take into account the unfavourable economic and financial consequences likely to result from the war in Ukraine.</p> <p>(2) For the 2022 plan, the achievement of this target (excluding VSeA) will be assessed as at December 31, 2024, on the basis of the carbon neutrality objective by 2050 and, by December 31, 2030, a plan to reduce emissions related to its operating activities (Scopes 1 and 2) by 75% and emissions related to its supply chain and to the end use of its products (Scope 3) by 15% compared to January 1, 2020, as presented in Chapter 4, section 4.1.3 "Valeo's carbon neutrality Plan by 2050" of the 2020 Universal Registration Document. This 2030 objective (excluding VSeA) implies an annual reduction of -0.75 Mt CO<sub>2</sub> from 49.6 Mt CO<sub>2</sub> at January 1, 2020 to 41.4 Mt CO<sub>2</sub> at December 31, 2030. Accordingly, based on the linear annual progression until 2030, the rate of achievement of this target (excluding VSeA) is set at a maximum of 45.85 Mt CO<sub>2</sub> by December 31, 2024.</p> <p>(3) For the 2022 plan, the achievement of this target will be assessed as at December 31, 2024 on the basis of the objective of doubling the number of women on the various Group's management committees (relating to the 300 most important Group management positions) from 16% of women as at January 1, 2020 to 32% of women as at December 31, 2030. Accordingly, based on a linear annual progression, the rate of achievement of this target is set at a minimum of 23 % of women in the Group's management committees (relating to the 300 most important Group management positions) by December 31, 2024, on a like for like basis, which constitutes an acceleration of the intermediate objective for 2024 set at 20% by Valeo's Board of Directors in 2020 (as described in sub-section 3.2.1 "Composition of the Board of Directors", paragraph "Diversity policy within the governing bodies" of the 2020 Universal Registration Document).</p>	

In addition, a presence condition must be met at the time of the allotment. Thus, the performance shares allotted to the Chief Executive Officer will vest only if he keeps a position as corporate executive officer until the vesting date. Entitlement to the performance shares will be lost in the



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event of (i) dismissal due to gross negligence or wilful misconduct or (ii) dismissal for reasons attributable to the Chief Executive Officer's performance, before the end of the vesting period.

Except for these two cases, the Board of Directors will determine whether or not the Chief Executive Officer will retain his entitlement to the performance shares before the expiry of the vesting period, based on an in-depth analysis of the reasons for and circumstances surrounding his departure, it being specified that, in these cases, the benefit of performance shares granted to the Chief Executive Officer before the expiry of the vesting period will be maintained on a *pro rata temporis* basis of his presence as corporate executive officer of Valeo. In any event, the shares will only vest if the performance criteria are achieved. By way of exception to the foregoing, in the event of termination of his corporate office in connection with the liquidation of any mandatory and supplementary pension plans or death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Code of Conduct, the Chief Executive Officer is not permitted to use hedging transactions to reduce his risk. He has made a formal commitment in this respect as required by the AFEP-MEDEF Code. At the end of the holding period set by the Board of Directors, the Chief Executive Officer must also hold a significant number of vested performance shares in the form of registered shares until the end of his term of office. This holding obligation corresponds to 50% of the vested performance shares.

#### **4. Supplementary pension**

##### *As Deputy Chief Executive Officer from January 1 to 26, 2022*

As an employee of the Group, Christophe Périllat benefitted from the so-called "article 39" defined benefit pension plan, which no longer allows for the acquisition of new rights as from January 1, 2020. Thus, in accordance with the new legal provisions, a new commitment effective as of January 1, 2020, in accordance with article L. 137-11-2 of the French Social Security Code, has been made in favour of Christophe Périllat, as an employee of the Group (the "**New Plan**"), which continued during his term of office as Deputy Chief Executive Officer during which his employment contract was suspended.

The principles and criteria of the supplementary pension are set out in the 2021 Deputy Chief Executive Officer Compensation Policy and remain unchanged in the 2022 Deputy Chief Executive Officer Compensation Policy.

##### *As Chief Executive Officer as of the separation of the roles on January 26, 2022*

As of the Christophe Périllat's appointment as Chief Executive Officer, his employment contract was terminated. The termination of Christophe Périllat's employment contract entailed the loss of the benefit of the supplementary pension plan attached to his status as employee for the defined benefit pension plan to which he would have been entitled if he had remained an employee within Valeo until his retirement, except for the rights acquired under the New Plan put in place as of January 1, 2020 until the term of this employment contract (i.e. as of the date of his appointment as Chief Executive Officer).

Thus, the Chief Executive Officer's compensation policy for the financial year ending December 31, 2022, set in anticipation of the separation of the roles by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee<sup>4</sup>, provides that as of his appointment in the context of Jacques Aschenbroich's succession plan on January 26, 2022, the Chief Executive Officer shall benefit from an optional defined contribution pension plan, to replace the acquisition

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<sup>4</sup> Approved by 95.14% at the Shareholders' Meeting held on May 26, 2021 pursuant to the fourteenth resolution.



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of rights under the defined benefit pension plan. This compensation component shall thus remain unchanged in the 2022 Chief Executive Officer Compensation Policy and is set out below.

This plan is governed by Article 82 of the French General Tax Code and allows to build up a capital sum to which he is entitled at retirement. Thus, Valeo will no longer guarantee a certain level of pension but will pay an annual contribution.

Under this new mechanism, the amount paid by the Company is split between a payment to the insurance company on an individual account in Christophe Périllat's name and a payment to Christophe Périllat to take into account the social costs and taxes due on the payments made to the insurance company.

The annual gross amount of the payments made by the Company to the insurance company will total 10% of the annual fixed and variable compensation received in each year of vesting, subject to the achievement of the performance condition described hereunder.

Given the loss of the defined benefit pension plan and the accrued rights at the end of 2019, a gross annual amount will also be paid to the insurance company amounting to:

- 10% for the 2022 and 2023 financial years;
- 12.5% for the 2024 and 2025 financial years;
- 15% for the 2026 and 2027 financial years;
- 20% for the 2028 to 2030 financial years (or the following financial years).

These rates will apply to the annual fixed and variable compensation received in each year of vesting, subject to the achievement of a performance condition.

Thus, the gross annual amount paid to the insurance company is subject to a performance condition considered to be achieved if the variable portion of the beneficiary's compensation, paid in year Y+1 in respect of year Y, reaches 70% of his fixed compensation due in respect of year Y. In the event that the variable portion does not reach 70% of the fixed compensation, the gross annual amount paid will be calculated on a *pro rata* basis down to zero.

This new scheme was chosen from several alternatives and represents a lower total cost for the Company than the previous plans by approximately 36% while retaining a retention effect similar to those previous pension plans insofar as Christophe Périllat will have to remain with Valeo until the age of 65 to benefit from a supplementary pension of equivalent value to that which he had at the time his employment contract was terminated. For example, if he were to retire at 62 (age at which Christophe Périllat will be entitled to claim his legal, and therefore supplementary, pension entitlements) under this new scheme, he would receive a lower pension than under the old plan, with a discount of more than 40%.

## **5. Benefits in kind**

### *As Deputy Chief Executive Officer from January 1 to 26, 2022*

The principles and criteria of this compensation component as set out in the 2021 Deputy Chief Executive Officer Compensation Policy remain unchanged in the 2022 Deputy Chief Executive Officer Compensation Policy.

### *As Chief Executive Officer as of the separation of the roles on January 26, 2022*

The principles and criteria of this compensation component as set out in the Chief Executive Officer's compensation policy for the financial year ending December 31, 2022, set in anticipation of the separation of the roles by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee and approved at 95.14% at the Shareholders' Meeting on May 26, 2021, remain unchanged in the 2022 Chief Executive Officer Compensation Policy.



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The Chief Executive Officer is thus entitled to coverage under the unemployment insurance fund for company managers, the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accident that may occur during business travel. A company car and a driver are also provided to him.

## **6. The Chief Executive Officer's non-compete compensation and termination benefits**

The principles and criteria of this compensation component as set out in the Chief Executive Officer's compensation policy for the financial year ending December 31, 2022, set in anticipation of the separation of the roles by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee and approved by 95.14% at the Shareholders' Meeting held on May 26, 2021 remain unchanged in the 2022 Chief Executive Officer Compensation Policy and are set out below.

### *Non-compete compensation*

In order to protect the Company's interests, a non-compete clause binding the Chief Executive Officer has been put in place by the Board of Directors.

If the Company triggers the non-compete clause, the executive corporate officer would be prohibited from working in any way for an automotive supplier or, more generally, for any of Valeo's competitors. This clause will apply for 12 months after the end of his term of office as Chief Executive Officer of Valeo, regardless of the reason for termination.

In consideration, the executive corporate officer would receive non-compete compensation equal to 12 months of compensation (calculated by taking the average compensation (fixed and variable) paid as Chief Executive Officer and, as the case may be, as an employee for the 36 months preceding the month of departure). The compensation would be paid in equal monthly instalments over the entire period to which the non-compete clause applies.

If the Company triggers the non-compete clause, the amount owed would be taken into account to determine his termination benefit described below. As a result, the maximum amounts likely to be paid to the Chief Executive Officer in the form of non-compete compensation and/or termination benefits would be equal to twice the annual compensation (fixed and variable), in accordance with the recommendation of the AFEP-MEDEF Code.

In any event, in accordance with the recommendations of the AFEP-MEDEF Code, no non-compete compensation shall be paid beyond the age of 65 or if the Chief Executive Officer claims his retirement benefits. The Board of Directors will have to decide whether or not the non-compete agreement will be applied at the time the Chief Executive Officer leaves.

The Company reserves the right not to implement this agreement and to waive the non-compete clause (in which case no compensation would be owed).

### *Termination benefits*

In the event of early termination of his duties following a change of control or strategy, and except if such early termination is based on the grounds of wilful misconduct in the performance of his duties, the Chief Executive Officer shall be entitled, at the initiative of the Company and with the approval of the Board of Directors, to termination benefits paid by the Company for a maximum amount of his total compensation as Chief Executive Officer and, as the case may be, as an employee, during the two years preceding the end of his term of office.

These termination benefits are subject to the performance criteria applicable to the annual variable compensation, in accordance with the following formula:



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[Total compensation paid as Chief Executive Officer and, as the case may be, as an employee during the two years preceding the end of his term of office]

x

[average (in %) of the results achieved for the annual variable compensation as Chief Executive Officer and, as the case may be, as an employee, applicable to the three financial years preceding the departure].

Furthermore, the amount actually paid by the Company would be reduced, as the case may be, so that any other compensation would not have an effect of awarding him with a total compensation higher than the aforementioned amount of two years of compensation, in accordance with the AFEP-MEDEF Code.

**7. Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, director's compensation, benefits of any kind under agreements with the Company or any Group company or options or any other long-term compensation component**

Christophe Périllat, as Deputy Chief Executive Officer and subsequently as Chief Executive Officer, will not be entitled to multi-annual variable compensation, compensation or benefits on appointment or exceptional compensation.

Christophe Périllat does not receive compensation in his capacity as director. He is not entitled to any compensation or other benefits as a result of agreements entered into with the Company or any Group company.

Moreover, no stock purchase or subscription options or other long-term compensation component other than performance shares will be granted to him during the 2022 financial year.

Lastly, after consulting the Compensation Committee and, if applicable, the other specialized Committees, the Board of Directors will have the discretionary power, in the event of exceptional circumstances and on a temporary basis, to adjust the internal quantifiable objectives relating to the annual variable and long-term compensation components of the 2022 Compensation Policy for Christophe Périllat. The events that could give rise to the use of this possibility are in particular any event beyond Valeo's control that cannot be reasonably foreseen or quantified at the time of the determination of the compensation elements and that has an impact on the automotive industry during the 2022 financial year, such as the Covid-19 epidemic, the components crisis and the increase in the price of raw materials and energy, as well as geopolitical tensions (e.g. conflict between Russia and Ukraine) and their consequences.