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Compensation policy of the Chief Executive Officer for the 2023 financial year

The Board of Directors held on February 23, 2023 set, on the recommendation of the Compensation Committee, the compensation policy of the Chief Executive Officer for the 2023 financial year (the "**2023 Chief Executive Officer Compensation Policy**"), which remains unchanged compared to the 2022 compensation policy of the Chief Executive Officer, approved by 92.25% at the Shareholders' Meeting on May 24, 2022 (the "**2022 Chief Executive Officer Compensation Policy**"), subject to the adjustments described below.

In accordance with Article L. 22-10-8 of the French Commercial Code, the Shareholders' Meeting to be held on May 24, 2023 will be called upon to approve the 2023 Chief Executive Officer Compensation Policy.

1. Annual fixed compensation

The (gross) annual fixed compensation of the Chief Executive Officer amounts to EUR 975,000.

This compensation remains unchanged from the 2022 Chief Executive Officer Compensation Policy.

2. Annual variable compensation

The maximum amount of the Chief Executive Officer's variable portion is 120% of his (gross) 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 compared to the one set in the 2022 Chief Executive Officer Compensation Policy.

In assessing the 2023 Chief Executive Officer Compensation Policy, the Board of Directors held on February 23, 2023, on the recommendation of the Compensation Committee, decided to make adjustments to (i) one of the quantifiable criteria, the EBITDA rate, replaced by the EBIT rate, which is more relevant to the "Move Up" strategic plan and more closely monitored by the financial community (the other quantifiable criteria remaining unchanged), and (ii) some of the qualitative sub-criteria previously used (the qualitative criteria remaining unchanged), in order to better reflect the Group's current operational and extra-financial performance objectives.

The table below summarises, in a synthetic way, the quantifiable and qualitative criteria, the percentage of the (gross) annual fixed compensation related to each of the criteria as well as the maximum amount of the variable portion for 2023:

Quantifiable criteria [1]	
Nature of quantifiable criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed**
EBIT	18%
Free cash-flow	18%
Net income	16%
Group order intakes	18%
TOTAL QUANTIFIABLE CRITERIA	**70%**
Qualitative criteria	
Nature of qualitative criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed**
Strategic vision *This criterion is assessed in particular against the following elements:* • *validation by the Board of Directors of the strategy presented by the CEO and quality of communication of this strategy inside and outside the company,* • *quality of financial communication,* • *quality of the Group's technological roadmap.*	14%
Risk management *This criterion is assessed in particular against the following elements:* • *compliance: (i) deployment of the new code of business ethics drafted in 2022 in all regions where the Group operates, (ii) implementation of a new organisation of the compliance department with redefinition of the roles and responsibilities of compliance champions and (iii) adjustment and deployment of a whistleblowing system in line with the new regulation, involving the implementation of a system for each of the Group's legal entities.* • *management of operational risks,* • *management of inflation-related impacts (customer compensation in line with the budget),* • *quality of management of material and component shortages, in particular electronic components (number of vehicles affected maintaining Valeo among the most efficient equipment manufacturers in this field).*	12%
Corporate Social Responsibility *CSR assessed in particular against the following elements:* • *safety performance, with the objective of maintaining a frequency rate in line with the automotive benchmark (FR1<1.1)* [2]*,* • *progression of the Gender Equity Index (reaching level 88 of the index) and improvement of the rate of women externally recruited by at least 10% compared to 2022 (M&Ps population).*	12%
Cap 50 *Reduction trajectory of CO_2 emissions in line with the Cap 50 plan: the objective is to limit CO_2 emissions below 46.6 Mt in 2023.*	12%
TOTAL QUALITATIVE CRITERIA	**50%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**

(1) *Excluding regulatory and tax impacts.*

(2) *In the event of a deadly accident involving a Valeo employee or temporary worker (excluding commuting accidents or those of a non-work-related cause), the result will be revised downwards for the part of the safety-related objective.*

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

The maximum amount of the Chief Executive Officer’s long term compensation is 200% of the (gross) annual fixed compensation (*i.e.* 91% of the sum of the maximum annual combined fixed and variable compensations), 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 compared to the one set out in the 2022 Chief Executive Officer Compensation Policy.

In assessing the 2023 Chief Executive Officer Compensation Policy, the Board of Directors held on February 23, 2023, on the recommendation of the Compensation Committee, noted, on the basis of a report drawn up by an independent external service provider specialized in compensation matters, that the current structure of the performance conditions applied by Valeo is in line with market practices and trends. The Board of Directors, on the recommendation of the Compensation Committee, therefore decided to keep the structure of the performance share plans subject to adjustments designed to better reflect the objectives of the "Move Up" strategic plan and to strengthen the incentive and retention objective of long-term compensation. Accordingly, the Board of Directors, on the recommendation of the Compensation Committee, decided (i) in line with the adjustment of the quantifiable criterion for the 2023 annual variable compensation of the Chief Executive Officer, to replace the EBITDA rate with the EBIT rate, which is more relevant to the "Move Up" strategic plan and more closely monitored by the financial community, (ii) to modify the weighting of the degree of achievement of the internal performance criteria in order to strengthen the attractiveness of the compensation for the beneficiaries, while maintaining its demanding nature and (iii) to modify the composition of the Automotive Europe Panel, composed of both European car manufacturers and automotive equipment suppliers, in order to retain a panel exclusively composed of European automotive equipment suppliers (including those already included in the Automotive Europe Panel), considered more relevant with regard to the positioning and financial situation of the equipment suppliers as compared to car manufacturers (the "**Europe Automotive Equipment Suppliers Panel**")[1].

The table below summarises, in a synthetic way, the criteria used to assess the performance shares selected as part of the 2023 Chief Executive Officer Compensation Policy:

Criterion	Weight/Assessment
Internal performance criterion: ROCE rate (1) (30%) **Internal performance criterion: EBIT rate (1) (30%)**	Achievement of a performance assessed for each criterion (ROCE rate and EBIT rate) 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 allotment, 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 subsequently by the Board of Directors and (iii) the target rates cannot be changed subsequently by the Board of Directors, except by a duly justified decision in the context of exceptional circumstances beyond the beneficiaries' control. • If, for each financial year covered by the plan, 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 plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those two financial years: 60%. • If, for only one of the financial years covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for that financial year: 30%. • If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the plan: 0%.
External performance criterion: TSR (20%) **Versus CAC 40 (10%)** **Versus panel (10%)**	TSR recorded over a 3-year period from January 1 of the year of allotment to December 31 of the year prior to delivery. • 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 lower or equal). • If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies in the European Automotive Equipment Suppliers Panel over the reference period: 100% (0% if lower or equal).

[1] The Europe Automotive Equipment Suppliers Panel, as amended, includes the following companies: Autoliv, Continental, Faurecia (Forvia), Gestamp Automotive, Leoni, Michelin, Plastic Omnium, Schaeffler Automotive and Vitesco. This new panel will apply to shares granted as from 2023. The panel used by the Board of Directors is not intended to change, unless changes in the structure or activity of one of the companies included in the panel make it less relevant, in which case it will be replaced by another company in order to maintain the best possible level of comparability between Valeo and its peers.

Corporate social responsibility: (20%) **CO_2 emissions [2] (10%)** **Number of women within the Group's management committees (relating to the 300 most important Group management positions) [3] (10%)**	CSR criterion recorded over a 3-year period from January 1 of the year of allotment to December 31 of the year prior to delivery and published at the time of the free share grant: • If the level of CO_2 emissions recorded over the reference period is lower than or equal to the target rate set over the reference period: 100% (0% if higher). • If the number of women in the various management committees within the Group (covering the 300 most important management positions in the Group) recorded over the reference period is greater than or equal to the target rate set for the reference period: 100% (0% if lower).

(1) *For 2023, the guidance is 12.1% for the ROCE rate and as of 3.2% for the EBIT rate.*

(2) *For the 2023 plan, the achievement of this target will be assessed on December 31, 2025, taking as a basis for the calculation a carbon neutrality objective by 2050 and a plan to, by December 31, 2030, reduce emissions related to its operating activities by 75% (Scopes 1 and 2) and to reduce emissions related to its supply chain and the end use of its products by 15% (Scope 3) 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 target implies an annual reduction of -0.75 Mt CO_2 from a 49.6 Mt CO_2 emission on January 1, 2020, to 41.4 Mt CO_2 on December 31, 2030. Accordingly, based on linear annual progression until 2030, the degree of achievement of this target is set at a maximum emission of 45.1 Mt CO_2 by December 31, 2025.*

(3) *For the 2023 plan, the achievement of this target will be assessed on December 31, 2025, taking as a basis for the calculation of the objective, the doubling of the number of women on the various Group's management committees (relating to the 300 most important Group management positions) from 16% of women on January 1, 2020, to 32% of women as at December 31, 2030. Accordingly, based on linear annual progression, the rate of achievement of this target is set at a minimum of 24% of women in the Group's management committees (relating to the 300 most important Group management positions) by December 31, 2025, on a like for like basis.*

4. Supplementary pension

As of 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 on January 26, 2022).

In this context, the Board decided that the Chief Executive Officer should benefit from a defined contribution pension plan, with optional membership, governed by the provisions of Article 82 of the French General Tax Code, to replace the acquisition of rights under the defined benefit pension plans.

The principles and criteria relating to this compensation component as set out in the 2022 Chief Executive Officer Compensation Policy remain unchanged in the 2023 Chief Executive Officer Compensation Policy.

5. Benefits in kind

The principles and criteria of this compensation component as set out in the 2022 Chief Executive Officer Compensation Policy remain unchanged in the 2023 Chief Executive Officer Compensation Policy.

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

The principles and criteria of these compensation components as set out in the 2022 Chief Executive Officer Compensation Policy remain unchanged in the 2023 Chief Executive Officer Compensation Policy.

7. No other compensation components

The Chief Executive Officer does not receive any other compensation. This principle, which was set out in the 2022 Chief Executive Officer Compensation Policy, remains unchanged in the 2023 Chief Executive Officer Compensation Policy.

It should also be recalled that 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.

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 2023 Chief Executive Officer Compensation Policy. 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 components and that has an impact on the automotive industry during the 2023 financial year, such as the Covid-19 epidemic, the components crisis and the price increase of raw materials and energy, as well as geopolitical tensions (*e.g.* conflict between Russia and Ukraine) and their consequences.