2022 Universal Registration Document

SMART TECHNOLOGY FOR SMARTER MOBILITY

AFR Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.

2022 Universal Registration Document

INTEGRATED REPORT

ANNUAL FINANCIAL REPORT

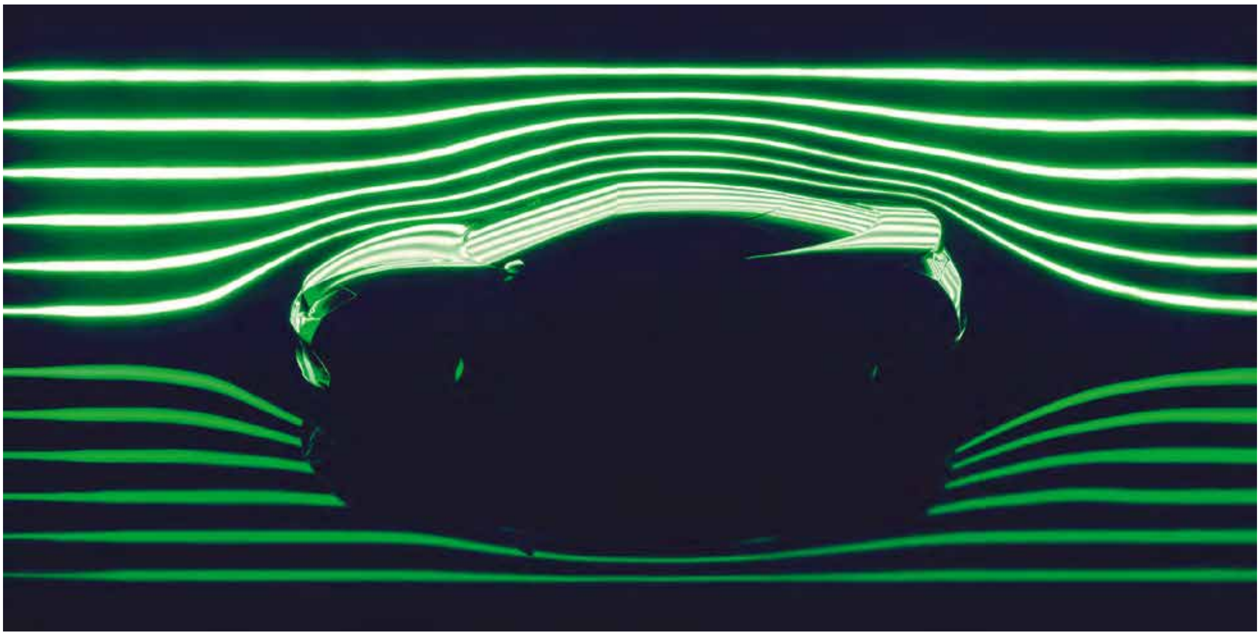
CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

The French language version of this Universal Registration Document was filed on March 30, 2023 with the French financial markets authority (*Autorité des marchés financiers* – AMF) in its capacity as competent authority within the meaning of EU Regulation 2017/1129, without prior approval, in accordance with Article 9 of said regulation.

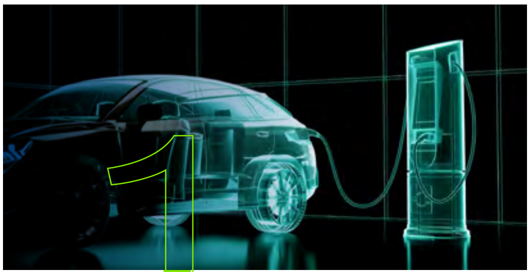
The Universal Registration Document may also be used for the offer to the public or the admission to trading of securities on a regulated market, provided it is accompanied by a securities note and, if applicable, a summary of all amendments applied to the Universal Registration Document. All of these items are approved by the AMF in accordance with the abovementioned regulation.



For the eighth year running, Valeo has elected to use integrated reporting to present its purpose and business model.

From the vantage point of Group strategy, the report provides an overview of the mechanisms through which its financial and non-financial performance, governance and outlook within its ecosystem contribute to short-, medium- and long-term value creation. Valeo complies with the International Integrated Reporting Council's (IIRC) <IR> framework and applies all the recommendations in its Integrated Report. It addresses all of the Group's stakeholders, namely employees, customers, suppliers, the financial community, institutional and non-governmental organizations, and other local partners. The report covers the Group's financial, sales and non-financial performance for 2022, and its carbon neutrality ambition. The Integrated Report is prepared by Valeo's Investor Relations Department and is the result of a collective effort to collect information and contributions from several departments. It is included in the Universal Registration Document and the standalone version is also available on the Valeo website **www.valeo.com**

Contents



1 Group positioning

2 Strategy

3 Integrated performance & outlook

CHRISTOPHE PÉRILLAT,
CHIEF EXECUTIVE OFFICER

"Valeo accelerated sharply in 2022 in electrification and ADAS."

— Despite a challenging environment marked by high inflation, the electronic components shortage, lockdown in China and the war in Ukraine, we managed to achieve all the financial objectives we set ourselves for 2022.
We achieved them as we said we would in our Move Up strategic plan: by accelerating sharply in electrification and driving assistance systems (or ADAS). Our sales rose by 16%, topping 20 billion euros for the first time, and we outperformed the automotive market by 3 percentage points. With Valeo Siemens eAutomotive integrated within the Group from July, the Powertrain Systems Business Group's high-voltage business grew by 32% and its losses were halved compared with the prior year, as set out in our strategic plan. On top of that, ADAS sales rose by 29%.
We recorded strong order intake of 32.6 billion euros, up 48% compared with 2021, driven by electrification and ADAS[2]. High-voltage electrification accounted for two-thirds of orders recorded by our Powertrain Systems and Thermal Systems Business Groups. And orders for ADAS now amount to three times our original equipment sales in this area.
Several of these orders are particularly strategic – relating to electrification for our 800V SiC systems, and to ADAS for our third-generation LiDAR with Stellantis and for our domain controller with BMW. This proves that our technological positioning is right and that our customers trust us as partners in their transformation.
We also generated free cash flow of 388 million euros – above our expectations. This is key to reducing our leverage – one of our priorities. These 2022 results reflect the successful rollout of our Move Up plan, designed to build a Group that is technologically stronger, more efficient operationally, and more financially robust.
In parallel, Valeo continued to demonstrate its commitment to environmental, social and governance (ESG) issues, pursuing the implementation of our "CAP 50" Carbon Neutrality Plan. Not only are we on track with the roadmap we set out – we are actually slightly ahead of schedule.

€20BN
Sales
Outperformance[1]
in all regions

12.0%
OF SALES
EBITDA margin[1]
In line with our objectives

3.2%
OF SALES
Operating margin[1]
In line with our objectives

€388M
Free cash flow[1]
Above expectations

(1) See glossary.
(2) ADAS: advanced driver assistance system.

GILLES MICHEL
CHAIRMAN OF THE BOARD OF DIRECTORS

"The strength of Valeo's governance is a tremendous asset for our Group's performance."

— **Over the last 14 years, Valeo's corporate governance structure has supported the Group in rolling out its ambitious strategy,** particularly in the electrification and ADAS markets and in high-potential countries. It has steered the Group through its achievements and challenges, not least during the Covid-19 pandemic and the semiconductor shortage.

This transformation – which has made Valeo resolutely international and profoundly innovative, positioned at the epicenter of the sustainable mobility challenges and supported by a highly professional corporate governance system – has been led by Jacques Aschenbroich, to whom I would like to extend my warmest thanks.

2022 was a year in which we reconfigured our corporate governance structure, with the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer in January 2022, the appointment of Christophe Périllat as Chief Executive Officer on the same date – a role he has taken on with remarkable leadership – and the appointment of a new Chairman of the Board of Directors, a role that I have had the honor of exercising since January 1, 2023. I would really like to underline the excellent quality of this transition process. In line with the commitments made by the Group, it was executed professionally, smoothly and with great care, allowing for a seamless transition.

One of my roles will be to preserve our solid governance, which is a tremendous asset for our Group's performance. With this in mind, I will make sure that our Board of Directors continues to operate just as effectively as ever, supported by its members' varied career paths, diversity and independence, as well as the unfailing quality of their dialogue, discussions, listening and thinking. Working closely with Christophe Périllat, the Board will continue to validate the Company's major strategic focuses, ensure they are properly implemented, and guarantee that Valeo upholds its obligations and commitments.

The Board of Directors is particularly attentive to ensuring that Valeo keeps leading the way in ESG issues. I'm therefore delighted that the Group is perfectly on track with the objectives it set for itself in its "CAP 50" Carbon Neutrality Plan.

Lastly, our high-quality path to value creation is of course central to the strategy set out in the Move Up plan. In an achievement nothing short of remarkable, the commitments made as part of this plan were all met in its very first year, despite a very difficult context. I know I speak for everyone on the Board of Directors when I express our deepest thanks to the Valeo teams. It is their dedication and excellent work that made this performance possible.

92%

of Board of Directors independent[(1)(2)]

32%

women in the Group

16%[(3)]

greenhouse gas emission reduction (3 scopes) vs. 2019

85%

of the Group's suppliers covered by our SAQ[(4)]

(1) At January 1, 2023.

(2) In accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code, this percentage does not include directors representing employees.

(3) Including gains resulting from Valeo technologies.

(4) Sustainability Assessment Questionnaires, to assess suppliers' non-financial performance.

Valeo

OUR RESOURCES

HUMAN CAPITAL

- 109,900 employees
- **141 nationalities**
- **More than 35% women and 39% under 25s in new hires**

INTELLECTUAL CAPITAL

- 14,730 R&D employees working at 21 research centers and 44 development centers
- **Net R&D representing 6.8% of 2022 sales**
- **1,608 patents filed in 2022**
- **6,000 software engineers**

INDUSTRIAL CAPITAL

- Investments in property, plant and equipment: 5.2% of 2022 sales
- **183 plants**
- **29 countries**

SOCIAL CAPITAL

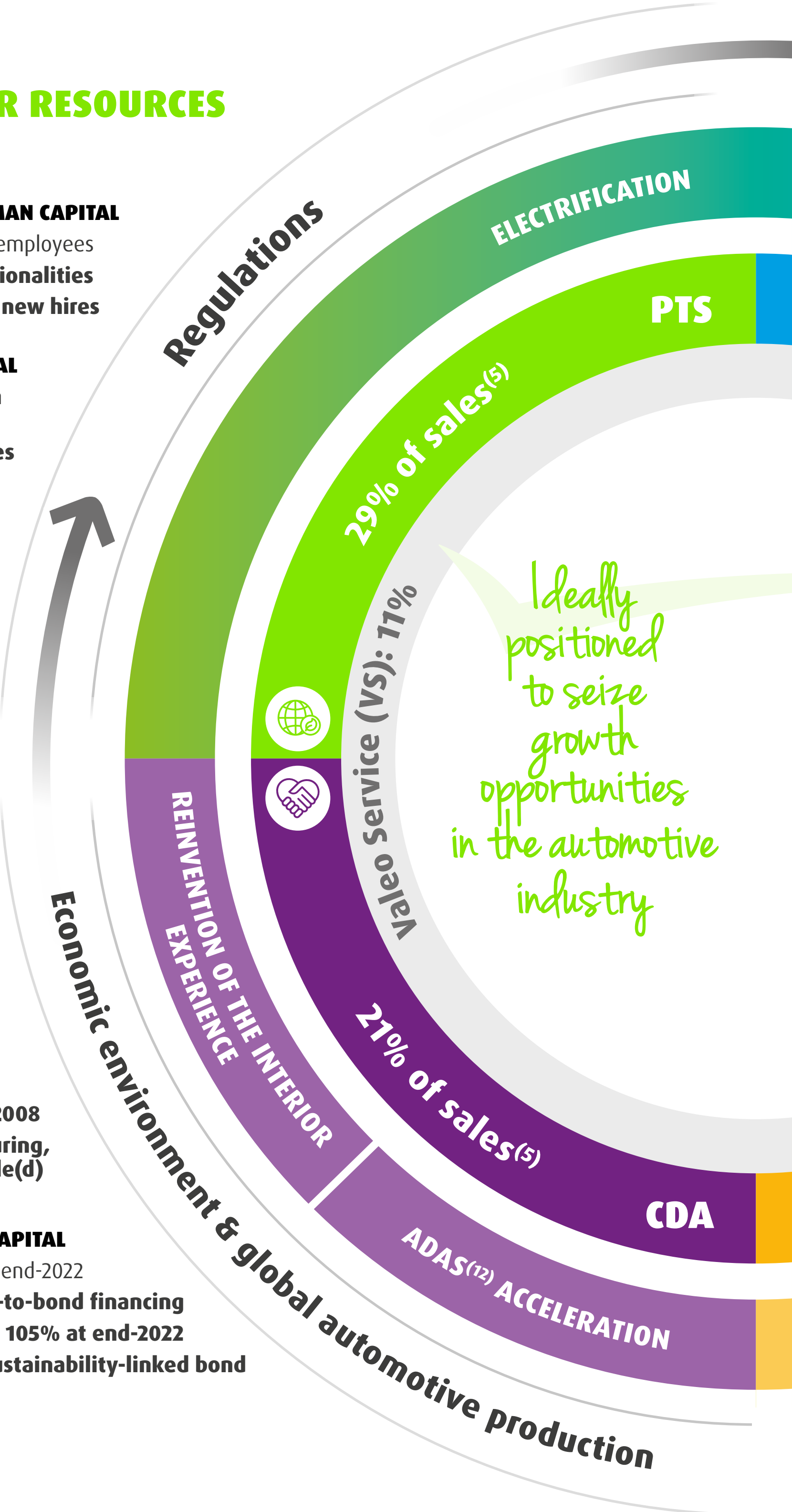
- 2,131 suppliers representing 95% of Valeo's needs, with the top 10 suppliers accounting for 10% of Group purchases
- **85% of Group production purchases from suppliers whose ESG practices have been assessed**
- **Supplier adherence to Business Partner Code of Conduct**

NATURAL CAPITAL

- Development of technologies that reduce GHG[6] emissions and decarbonize the value chain ("CAP 50" Carbon Neutrality Plan)
- **45% reduction in water consumption since 2008**
- **4Rs: Robust Design, Remanufacturing, Repair and Recyle(d)**

FINANCIAL CAPITAL

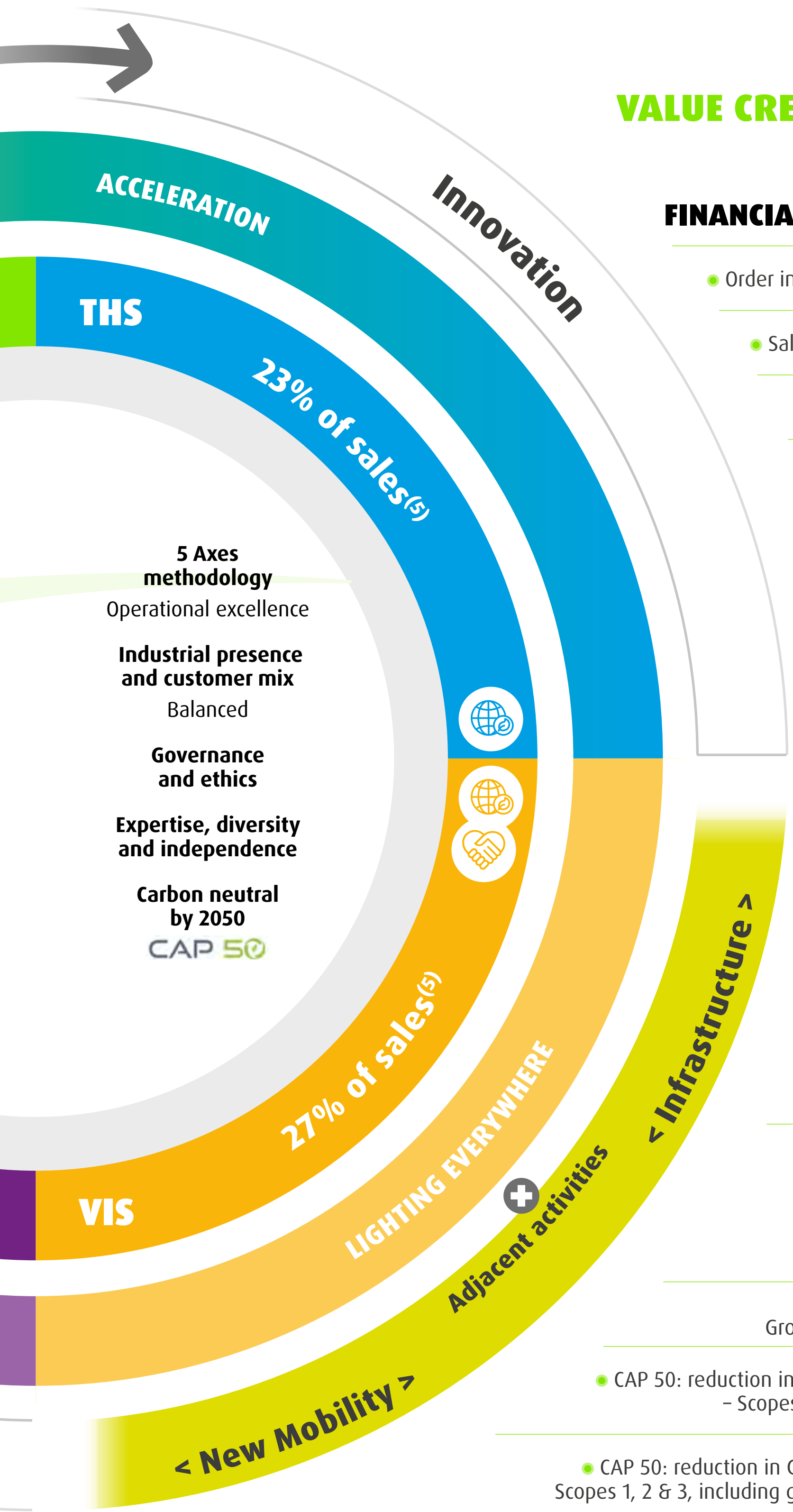
- Available cash of €3.3 billion at end-2022
- **Undrawn credit lines: €1.8 billion + €650 million bridge-to-bond financing**
- **Leverage ratio[1] of 1.67x and gearing ratio of 105% at end-2022**
- **First European automotive supplier to issue a sustainability-linked bond**



- **PTS: Powertrain Systems Business Group**
- **THS: Thermal Systems Business Group**
- **CDA: Comfort & Driving Assistance Systems Business Group**
- **VIS: Visibility Systems Business Group**

Contributes to: cleaner mobility

Contributes to: safer mobility



VALUE CREATED

MOVE UP Valeo[8]

FINANCIAL PERFORMANCE	2022		2025
Order intake (€bn)	32.6	Comp.	-
Sales (€bn)[2]	20.0		27.5
Outperformance[3]	3 pts		>5 pts
EBITDA margin[1]	12.0%	Comp.	~14.5%
Operating margin[1]	3.2%	Comp.[11]	~6.5%
Free cash flow (€m)[1]	388	Comp.	800 - 1,000
Leverage ratio[1]	1.7x		<0.7x

Dividend per share[4] **€0.38** for 2022

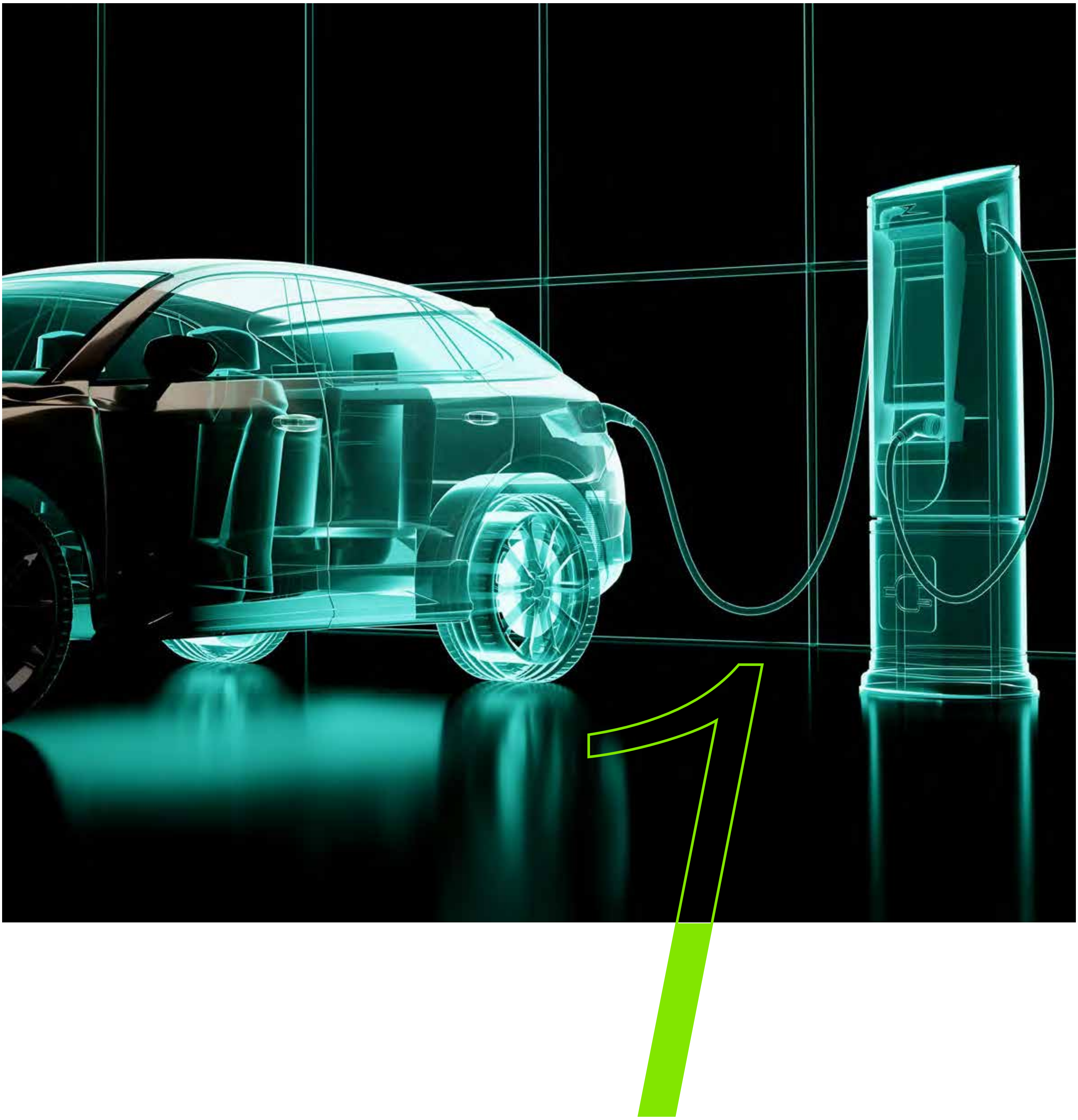
2022 - 2025 Gradual increase in dividend per share

ESG PERFORMANCE	2022		2025
Accident frequency rate	1.1[10]	Comp.	<1
Gender equity index	87.9	Comp.	90
Sites run by local directors	81%		>80%

	2022		2030
Percentage of women in Group management committees	20.8%	Comp.	32%
CAP 50: reduction in GHG[6] emissions in $MtCO_2eq.$ – Scopes 1, 2 & 3 (validated by SBTi[9])	-8.9%[7]	Comp.	17%
CAP 50: reduction in GHG[6] emissions in $MtCO_2eq.$ – Scopes 1, 2 & 3, including gains from Valeo technologies	-16%[7]		-45%

(1) See glossary.
(2) Original equipment sales: 84%, Aftermarket: 11%, Miscellaneous sales (R&D, tooling): 5%.
(3) Annual average outperformance for original equipment sales for the period 2021-2025, based on S&P Global Mobility estimates.
(4) To be submitted for approval at next Shareholders' Meeting.
(5) OEM sales.
(6) Greenhouse gas.
(7) Vs. 2019 baseline year.
(8) Objectives as published in February 2022.
(9) Science Based Targets initiative.
(10) Number of lost-time occupational accidents per million hours worked (frequency rate [FR1])
(11) Under the 2020 performance share plan.
(12) ADAS: advanced driver assistance system.

Comp. **Criterion included in short-term variable compensation and/or long-term compensation of Group executives**



Group positioning

Technological innovation supporting growth

A balanced global presence
with a diversified customer portfolio

€20bn	183	65	109,900
SALES	PLANTS	R&D SITES	EMPLOYEES

Asia
(INCL. MIDDLE EAST & OCEANIA)

34% OF SALES[(1)]

€5.6bn in sales[(1)]
79 plants
23 R&D sites
37,614 employees

o/w China, 17% of sales[(1)]
35 plants
10 R&D sites
15,860 employees

Europe
(INCL. AFRICA)

44% OF SALES[(1)]

€7.4bn in sales[(1)]
75 plants
34 R&D sites
53,716 employees

NORTH AND SOUTH
America

22% OF SALES[(1)]

€3.7bn in sales[(1)]
29 plants
8 R&D sites
18,570 employees

(1) Original equipment.

Partner to the world's leading automakers

Toyota, Honda, Hyundai Motor Group, Suzuki, Chery, Great Wall, Geely, Li Xiang, Renault Nissan Mitsubishi, BYD, Volvo, Volkswagen Group, BMW, Mercedes-Benz, Stellantis, Tata, gm, Ford

Non-exhaustive list.

Valeo, tier-one automotive supplier, in the value chain

UPSTREAM SUPPLIERS

Purchase of components from tier-two and tier-three suppliers

2,131 SUPPLIERS
represent 95% of Valeo's needs

Top 10 suppliers representing 10% of purchases

16% OF GROUP SALES for raw materials, including

Non-ferrous metals ~30%

Steel ~38%

Resins & plastics ~30%

80% (1) pass-through clause

TIER-ONE SUPPLIER

Valeo

- Long-term partner to automakers
- Global footprint close to customers' major production hubs
- Strong capacity for innovation
- Quality in line with automotive industry standards
- Economies of scale

CUSTOMERS

Original equipment market (automakers)

84% OF SALES(2)

Growth drivers:
- Global automotive production
- Regulatory developments
- Innovations
- Customer mix
- Production platforms
- Four megatrends for the mobility of the future

Aftermarket

11% OF SALES(2)

Growth drivers:
- Aging and growth of the world's automobile fleet
- Normal deterioration of parts

OES (3): Vehicle dealerships

IAM (4): Car accessory stores and independent networks

Main opportunities

- Leading positions in all of its businesses.
- High barriers to entry (R&D, series production, etc.).
- Leading position in tomorrow's automotive megatrends, especially electrification and ADAS.
- Balanced geographical presence, particularly in countries with strong growth potential (Asia, including China), and a diversified customer portfolio.
- Regulatory developments favorable to all four of our Business Groups.
- Resilient, profitable and cash-generating aftermarket.
- Technological innovation capacity.
- Limited exposure to traditional internal combustion activities (4% of OEM sales(5) in 2030).
- Strong electronics and software expertise serving our four Business Groups.
- Solid governance aligned with sustainable development and compliance goals.
- Company whose impact is recognized by rating agencies, with technologies contributing to reducing GHG emissions and improving road safety.

Main challenges

- Resilience in a complex macroeconomic and geopolitical environment.
- Accelerating global competition, with potential new entrants particularly from the tech industry (insourcing).
- Anticipation of technological breakthroughs and disciplined R&D expenditure to develop the cutting-edge technologies required to cement its leading position in electric mobility and ADAS.
- Development and production release of new technologies.
- Ability to deal with supply-chain disruption and supplier failure.
- Attracting and retaining talent.
- Protection against cyber attacks.

TO FIND OUT MORE
For more information on Valeo's risk factors, see Chapter 2 of the 2022 Universal Registration Document, "Risks and Risk Management".

---

(1) In customer contracts/not including compensation received following negotiations.
(2) Total sales = Original equipment sales: 84%, Aftermarket: 11%, Miscellaneous sales (R&D, tooling): 5%.
(3) Original equipment services.
(4) Independent aftermarket manufacturers.
(5) Original equipment manufacturers.

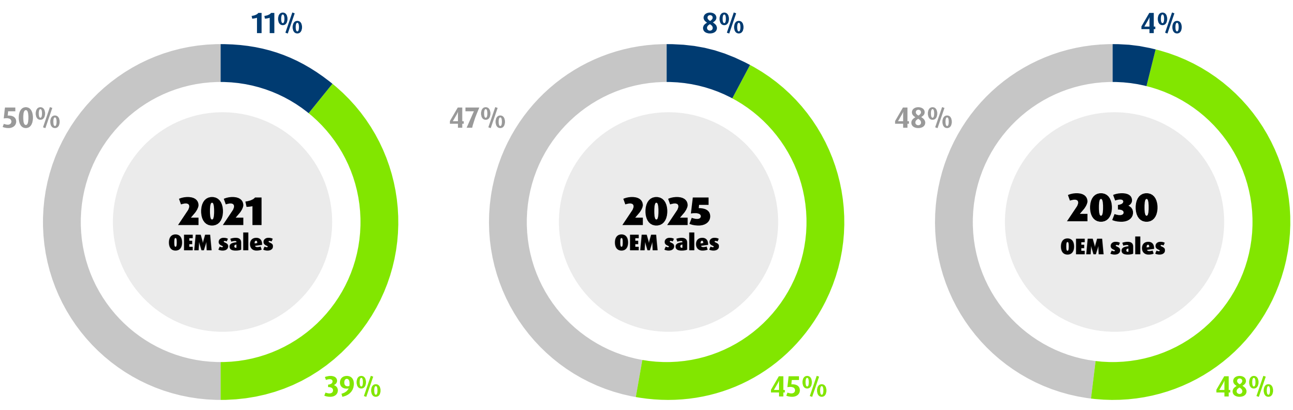
Business portfolio solidly positioned to support the (r)evolutions of tomorrow's automotive industry

Four megatrends driving our four Business Groups' performance...

- **ELECTRIFICATION ACCELERATION** → POWERTRAIN SYSTEMS BUSINESS GROUP (PTS); THERMAL SYSTEMS BUSINESS GROUP (THS)
- **ADAS ACCELERATION** → COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)
- **INTERIOR EXPERIENCE REINVENTION** → COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)
- **LIGHTING EVERYWHERE** → VISIBILITY SYSTEMS BUSINESS GROUP (VIS)

The Group is benefiting from the four structural megatrends that are transforming the automotive industry.
Valeo has been developing and building strong positions in all four areas for more than 20 years.
The Group's growth is driven by **the acceleration of electrification and ADAS.**

...limited exposure to internal combustion engines



Products for internal combustion engines · Electrified vehicles · Technologies not impacted by change in powertrain

PTS & THS | CDA & VIS

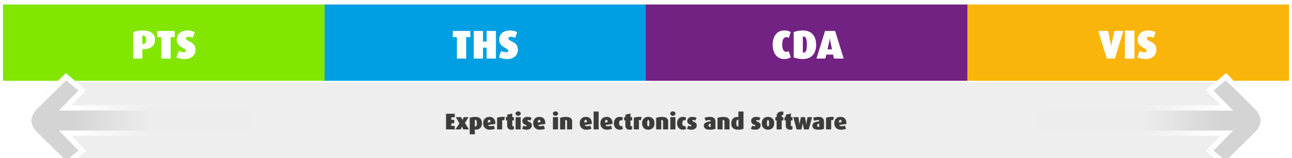
Opportunities to diversify beyond the automotive industry at a marginal cost

New mobility

Data center cooling

Highly complementary expertise throughout the Group

Extensive expertise in electronics and software across all Business Groups



- **40%** of engineers are software and systems engineers.
- **Cross-functional R&D centers serving the four Business Groups** (such as Cairo for software and Chennai for electronics and software).
- **Shared technological platform:** electronic building blocks (power, communication, ROM/RAM, etc.) and basic software (I/O driver, OS, etc.).

Aftermarket business serving our four Business Groups

- **Resilient** with lower sensitivity to fluctuations in economic conditions.
- **A profitable business that generates cash**.

The "5 Axes": a proven methodology to provide our customers with operational excellence and continuous improvement

CHRISTOPHE PÉRILLAT,
CHIEF EXECUTIVE OFFICER

"Valeo has once again demonstrated its operational excellence, managing to meet demand from its customers without interruption, despite the electronic components shortage that negatively impacted global automotive production."

A product offering to benefit from the **four megatrends shaping tomorrow's mobility**

Electrification acceleration

POWERTRAIN SYSTEMS BUSINESS GROUP (PTS)


HV eMotor


HV inverter

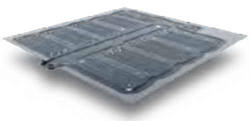

DC/DC converter
and HV OBC[1]


48V motor


Valeo Cyclee
New mobility

High-voltage (HV) | Low-voltage (LV)

THERMAL SYSTEMS BUSINESS GROUP (THS)


Battery thermal
management system


HVAC
module


FlexHeater
system


Cooling module


Smart Heat Pump

ADAS[2] acceleration

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)


Ultrasonic sensor


Front camera


Surround-view camera


LiDAR


Domain controller

Software
as a Product

Interior experience reinvention

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)


Driver monitoring


Display & clusters

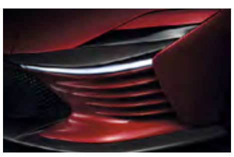

Head-up display


Remote connection


4G/5G telematics unit

Lighting everywhere

VISIBILITY SYSTEMS BUSINESS GROUP (VIS)


Front lighting with
HD module


Illuminated grille
and logo


Rear lighting


Interior lighting


Sensor cleaning

(1) Onboard charger. (2) Advanced driver assistance system.

Electric vehicle solutions
from powertrains to battery thermal management

Electrification acceleration

Integrated thermal management systems for electric vehicles, enabling us to triple our content per vehicle.

1

Compact and quiet front-end cooling module

Disperses heat and cools the engine, electronics, battery and heat pump.

2

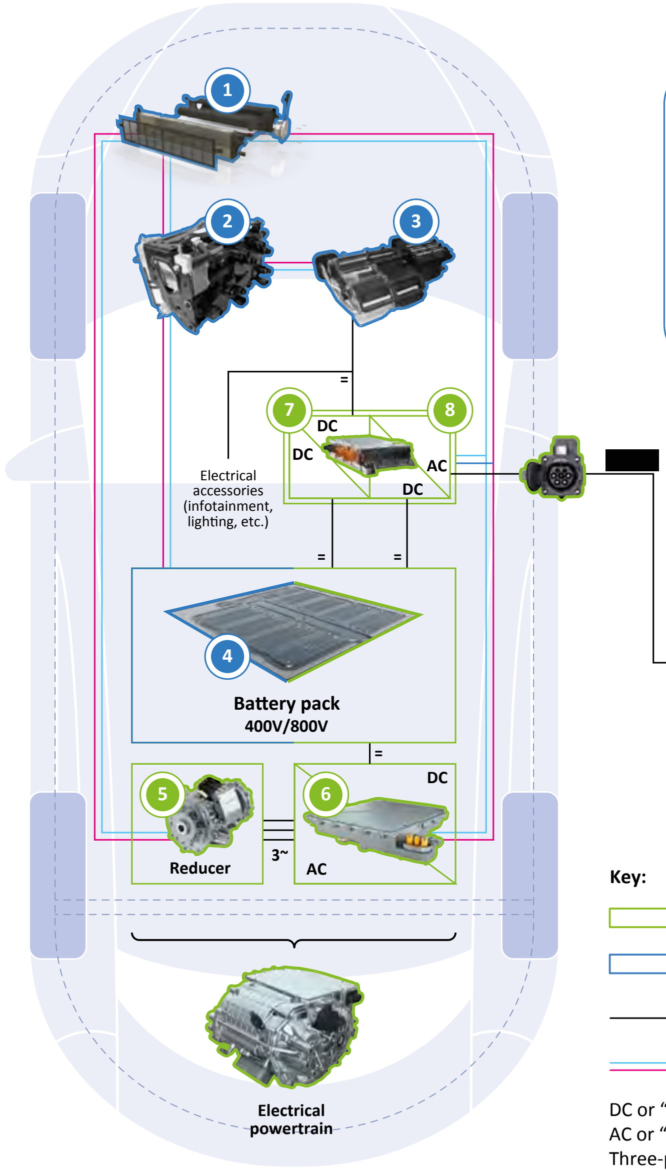
Smart Heat Pump

Compact and efficient system with an integrated compressor that provides cooling and heat for the vehicle's cooling and heating loops.

4

Battery thermal management system

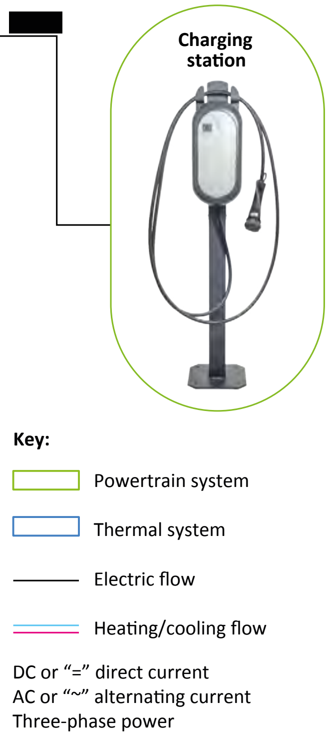
Large heat exchanger to ensure the battery cells maintain the right temperature range (25-40°C), preserving their lifespan and reliability. Also cools the battery during rapid charge phases.



3

Silent HVAC module

Regulates cabin temperature and ensures passenger comfort. Electric vehicle HVAC systems are quieter and more efficient.



5

Electric motor

Electric device that can serve both as a motor (giving torque to the wheels) and a regenerator (recovering energy during deceleration phases).

6

Inverter

Device that converts direct current electricity stored in the battery into AC current to control speed and engine torque.

7

LV/HV, DC/DC converter

Device that reduces the battery's DC voltage (400-800V) to power accessories (>12V).

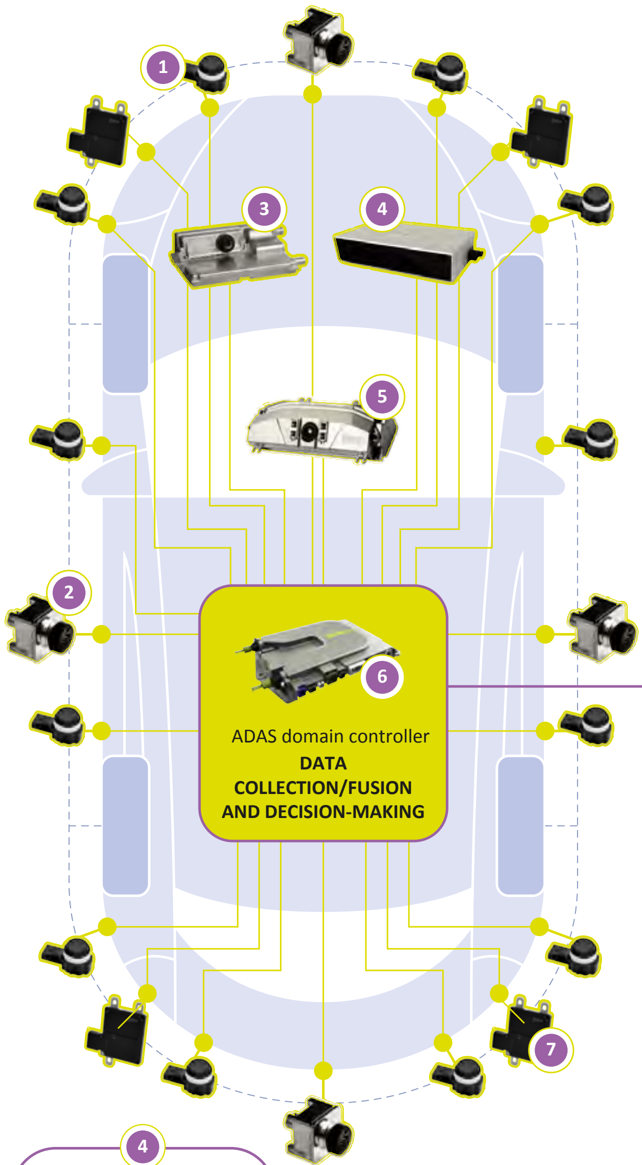
8

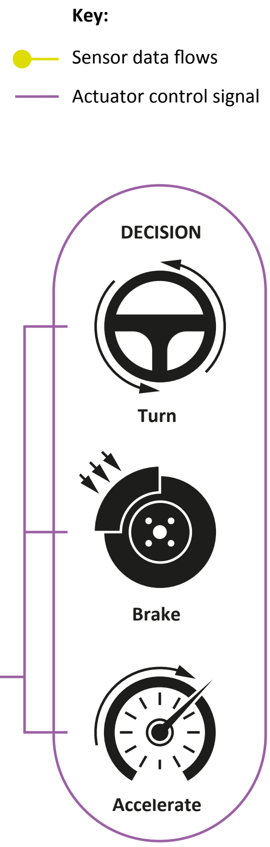
Reversible onboard charger

Charges the vehicle battery by converting alternating current from the power grid into direct current. Can also send electricity stored in the battery to the power grid during periods of peak demand.

Advanced driver assistance systems (ADAS) integrating sensors, control units and software

Typical ADAS architecture of a vehicle capable of level 3 automation(1)





1

Ultrasonic sensor

Sensor capable of detecting solid objects 30 cm away. Several sensors needed on a given surface to reduce detection blind spots.

2

Surround-view camera

Cameras installed all around the vehicle providing a 360° view of the vehicle's environment and assisting the driver during low-speed maneuvering. Surround-view cameras are also required for autonomous parking applications.

3

Front camera

Front-mounted cameras with 50 m perception capabilities for driving assistance and level 2 automation applications.

4

LiDAR

Uses a laser beam to scan and provide a 3D vision of the vehicle's surroundings, detect, classify and track objects and road markings up to a distance of more than 200 m. The LiDAR, which is the newest sensor for autonomous vehicles, can also position the vehicle on a high-definition map with an accuracy of a few centimeters.

5

Interior camera

Interior system that monitors driver fatigue and distraction in real time and, more broadly, the interior cabin environment. Mandatory in Europe from 2026 on vehicles with high-level automation.

7

Radar

The corner radar sensor is positioned on all four corners of the vehicle to provide a panoramic, wide-angle view. It quickly and accurately detects obstacles and people, especially in blind spots, and alerts the driver.

6

ADAS domain controller

Powerful ADAS processor providing high-speed data collection, sensor fusion and real time decision-making.

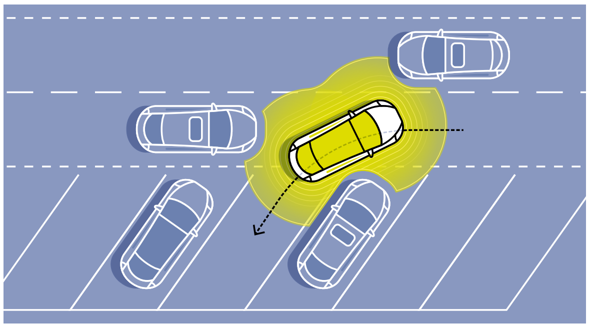
(1) See page 25.

Solutions designed to improve passive and active road safety

LOW-SPEED MANEUVERING & PARKING ASSISTANCE

Ultrasonic sensor

Surround-view camera



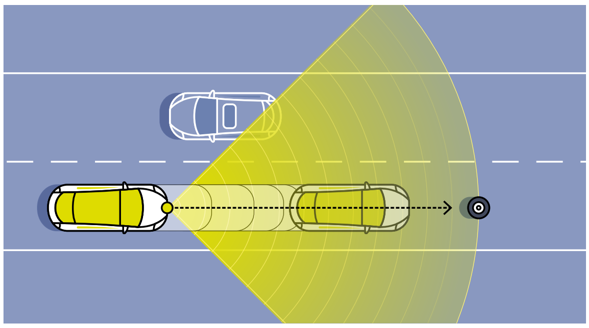
Valeo develops all parking assistance solutions, including sensors and functional software, from entry-level to fully automated systems.
Autonomous parking applications, in which the system takes control of steering, accelerating and braking, requires a set of sensors that includes ultrasonic sensors and surround-view cameras.

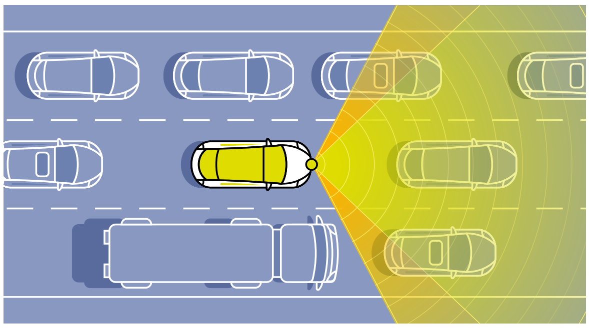
Valet parking applications (i.e., in which the driver is not in the vehicle) require a broader set of sensors, with various possible arrangements between vehicle-mounted and infrastructure-mounted.

HIGH-SPEED DRIVING ASSISTANCE

LiDAR
SCALA 3

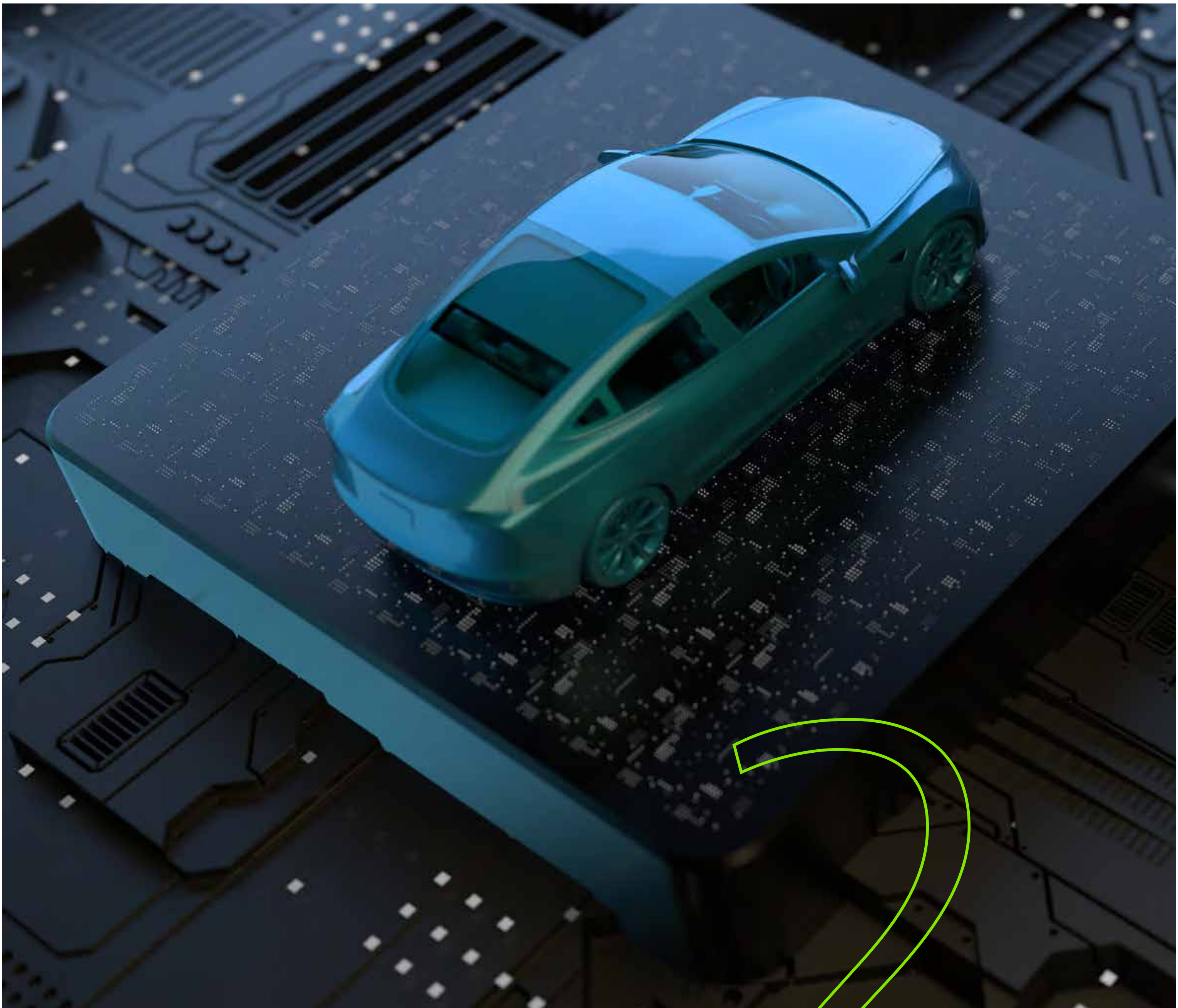
Front camera





Valeo's ADAS solutions can be used to delegate driving in many situations (level 2 automation(1) and above), including on the highway at speeds of up to 130 km/h. Our software solutions (perception and functional algorithms) and sensors (front camera and LiDAR) enable the LiDAR to detect an object (such as a tire) abandoned on the roadway at a distance of more than 150 m, thereby preventing collisions, and provide level 3(1) functionalities such as traffic-jam assist with emergency braking.

(1) See page 25.



2

Strategy

geared toward sustainable, value-creating growth

Market conditions in 2022

An environment marked by the return of inflation and the electronic components shortage

Electronic components

Raw materials

Volume losses

Energy & logistics

Payroll

€200m impact net of compensation in 2022

Net €60 million impact for 2022

THE GROUP HAS ENTERED INTO NEGOTIATIONS WITH ITS CUSTOMERS TO:

- Obtain compensation to cover rising input prices, energy and logistics costs, and a surge in payroll costs.
- Increase the use of pass-through clauses under which the price at which products are sold to customers is adjusted in line with changes in raw material prices.
- Increase the frequency of sales price indexation.

Electronic components shortage: situation improving but some lasting impact

>€50bn electronic components purchased each year

More than 20,000 product references

After improving in 2022, the electronic components shortage should continue to be gradually resolved in 2023.

No interruption in Group supply to customers since the start of the electronic components crisis.

Very limited impact from the Russia-Ukraine conflict

EXPOSURE TO RUSSIA

<1% of the Group's original equipment **sales**

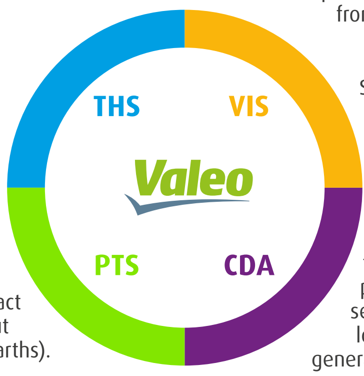
Russia-related assets written down in an amount of **€43 million in 2022**.
Decision to divest by looking for a buyer.

EXPOSURE TO UKRAINE

Valeo does not have any OEM customers or suppliers based in Ukraine.

A win-win partnership strategy

SHARED DEVELOPMENT EFFORT & SHORTER TIME TO MARKET FOR OUR PRODUCTS



TotalEnergies: Development of a new, very high-performance dielectric fluid for battery cooling.

Renault: Co-design, development and manufacture of a new-generation, more compact EESM[1] electric motor (without the use of magnets or rare earths).

宁波四维尔 SWELL: Strategic alliance for the development, production and marketing of illuminated front grilles and panels for the Chinese automotive market.

SRG GLOBAL: Strategic alliance to provide exterior illuminated front panels in North America and Europe.

BMW: Major contract with the BMW Group for which Valeo will provide the ADAS domain controller, sensors and software for parking and low-speed maneuvering on the next generation BMW "Neuer Klasse" platform, due to launch in 2025.

CREATION OF NEW GROWTH ACTIVITIES

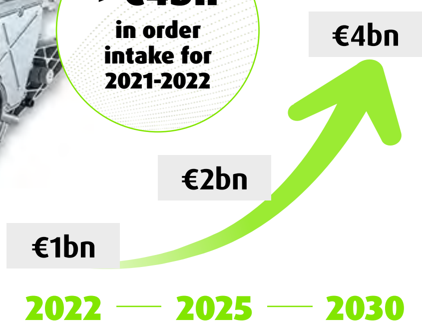
SIEMENS — JV in high-voltage (HV) electric powertrain

TAKEOVER AND INTEGRATION OF VSEA[2] INTO PTS AT THE BEGINNING OF JULY 2022

HV business sales

Electric powertrain

>€4bn in order intake for 2021-2022



- 8 sites worldwide
- >1,600 R&D engineers
- >2,000 patents
- 21 brands in series production or under development
- >90 new models (equipped at the end of 2022)

mobileye An Intel Company — Partnership in front cameras

VALEO, MAJOR PARTNER OF MOBILEYE IN FRONT CAMERAS

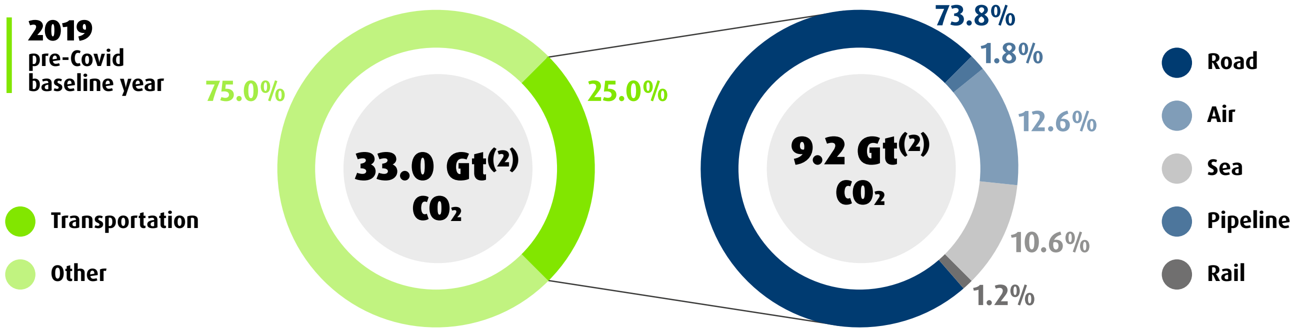
Valeo front camera system equipped with Mobileye's EyeQ® technology

- >11 million front cameras produced equipped with Mobileye technology
- 9 million additional front cameras in 2023
- By 2030, nearly 90% of new vehicles will be equipped with front cameras, with content per vehicle to double

(1) Electrically excited synchronous motor. (2) Valeo Siemens eAutomotive.

Powertrain:
increasingly stringent regulations promoting an increase in electrification

Road transportation accounts for more than 18% of greenhouse gas emissions[1]...



...which is pushing regulators and governments to take action...

European Green Deal "Fit for 55"

The European Commission has set the goal of reducing greenhouse gas emissions by 55% for new cars and 50% for light commercial vehicles by 2030 (vs. 2021 levels).

In June 2022, the European Parliament adopted legally binding measures to end the sale of internal combustion engine vehicles from 2035, spelling the end of the internal combustion engine in Europe after 160 years.

A firm commitment to electric vehicles

By 2035, all new vehicles sold in China must be powered by "new energy": 50% of vehicles will have to be all-electric, plug-in hybrid or fuel-cell vehicles. The remaining 50% must be at least hybrid.

Biden Administration sensitivity to climate change issues outpaced by initiatives in some US states

President Biden has set the goal for electric vehicles to make up 50% of all vehicles sold in the United States by 2030, without banning sales of internal combustion engine vehicles.

In addition, 13 states (representing 35% of US sales) have followed California's pledge to ensure that all light vehicles sold in 2035 are electric.

...to encourage the take-up of electric vehicles

Yesterday
Beginning of the electric car

- Pioneer
- Passion for technology
- Sensitivity to climate issues

Today
Increasing take-up of electric cars

- Innovation
- Subsidies
- Regulations
- New models
- Convenience
- Performance

Tomorrow
Electric cars the norm

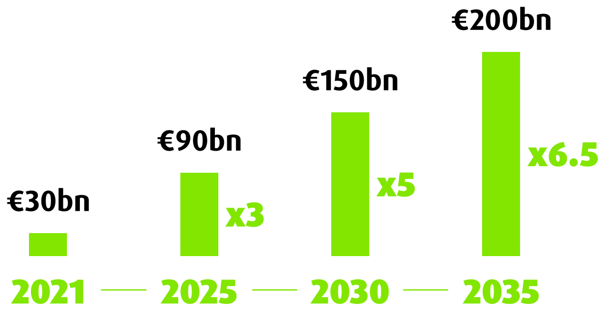
- Obligation
- New electric vehicle models
- Autonomy
- Charging speed
- Performance ++
- Running costs
- Infrastructure
- Recyclability
- Carbon neutral

2010 — **2020** — **2025** — **2030**

(1) Source: International Energy Agency. (2) Gigatonne.

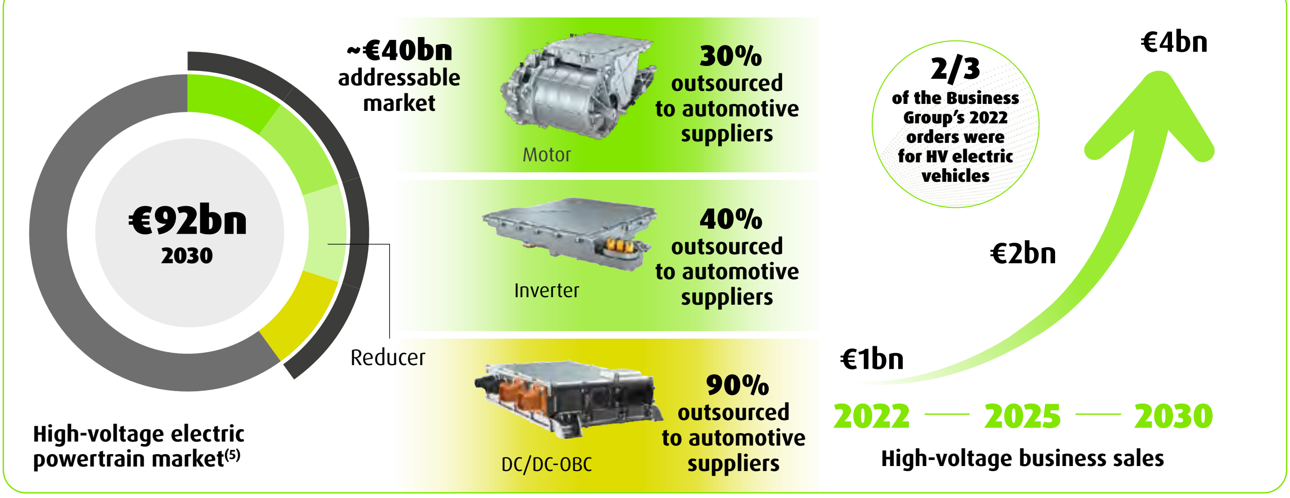
Acceleration of electrification
in Powertrain Systems (PTS)

Electrification market(1)

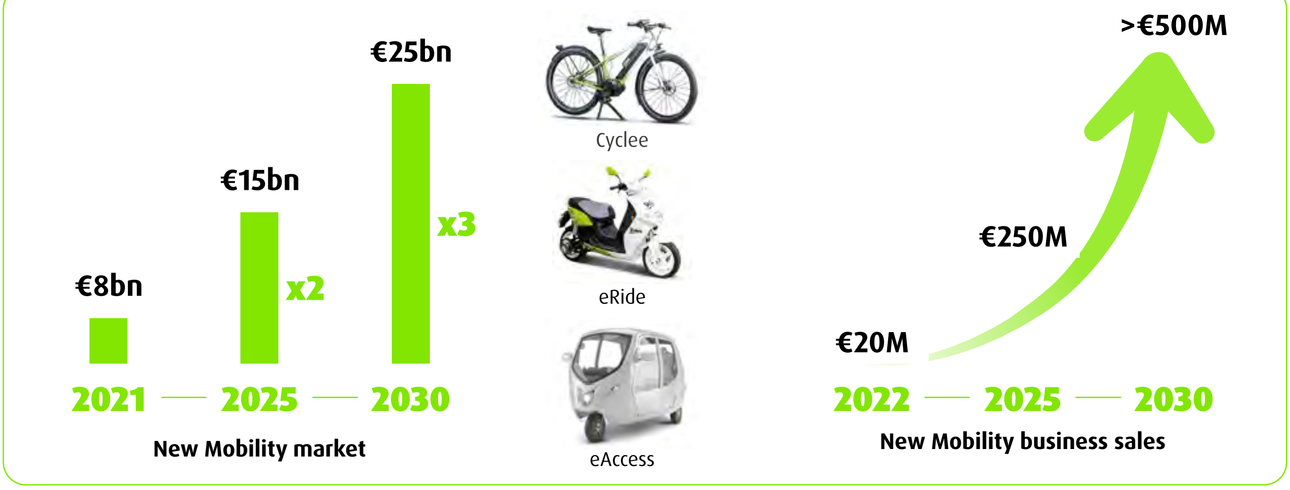


- **Technology leader**.
- **Full product offering**, from low-voltage (LV) to high-voltage (HV) solutions, including eAxle(2), electric motor, inverter, onboard charger(3) and DC/DC converter.
- **Growth in content per vehicle** of up to **2X**(4) for 48V (low-voltage) and **6X**(4) for high-voltage.
- **Synergies between LV and HV**.
- **More than €15 billion in orders** for HV electric solutions.

HIGH-VOLTAGE (HV) ELECTRIC POWERTRAIN



NEW MOBILITY: AN OPPORTUNITY INVOLVING MARGINAL DEVELOPMENT COSTS



PTS 2025(6)

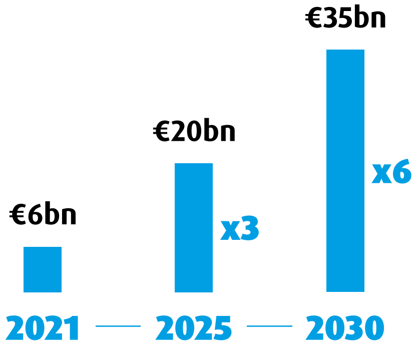
MOVE UP Valeo

~€7.5bn Sales	**15%** 2021-2025 annual growth in original equipment sales	**>8 pt** 2021-2025 outperformance	**~13%** EBITDA margin in 2026

(1) Automotive and new mobility.
(2) Integrating electric motor, inverter and gearbox or reducer.
(3) Onboard charger (OBC).
(4) Compared to content in an ICE (internal combustion engine) vehicle.
(5) Source: "Ongoing quotes and Valeo estimates", McKinsey analysis.
(6) Objectives as published in February 2022.

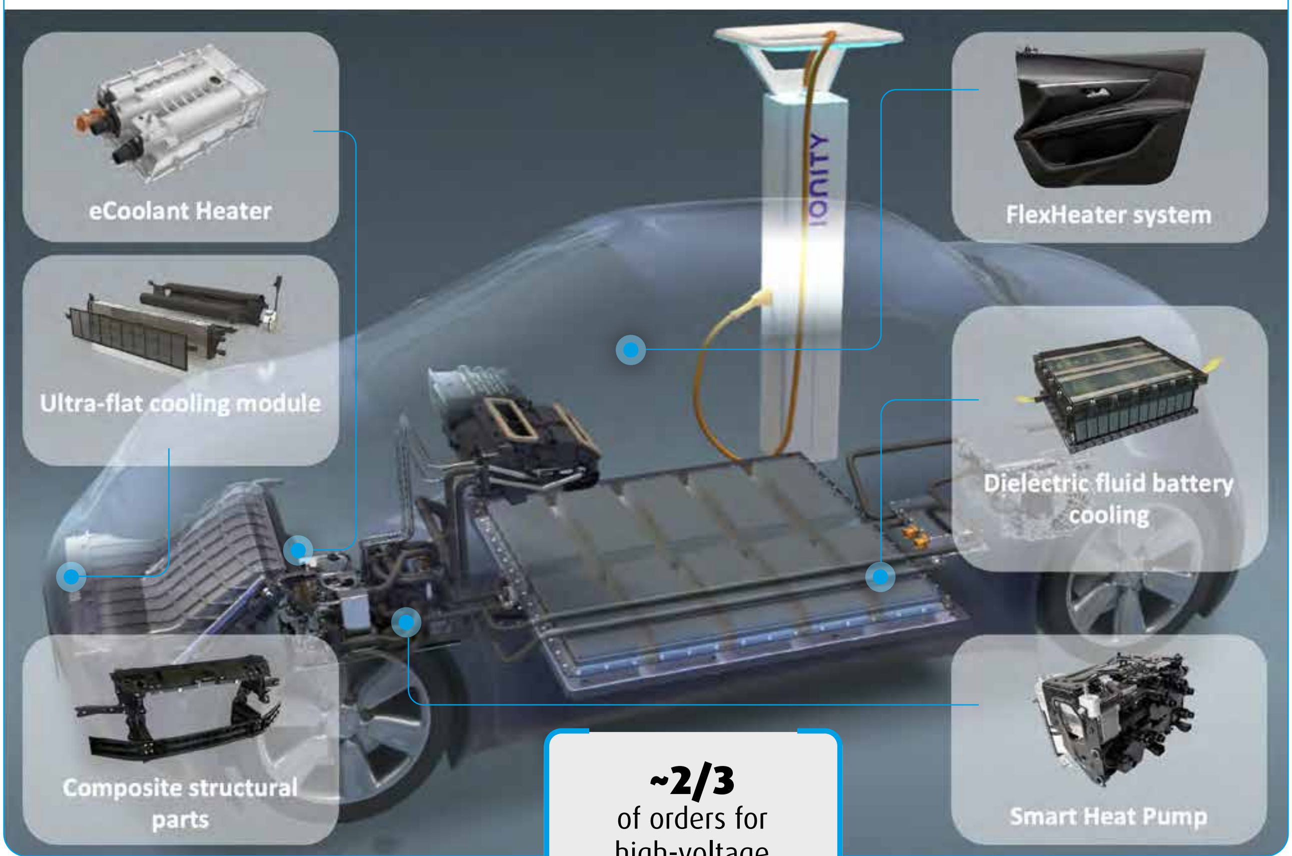
Acceleration of electrification in Thermal Systems (THS)

Market for e-thermal systems



- **Leadership position** in vehicle thermal management.
- **Market entirely outsourced** to tier-one suppliers.
- **Growth in content per vehicle 2.5X** that for internal combustion engine vehicles.
- **Full portfolio of electrification technologies** (>2,000 patents).

ELECTRIFICATION AS A FUTURE GROWTH DRIVER



~2/3
of orders for high-voltage electrified vehicles

THS 2025[1]

~€5bn Sales	**11%** Annual growth in original equipment sales	**>4 pt** 2021-2025 outperformance	**~13%** EBITDA margin

(1) Objectives as published in February 2022.

Regulations promoting take-up of ADAS

The EU Vehicle General Safety Regulation

From July 2024, all new vehicles sold in the European Union must be equipped with active safety systems covering:

- advanced emergency braking
- intelligent speed assistance
- lane departure warning
- reversing detection
- driver drowsiness and distraction warning

These requirements require higher ADAS content per vehicle, including front cameras, surround-view cameras and interior cameras, as well as onboard and functional software.

Toward greater active safety

EuroNCAP rates safety to four criteria:

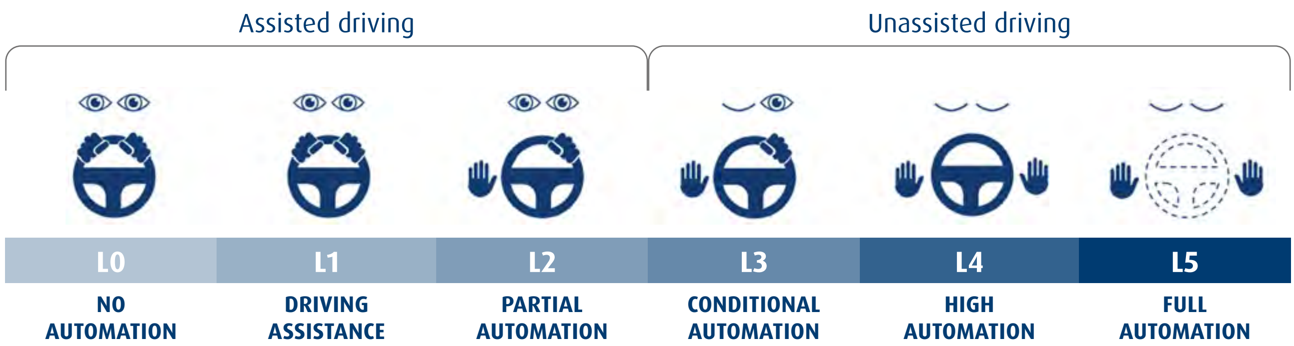
- adult occupant protection
- child occupant protection
- vulnerable road user protection
- safety assist: safe driving and collision avoidance technologies

Only vehicles equipped with reliable, comprehensive collision avoidance technologies can achieve the highest five-star rating.

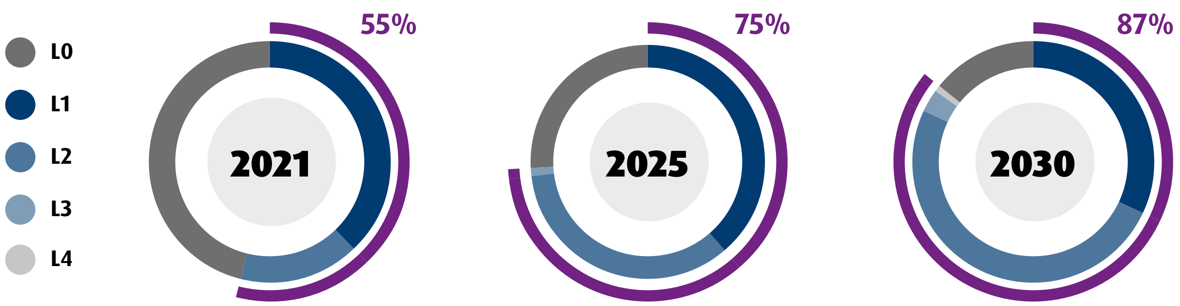
Accelerating consumer adoption of ADAS

"Better SAFETY" *"Greater COMFORT & FREE TIME"* *"More TECH"*

SAE[(1)] automation levels



Take-up of ADAS continues to increase

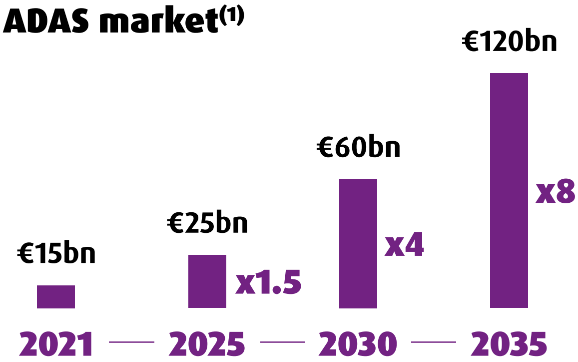


The only vehicles today with level 3 automation are equipped with Valeo's SCALA® LiDAR.

(1) SAE: Society of Automotive Engineers.

ADAS acceleration

ADAS market(1)

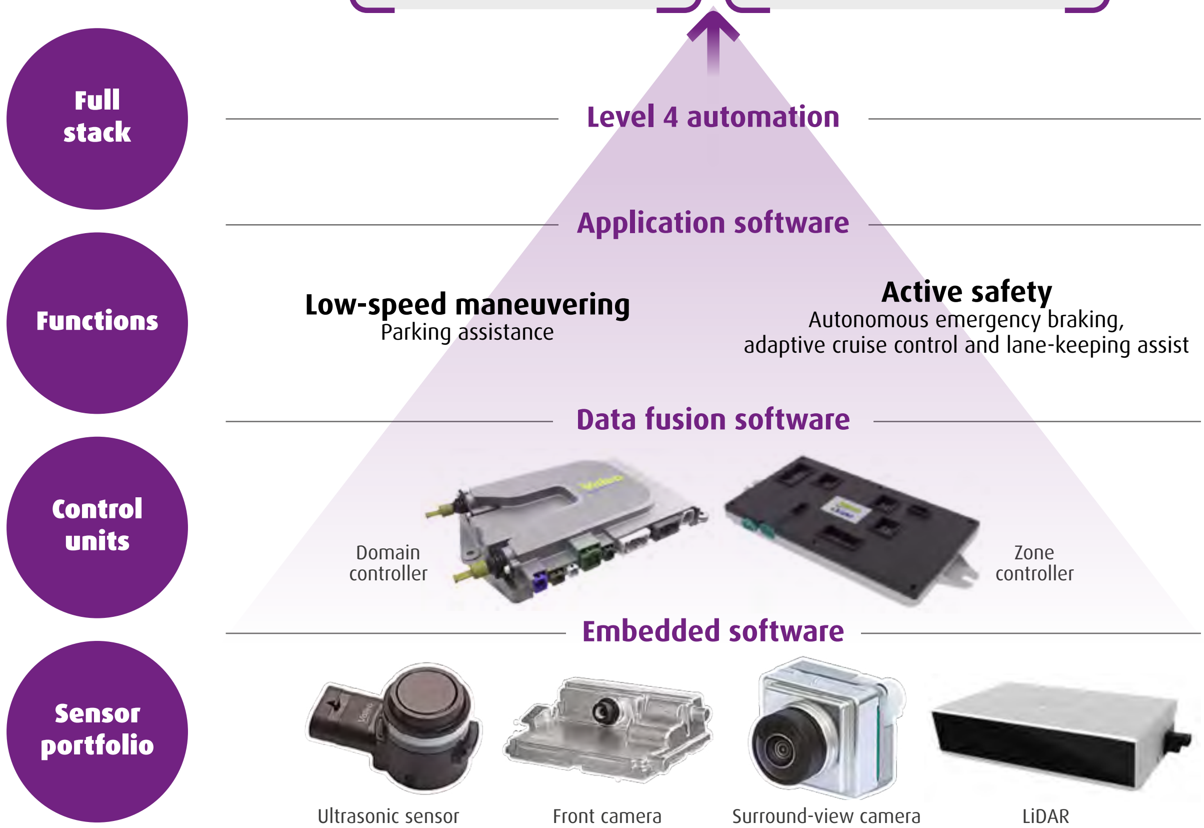


- **World leader in ADAS**, with 30 years of experience.
- **Comprehensive offering**, from sensors to processors to software stacks.
- **Growth acceleration driven** by stricter regulations and consumer demand for comfort and safety.

A FULL RANGE OF HARDWARE AND SOFTWARE

ADAS orders **in 2022** **3X > ADAS** OEM sales

Software as a product, with orders of **>€200m** in 2022… …and it's just the beginning



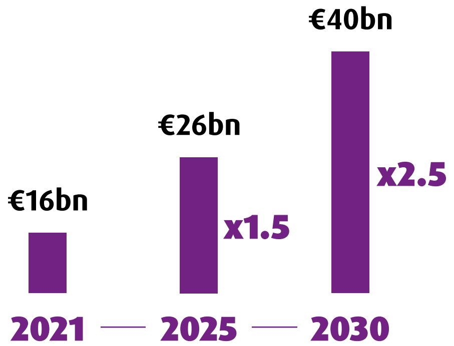
ADAS 2025(2)

~€4bn Sales	**19%** 2021-2025 annual growth in original equipment sales	**>12 pt** 2021-2025 outperformance	**~21%** EBITDA margin

(1) Automotive and new mobility.
(2) Objectives as published in February 2022.

Reinvention of the interior experience

Reinvention of the interior experience market



- **Benefits from our ADAS leadership** in cameras and, more generally, sensors.
- **Regulations making driver monitoring systems** (DMS) mandatory in Europe from July 2024.
- **Accelerating consumer demand for comfort and safety** with intuitive interfaces: strong growth in head-up displays.
- **Strong sales momentum,** with 2022 orders of €3.2 billion.

Head-up display

Safety

Driver monitoring

Safety

5G telematics connectivity

Comfort

Interactive surfaces

Comfort

IER(2) 2025(3)

MOVE UP Valeo

~€2bn Sales	**14%** 2021-2025 annual growth in original equipment sales	**>8 pt** 2021-2025 outperformance	**~14%** EBITDA margin

CDA OBJECTIVES = ADAS + IER(2)

2025(3)

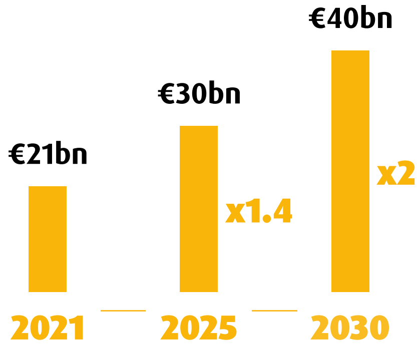
MOVE UP Valeo

~€6bn Sales	**16%** 2021-2025 annual growth in original equipment sales	**>9 pt** 2021-2025 outperformance	**~18%** EBITDA margin

(1) Driver monitoring system.
(2) Interior experience reinvention.
(3) Objectives as published in February 2022.

Lighting everywhere

Lighting and wiper systems market

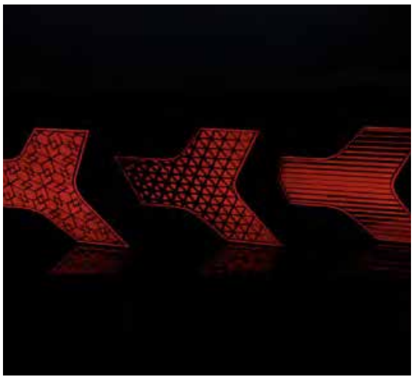


- **World number 1 in market share,** at around 16% in lighting systems and 24% in wiper systems.
- **World number 1 in wiper systems,** opportunity in sensor cleaning.
- **Barriers to entry: business demanding** advanced industrial know-how (design parts).
- **New wave of growth driven by safety, regulatory and design factors**, with new front-end opportunities opened up by electric vehicle development.

Front lighting...

- Logo illumination now allowed in Europe and the United States.
- Front fascia: space otherwise unused on electric vehicles, available for illumination.
- New area for automotive designers to express themselves.

...rear lighting...



- Rear lighting as a differentiating factor, featuring car manufacturers' own lighting signatures.
- New signaling features to enhance safety for other road users.

...lighting everywhere

- Strong consumer demand for ambient interior lighting.
- Level 2+ vehicle automation requires signaling lighting for the driver.
- On-the-ground projection of GPS indications and signaling to other road users.

VIS 2025[1]

MOVE UP Valeo

~€6bn
Sales

10%
2021-2025 annual growth in original equipment sales

>4 pt
2021-2025 outperformance

~15%
EBITDA margin

(1) Objectives as published in February 2022.

A highly dynamic aftermarket and a product diversification strategy…

Growth and aging of the global vehicle fleet

Expansion into new product categories and segments

A transmission offering (kit) with more content per vehicle (in value terms)

Geographic expansion into new markets such as China, the United States and Turkey

Eco-design & remanufacturing

Digitalization and new assistance, training and loyalty services (My Valeo Portal, Specialist Club)

…targeting growth and profitability for Valeo Service (VS)

Valeo OES(1)

Vehicle dealerships

Valeo IAM(2)

Car accessory stores and independent networks

Valeo Service

PERFORMANCE INTEGRATED WITH THAT OF BUSINESS GROUPS

REMANUFACTURING BUSINESS

1m

products remanufactured each year

Target of 2m by 2030

80%

of parts reused

(starters & alternators)

(1) Original equipment services. (2) Independent aftermarket manufacturer.

Four megatrends driving Valeo's growth, aligned with the Sustainable Development Goals (SDGs)

Electrification acceleration	ADAS acceleration	Reinvention of the interior experience	Lighting everywhere
PTS THS	CDA	CDA	VIS
9 11 12 13	9 11 12 13	9 11 12	9 11 12 13

Valeo **Group & suppliers**

4 5 8

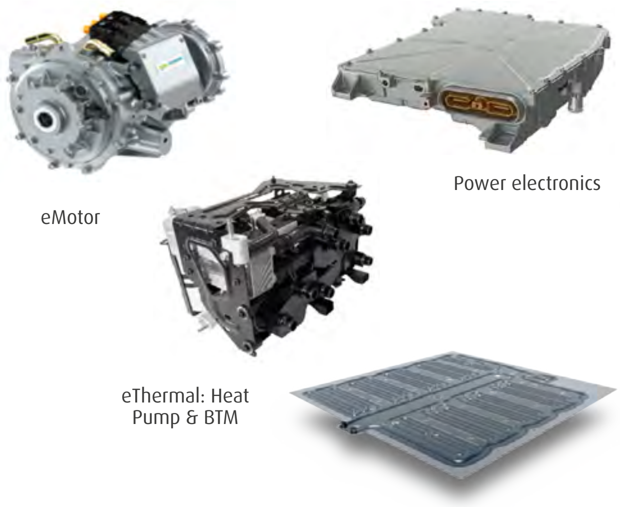
SUSTAINABLE DEVELOPMENT GOALS

4	4 QUALITY EDUCATION	**ATTRACTING AND RETAINING TALENT** Partnerships with local universities near Valeo sites.
5	5 GENDER EQUALITY	**PROMOTING AND RESPECTING** All fundamental rights and equality.
8	8 DECENT WORK AND ECONOMIC GROWTH	**ENSURING OPTIMAL WORKING CONDITIONS** Safe jobs with growth prospects, locally and internationally.
9	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**LEADING THE FIELD IN TECHNOLOGICAL INNOVATION** Electrification and autonomous and connected driving.
11	11 SUSTAINABLE CITIES AND COMMUNITIES	**PROMOTING SUSTAINABLE CITIES** Quiet, shared, connected and non-polluting mobility solutions.
12	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**ECO-DESIGNING PRODUCTS** Products designed to have the least environmental impact.
13	13 CLIMATE ACTION	**ADVANCING LOW-CARBON MOBILITY** We believe and invest in the electrification of transportation.

Making a sustainable social and environmental impact through innovation and technology

IMPACT & SUSTAINABILITY

e-Mobility portfolio



Greenhouse gas emissions avoided
thanks to our e-Mobility technology

ADAS, IER(1) & lighting portfolio

Accidents prevented and roads made safer
thanks to our driving assistance and visibility technology

(1) Interior experience reinvention.

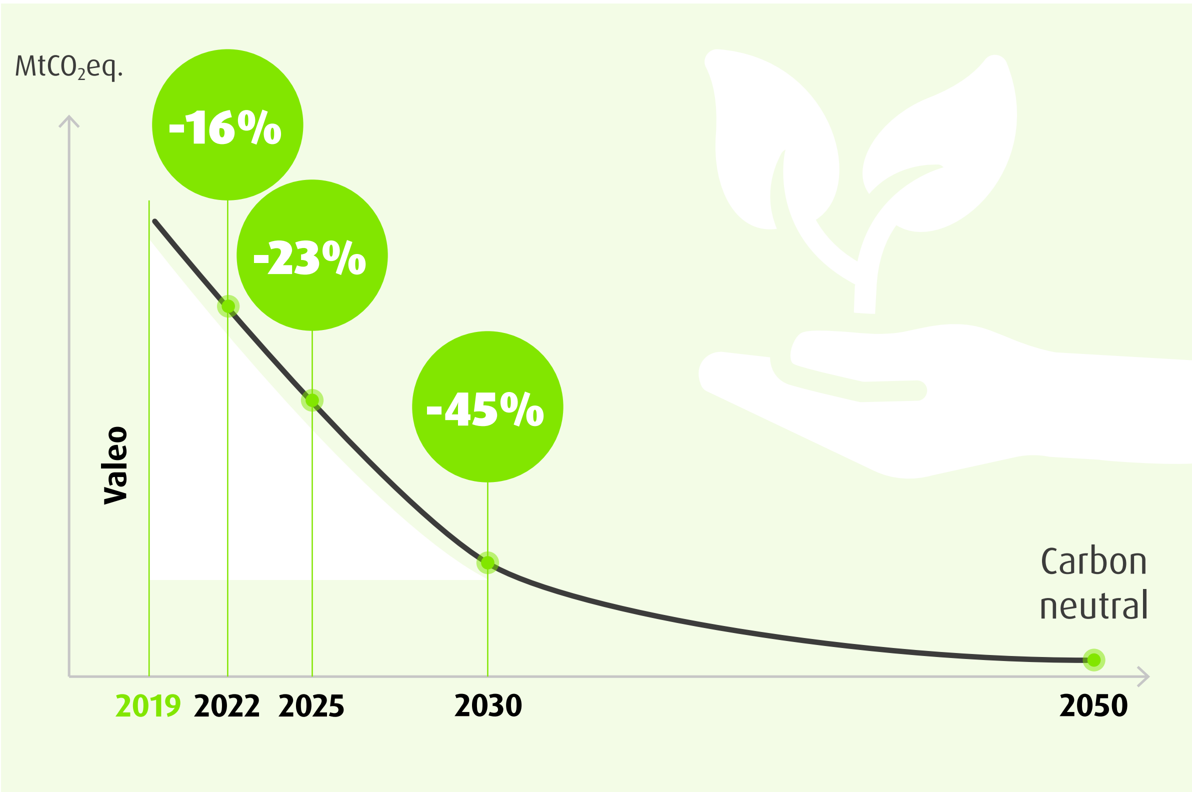
Carbon neutrality roadmap

CAP 50

A clear ambition...

AIMING TO BE
CARBON NEUTRAL
BY 2050
&
REDUCE EMISSIONS
BY 45% BY 2030

...contributing to the Sustainable Development Goals



The "CAP 50" plan aims to **contribute to carbon neutrality by 2050** across the entire Valeo value chain. To manage its progress toward this ambitious objective, the Group has set **an intermediate stage for 2030**, with two reduction targets, one in line with SBTi[(1)] recommendations, and the other integrating the benefits of electrification afforded by Valeo solutions. Both 2030 targets will be included in monitoring and reporting on CAP 50 plan progress.

(1) Science Based targets initiative.

Carbon neutrality: a commitment covering the entire value chain

Validated by the Science Based Targets initiative (SBTi)

Scopes 1 & 2
75% reduction by 2030

- **€400m** Investments to reduce emissions from operating activities
- **30%** Reduction in energy consumption by 2030
- **80%** Percentage of consumption to be low-carbon electricity by 2030

Upstream Scope 3
15% reduction by 2030

Supplier involvement
Valeo sets its suppliers GHG reduction targets similar to those in its CAP 50 plan.

Eco-design
- Use of recycled and low-emission materials
- Inclusion of CO_2 criteria in new product design

4Rs
Robust Design, Remanufacturing, Repair and Recycle(d)

Gross downstream Scope 3
15% reduction by 2030

Product energy efficiency improvements

-70%
- Energy consumption
- LED vs. halogen headlamp

Lightweight product design

40%
- Front bolster in composite material, lighter than steel

Valeo commitment

Net downstream Scope 3
50% reduction by 2030

GHG emissions avoided through electrification of our product portfolio

Calculation of total carbon footprint of vehicles[(1)] equipped with Valeo electrification solutions
- Based on 2019-2030 budget
- Ten low-carbon powertrain systems considered[(2)]

→ Comparison with the total carbon footprint had these vehicles been powered by internal combustion engines

↓

Calculation of total avoided emissions thanks to the electrification of powertrain systems

↓

Calculation of avoided emissions attributable to Valeo, based on the value of the electrification solution sold by Valeo compared to the total value of the powertrain including the battery

(1) C-segment vehicles, irrespective of region. The methodology will be updated to include different vehicle segments and differentiate between geographic areas.
(2) Stop-Start, 12+12V, 48V MHEV (IBSG), 48V MHEV (eMotor), FHEV, PHEV, EREV, BEV, FCEV.

Diversity, equity and inclusion, Valeo core values

Valeo firmly believes in the importance of diversity of its employees at all levels of its organization and in all areas of the Company. A key element of its culture, Valeo works for diversity, equity and inclusion on four themes: gender equality, cohesion between generations, cultural diversity and the inclusion of people with disabilities. In a competitive environment and diverse society, encouraging diversity among employees and ensuring their inclusion is a means of driving performance and attracting and retaining talent.

To evaluate the measures taken and define the Group's objectives, **a Diversity Committee was established in 2012 at the initiative of General Management.** Chaired by the Chief Human Resources Officer, assisted by the champions of each of the four diversity themes, it has four specialized sub-committees: Gender, Disability, Culture, and Generations.

GENDER EQUALITY

Today

31.8% Women in the workforce

20.7% Women on Group management committees

87.9% Gender equity index

Tomorrow

32% **by 2030** Women on Group management committees

90% **by 2025** Gender equity index

CULTURAL & INTERNATIONAL DIVERSITY

Today

141 Nationalities

29 Countries

81% Sites run by local directors

Tomorrow

55% **by 2025** French expatriates vs. 60% in 2021

>80% **by 2025** Sites run by local directors

GENERATIONAL DIVERSITY

Today

25% Employees aged 20 to 29

3.1% Interns, apprentices and VIE program applicants

47% Sites with generational diversity initiatives

Tomorrow

35% **by 2025** Minimum percentage of new hires under 25

More partnerships With world-class educational institutions

DISABILITY DIVERSITY

Today

1.7% Employees with disabilities

Disability liaison officers Two at each Group site to support employees with disabilities

Tomorrow

2.5% **by 2025** Employees with disabilities

Awareness-raising Yearly training sessions on disability available to all employees

Corporate citizenship commitments & partner relations

Academic partnerships

The Group's sites are encouraged to establish academic partnerships at all levels. In 2022, **82% of sites** established partnerships with local universities and engineering schools, and nearly **50%** with primary and secondary schools.

Business ethics

In 2022, **98% of new employees** signed a declaration acknowledging receipt of a copy of the Code of Ethics. This is aimed to ensure that all employees joining the Group are informed about and understand their rights (social rights, human rights, etc.) and the rules that apply to them (anti-corruption, etc.). Employees receive training in these areas.

Anti-corruption

Valeo has developed compulsory training modules to ensure all employees have a full understanding of internal and external anti-corruption policies, systems and practices.

In 2022, **95% of new employees** followed and passed the Induction to Compliance Program module.

ASSESSING AND SUPPORTING SUPPLIERS' SUSTAINABLE DEVELOPMENT PRACTICES

Under its policy of increased support for suppliers throughout the entire supply chain, Valeo runs a supplier self-assessment system using a Supplier Self-Assessment Questionnaire (SAQ). This questionnaire consists of 52 questions, divided into six equally weighted categories:

- **Environment & carbon** (12 questions)
- **Working conditions & human rights** (14 questions)
- **Health & safety** (8 questions)
- **Business ethics** (4 questions)
- **Governance** (8 questions)
- **Management of own suppliers** (6 questions)

2025 target

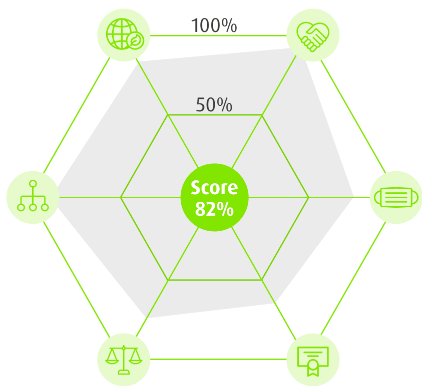
82%

of Valeo's production purchases (by amount) to be covered by the SAQ

2022 result

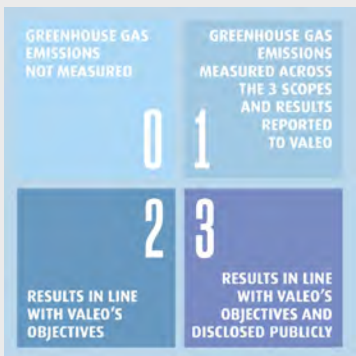
85%

Example of supplier assessment



Spotlight on CAP 50 and Upstream Scope 3 emissions reduction

To meet its targets on reducing Upstream Scope 3 emissions and help its suppliers improve their carbon maturity, Valeo sets deadlines and objectives for them depending on their level of maturity. Valeo has established four maturity levels (from 0 to 3). By 2025, all suppliers will be required to be at level 3.



Carbon maturity levels

If a supplier does not meet the required maturity level, Valeo will establish an action plan either to help the supplier improve or to reduce its own exposure to the supplier.

Suppliers with a CDP Supply Chain rating of A- or higher will be considered to have a maturity level of 3.

The Board of Directors

determines Valeo's business strategies and ensures that they are implemented effectively. In line with best market practices, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated.
This new governance structure came into effect on January 26, 2022.

Appointment of Gilles Michel as Chairman of the Valeo Board of Directors

Jacques Aschenbroich stepped down as Chairman of the Board of Directors and member of the Board of Directors of Valeo on December 31, 2022[2]. The Board of Directors of Valeo unanimously decided to appoint Gilles Michel as Chairman of the Board of Directors, effective January 1, 2023. Gilles Michel has been an independent director of Valeo since May 23, 2018. He was Chair of the Compensation Committee and of the Governance, Appointments & Corporate Social Responsibility Committee from October 24, 2019 to December 31, 2022, a member of the Strategy Committee from July 22, 2021 to December 31, 2022 and Lead Director from October 24, 2019 to January 26, 2022.

(1) Subject to the ratification of the Shareholders' Meeting to be held on May 24, 2023.

(2) In line with the commitments made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

(3) In accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code, directors representing employees do not count toward the number of independent directors.

Other key information

10
MEETINGS IN 2022

98.38%
ATTENDANCE RATE IN 2022

92%
INDEPENDENCE(1)(3)

42%
WOMEN(1)(2)

NATIONALITIES: France, Germany, Poland, United States

The Board of Directors

has set up **four Committees** to make recommendations on key matters, improve its operating procedures and, ultimately, ensure the Group's sustainable growth.

Audit & Risks Committee

AT JANUARY 1, 2023
7 members
100% independence(3)

AT DECEMBER 31, 2022
6 meetings
100% attendance rate

Compensation Committee

AT JANUARY 1, 2023
5 members
100% independence(3)

AT DECEMBER 31, 2022
6 meetings
89.28% attendance rate

Strategy Committee

AT JANUARY 1, 2023
5 members
100% independence

AT DECEMBER 31, 2022
3 meetings
100% attendance rate

Governance, Appointments & Corporate Social Responsibility Committee

AT JANUARY 1, 2023
4 members(4)
100% independence

AT DECEMBER 31, 2022
6 meetings
87.5% attendance rate

(1) At January 1, 2023.

(2) In accordance with Article L. 225-27-1 of the French Commercial Code, directors representing employees do not count for the purpose of determining the proportion of men and women on the Board.

(3) In accordance with the recommendations in Article 9.3 and 15.1 of the AFEP-MEDEF Code, directors representing employees do not count toward the number of independent directors.

(4) On January 26, 2023, the Board of Directors decided to appoint Grzegorz Szelag as member of the Governance, Appointments & Corporate Social Responsibility Committee, in addition to his seat on the Compensation Committee.

Two management Committees to implement the Group's strategy

5 nationalities represented in the Executive and Operations Committees

Executive Committee members are indicated by an asterisk.

Composition of the Executive Committee and Operations Committee

(From left to right and top to bottom)

Christophe Périllat*
Chief Executive Officer

Robert Charvier*
Chief Financial Officer

Catherine Delhaye*
Chief Ethics, Compliance and Data Protection Officer

Éric Antoine Fredette*
General Counsel and General Secretary

Detlef Juerss*
Senior Vice-President, Sales & Business Development

François Marion*
Senior Vice-President, Group Communication & Investor Relations

Agnès Park*
Chief Human Resources Officer

Geoffrey Bouquot (1)
Chief Technology Officer and Vice-President, Strategy

Xavier Dupont
President, Powertrain Systems Business Group

Marc Guédon
Vice-President, Group Purchasing

Maurizio Martinelli
President, Visibility Systems Business Group

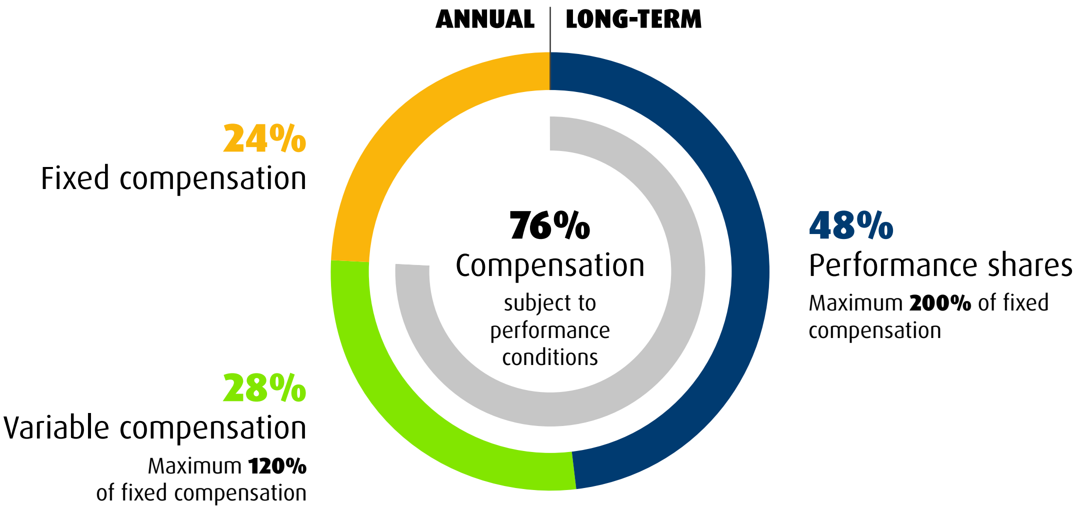
Francisco Moreno
President, Thermal Systems Business Group

Éric Schuler
President, Valeo Service

Marc Vrecko
President, Comfort & Driving Assistance Systems Business Group

(1) Member of the Operations Committee and Secretary of the Executive Committee.

Target structure of the Chief Executive Officer's annual 2023 compensation



Weighting of indicators

Annual variable compensation – Maximum 120% of fixed compensation

			Criteria weight (adding up to 100%)
Quantifiable criteria	• EBIT: **18%** • Free cash flow: **18%** • Net income: **16%** • Group order intake: **18%**		**58%**
Qualitative criteria	• Strategic vision: **14%** • Risk management: **12%**		**22%**
Qualitative CSR criteria: Employee-related	• Safety performance • Increase in the gender equity index and in the proportion of women external hires	12%	**10%**
Qualitative CSR criterion: CAP 50	• Reduction trajectory of CO_2 emissions in line with the CAP 50 plan: **12%**		**10%**

1,700 key managers The annual variable compensation for the Group's 1,700 key managers is indexed to the same criteria, including CSR criteria, as for the Chief Executive Officer.

Performance shares – Maximum 200% of fixed compensation

		Criteria weight (adding up to 100%)
Internal performance criteria	• ROCE: **30%** • EBIT: **30%**	**60%**
External performance criterion	• Total shareholder return (TSR): **10%** CAC 40 TSR **10%** Europe Automotive Equipment Suppliers Panel TSR	**20%**
CSR: Diversity	• Women on the Group's management committees (top 300)	**10%**
CSR: CAP 50	• Reduction trajectory of CO_2 emissions in line with the CAP 50 plan	**10%**

Integrated performance & outlook

Acceleration of electrification and ADAS

Key financials

Orders	2021	2022
Order intake for the year (in €bn)	**21.1**	**32.6**

Financial performance	2021	2022
Group sales (in €m)	**17,262**	**20,037**
Original equipment sales (in €m) *As a % of Group sales* ***Outperformance***	14,151 *82%* ***0 pts***	16,748 *84%* ***+3 pts***
Aftermarket sales (in €m) *As a % of Group sales*	2,068 *12%*	2,256 *11%*
Miscellaneous sales (in €m) *As a % of Group sales*	1,043 *6%*	1,033 *5%*
Gross margin (in €m) *As a % of Group sales*	3,040 *17.6%*	3,447 *17.2%*
R&D expenditure (in €m) *As a % of Group sales*	(1,510) *-8.7%*	(1,880) *-9.4%*
EBITDA (in €m) *As a % of Group sales*	**2,308** ***13.4%***	**2,401** ***12.0%***
Operating margin excl. share in JVs (in €m) *As a % of Group sales*	**699** ***4.0%***	**635** ***3.2%***
Share in net earnings of JVs (in €m) *As a % of Group sales*	(243) *-1.4%*	115 *0.6%*
Net attributable income (in €m) *As a % of Group sales*	175 *1.0%*	230 *1.1%*
Basic earnings per share (in €)	**0.73**	**0.95**

Statement of cash flows	2021	2022
Change in working capital *As a % of Group sales*	(460) *-2.7%*	99 0.5%
Investments excl. capitalized development expenditure (in €m) *As a % of Group sales*	(678) -3.9%	(753) -3.8%
Capitalized development expenditure (in €m) *As a % of Group sales*	(431) *-2.5%*	(536) -2.7%
Free cash flow (in €m)	**292**	**388**

Financial structure and dividend	2021	2022
Net debt (in €m)	3,104	4,002
Leverage ratio: Net debt to EBITDA	1.34x	1.67x
Dividend per share (in €)	**0.35**	**0.38**[1]

TO FIND OUT MORE
For a comprehensive view of Research and Development expenditure, see Chapter 5 of the 2022 Registration Document.

(1) To be submitted for approval at the Shareholders' Meeting to be held on May 24, 2023.

Main indicators and objectives
in the Group's sustainable development policy

Challenges	Environmental indicators	2019	2022	2025 objectives	2030 objectives	SDG impacted
Carbon Neutrality Plan	Emissions from operating activities – Scopes 1 & 2 ($MtCO_2eq.$)	1.1 *Baseline*	0.7 *-36%*	0.65 *-41%*	0.28 *-75%*	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action
	Emissions from purchased goods and services – Upstream Scope 3 ($MtCO_2eq.$)	9.5 *Baseline*	8.7 *-8%*	8.9 *-6%*	8.1 *-15%*	
	Emissions from the use of Valeo products – Downstream Scope 3 ($MtCO_2eq.$)	39.0 *Baseline*	35.8 *-9%*	35.8 *-8%*	33.1 *-15%*	
	Of which emissions from the use of Valeo products – Validated by SBTi ($MtCO_2eq.$)	*49.6 Baseline*	*45.2 -9%*	*45.3 -9%*	*41.4 -16%*	
	Scopes 1, 2, 3 emissions ($MtCO_2eq.$) including gains from Valeo technologies	49.6 *Baseline*	41.5 *-16%*	37.9 *-23%*	27.8 *-45%*	
Energy	Energy consumption as a proportion of sales (MWh/€m)	142 *Baseline*	154 *8%*	134 *-6%*	*-30%*	13 Climate action
	Share of low-carbon electricity purchased	*5.5%*	*32%*	*50%*	*80%*	
Water	Water consumption as a proportion of sales (cu.m/€m)	197 *Baseline*	186 *-6%*	185 *-6%*		12 Responsible consumption and production
Discharges and waste	Production of hazardous and non-hazardous waste as a proportion of sales (t/€m)	16.4 *Baseline*	13.9 *-15%*	15.0 *-9%*		12 Responsible consumption and production

Challenges	Employee-related indicators	2019	2022	2025 objectives	2030 objectives	SDG impacted
Health and safety	Accident frequency rate (FR1): number of accidents with lost time per million hours worked	1.9	1.1	<1		
Promoting equality and diversity	Gender equity index	82.0	87.9	90		5 Gender equality
	Percentage of women on the Group's management committees (the 300 most important Group management positions)	16%	20.7%	24%	32%	
	Percentage of sites run by local directors	78%	81%	>80%		8 Decent work and economic growth
	Percentage of employees with disabilities on Group payroll	2.1%	1.7%	2.5%		
	Percentage of new hires under 25	20%	39%	>35%		4 Quality education
Quality of life at work	Rate of compliance with the "Building a well-being environment" Employee Engagement roadmap	61%	74%	75%		8 Decent work and economic growth
Skills	Number of hours of technical training (in thousands of hours)	1,743	4,185	3,000		4 Quality education

Challenges	Employee-related indicators	2019	2022	2025 objectives	2030 objectives	SDG impacted
Purchasing and sustainable development	Share of production purchases for which the suppliers' sustainable development practices were assessed during the year (% of total purchases)	80%	85%	82%		8 Decent work and economic growth
Local integration	Organization of initiatives and events by the Valeo sites with educational and vocational training institutions (% of sites)	68%	73%	85%		4 Quality education
Local communities	Share of sites participating in the "One Plant, One Initiative" program	50%	52%	100%		11 Sustainable cities and communities

2023 outlook

Given the uncertainty regarding automotive production in our main business regions, and taking into account net inflation and cost reduction measures, we are setting the following objectives for 2023 (see below).

These objectives lead to:

- a 0.8 to 1.6 percentage point improvement compared with 2022 adjusted profitability (i.e., operating margin including the high-voltage electric powertrain business within the Powertrain Systems Business Group as of January 1, 2022);
- a significant improvement in free cash flow generation (compared with 2022 adjusted free cash flow*); with a significant improvement of our financial performance in second-half 2023 compared to the first half of the year.

	2022	2022 ADJUSTED*	2023 GUIDANCE**
Sales (in billions of euros)	20.0	20.4	**22.0 – 23.0**
Operating margin (as a % of sales)	3.2%	2.4%	**3.2% – 4.0%**
EBITDA(1) (as a % of sales)	12.0%	11.4%	**11.5% – 12.3%**
Free cash flow(1) (in millions of euros)	388	205	**>320**

** 2022 data has been adjusted to include the integration of the high-voltage business (formerly Valeo Siemens eAutomotive) within the Powertrain Systems Business Group as of January 1, 2022.*

*** Based on the following assumptions:*

- *growth in global automotive production of between 0% and 3.3% in 2023 (3.3% = S&P Global Mobility estimates released on February 16, 2023);*
- *an acceleration in automotive production in the second half of the year (in line with the S&P Global Mobility scenario released on February 16, 2023);*
- *price increases (in relation to cost inflation) and internal cost reduction measures.*

Move Up Plan

COMMITTED TO OUR 2025 OBJECTIVES (2)

€27.5bn Sales	**~14.5%** EBITDA	**€0.8-€1.0bn** Free cash flow	**~5.5%** Capex
>5 pt OUTPERF. 2021/2025	**~6.5%** EBIT	**<0.7x** Leverage ratio (1)	**~6.5%** Net R&D

Synergies post-integration of the high-voltage business	Efficiency' program	Divestiture of non-strategic assets
€120m	**€100m**	**€500m**
per year on an annual basis through 2025	on annual basis through 2023	in value terms

Based on:

- S&P Global Mobility automotive production estimates (released in February 2022) corresponding to around 98.5 million vehicles; and
- after factoring in the divestiture of non-strategic assets.

(1) See glossary. (2) Objectives as published in February 2022.

Financial and non-financial ratings

Credit ratings as of March 1, 2023

DELEVERAGING AS A GROUP PRIORITY

STANDARD & POOR'S	MOODY'S
BB+/B Outlook: stable	**Baa3/P3** Outlook: negative

ESG ratings as of March 1, 2023

ESG PERFORMANCE AND COMMITMENTS RECOGNIZED BY NON-FINANCIAL RATING AGENCIES

S&P GLOBAL	SUSTAINALYTICS	ISS ESG
72/100	**10.6**(1) low risk	**B- Prime**
CDP CLIMATE **A**	MSCI ESG RATINGS **AAA**	MOODY'S **66/100**

ESG indexes as of March 1, 2023

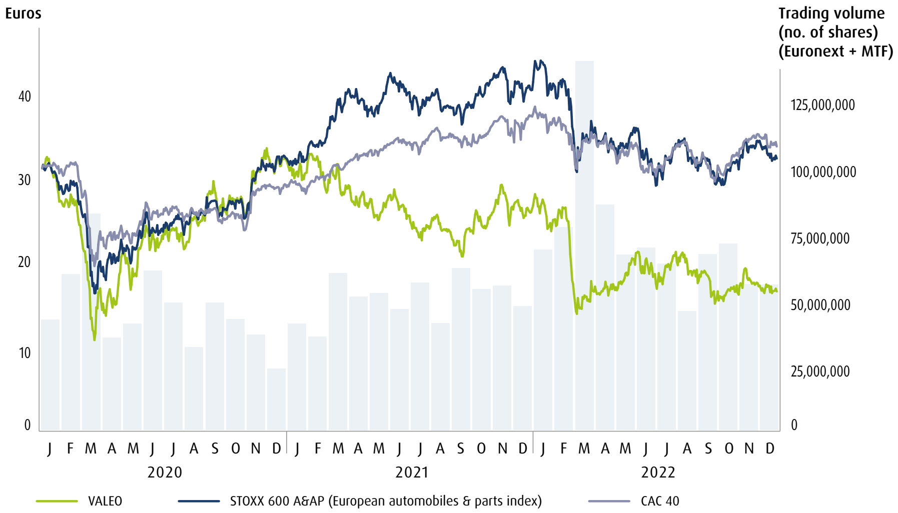
MOST WIDELY REPRESENTED AUTOMOTIVE SUPPLIER IN ESG INDICES

EURONEXT CAC 40 ESG CAC 40 SBT 1.5°	STOXX Global ESG Leaders
FTSE4Good	MSCI ESG Leaders

(1) The lowest score is the best.

Valeo and its shareholders

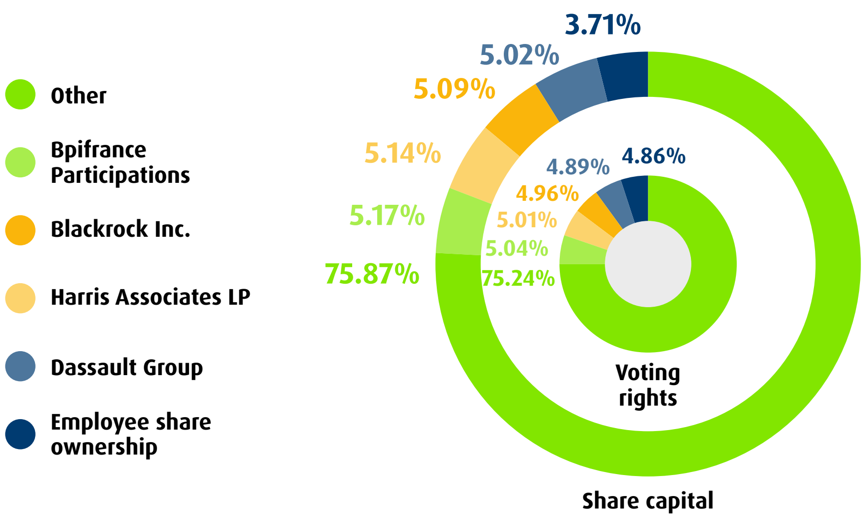
2022 stock market performance



Share price
€16.7

Market capitalization
€4.07BN

Breakdown of share capital and theoretical voting rights at December 31, 2022



Number of shares
243,501,944
of which treasury shares
2,385,577

Number of voting rights
249,975,178

Capital allocation policy geared toward deleveraging

Deleveraging	Divestitures	Dividend
<0.7x	**€500m**	**€0.38 per share(1)**
leverage ratio(2) Net debt/EBITDA by 2025	in non-strategic assets divested by 2025	2022-2025 gradual increase in dividend per share

(1) To be submitted for approval at the Shareholders' Meeting to be held on May 24, 2023. (2) See glossary.

Glossary

Adjusted data: data for first-half 2022 has been adjusted as though the high-voltage electrification business (formerly Valeo Siemens eAutomotive) had been consolidated in the Group's financial statements as of January 1, 2022. To calculate year-on-year changes in sales on an adjusted basis, 2021 figures have been adjusted as though the high-voltage electrification business had been consolidated in the Group's financial statements as of January 1, 2021.

EBITDA corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends from equity-accounted companies.

EBITDA margin: EBITDA/sales.

Free cash flow corresponds to net cash from operating activities (excluding changes in non-recurring sales of receivables and net payments for the principal portion of lease liabilities) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.

Gearing ratio: Net debt/stockholders' equity.

Leverage ratio: Net debt to EBITDA.

Like for like (or LFL): the currency impact is calculated by multiplying sales for the current period by the exchange rate for the previous period. The Group structure impact is calculated by (i) eliminating, for the current period, sales of companies acquired during the period, and (ii) adding to the previous period full-year sales of companies acquired in the previous period, and (iii) eliminating, for the current period and for the comparable period, sales of companies sold during the current or comparable period.

Net debt comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

Operating margin including share in net earnings of equity-accounted companies corresponds to operating income before other income and expenses.

Order intake corresponds to business awarded by automakers during the period to Valeo, and to joint ventures and associates based on Valeo's share in net equity, less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. Unaudited indicator.

Outperformance is a business growth indicator corresponding to growth in Valeo's like-for-like original equipment sales compared with growth in automotive production volumes, as defined by S&P Global Mobility (formerly IHS Markit), over a given period and geography.

ROA, or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies), including goodwill.

ROCE, or return on capital employed, corresponds to operating margin (including share in net earnings of equity-accounted companies) divided by capital employed (including investments in equity-accounted companies) excluding goodwill.

Total shareholder return, or TSR, measures share profitability, taking into account, over a given period, the dividends received by the shareholder and the unrealized gains and losses on fluctuations in the share price.

1 PRESENTATION OF VALEO

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

1.1 History and development of the Group

1923 – 1990: the Group's beginnings

The Group's story began in 1923, with the creation of Société Anonyme Française du Ferodo. The company started by distributing, then manufacturing, brake linings under license from the British company Ferodo Ltd. In 1932, the year it was first listed on the Paris Stock Exchange, it began manufacturing clutches.

The period that followed was a time of industrial expansion, diversification into thermal systems and electrical equipment, as well as international development in Europe (Spain, Italy, Germany, United Kingdom, Turkey), South America (Brazil), North America (United States and Mexico), Asia (South Korea) and North Africa (Tunisia).

In 1980, the Company adopted the name Valeo, a Latin word meaning "I am well", with a view to uniting the various brands under a single name.

1990 – 2009: a new company culture and new international horizons

In the 1990s, the Company deployed "5 Axes", its new company culture, and its forward-looking strategy based on a sustained innovation effort with the opening of new research centers in France specialized in electronics, lighting systems and clutches. Valeo also launched operations in Asia (China, India and Japan) and Eastern Europe (Czech Republic, Poland, Hungary and Romania).

The 1998 acquisition of the Electrical Systems activity of ITT Industries, with its production plants in Germany, the United States and Mexico as well as its expertise in electronics and sensors (parking assistance systems), marked the beginning of the shift toward technology-driven solutions in the 2000s.

In 2001, the Company launched a new innovation program focusing on driver assistance features, powertrain system efficiency and enhanced comfort. This program is supported through a number of technology partnerships and acquisitions, such as that of Connaught Electronics Ltd. (onboard cameras).

Since 2009: an increasingly innovative, high-growth tech company

In 2009, a new strategy was implemented around two main drivers: innovation, with technologies focused on greenhouse gas emissions reduction and autonomous driving, as well as geographic expansion in Asia and developing countries. It involved putting in place a new organizational structure, to improve profitability and efficiency, incorporating four new Business Groups (Comfort & Driving Assistance Systems, Powertrain Systems, Thermal Systems and Visibility Systems) and Valeo Service.

Since then, the acceleration in the growth of Valeo's sales and order intake driven by innovation have enabled the Group to consolidate its position as a technology company.

In February 2022, the Group launched its new Move Up strategic plan for the period 2022-2025. This value-creation strategy is part of a long-term vision for cleaner and safer mobility, and is based on the four megatrends shaping tomorrow's automotive industry: acceleration of electrification, acceleration of driving assistance (ADAS), reinvention of the interior experience, and lighting everywhere.

Valeo's innovation strategy is underpinned by:

ACQUISITIONS AND JOINT VENTURES:
• **Niles** (2011) – interior controls;
• **PT Valeo AC Indonesia** (2012) – air conditioning systems – acquisition of the minority shareholder's stake (51%);
• **Detroit Thermal Systems** (2012) – thermal systems joint venture between Valeo and V. Johnson Enterprises;
• **Eltek Electric Vehicles** (2013) – onboard chargers for hybrid and electric vehicles;
• **Valeo Sylvania** (2014) – lighting systems: acquisition of the interest of Osram GmbH;
• **peiker** (2016) – onboard telematics and connectivity;
• **Spheros** (2016) – air conditioning systems for buses;
• **Valeo Siemens eAutomotive GmbH** (2016) – high-voltage powertrain systems (above 60V): joint venture, with integration of Valeo Siemens eAutomotive into Valeo's Powertrain Systems business since July 4, 2022;
• **Smexx Gmbh** (2016) – cloud-based vehicle access management software and equipment;
• **Ichikoh** (2017) – lighting systems: takeover;
• **gestigon** (2017) – cabin 3D image processing software;
• **FTE automotive** (2017) – hydraulic actuators;
• **Valeo-Kapec** (2017) – torque converters;
• **Precico** (2017) – plastic components, printed circuit board assemblies;
• **Kuantic** (2017) – development of onboard telematics;
• **Transfrig** (2018) – mobile cooling systems;
• **Asaphus** (2021) – driving assistance software (including facial recognition). Acquisition in 2021 of an additional 10% interest in Asaphus, increasing Valeo's stake from 50% to 60%.

INVESTMENTS IN TECHNOLOGY START-UPS:
• **Aledia** (2015) – development of 3D LED technology;
• **Navya** (2016) – development of innovative and intelligent mobility solutions.
INVESTMENTS IN VENTURE CAPITAL FUNDS:
• **Cathay Innovation** (2015) – innovative companies, mainly French, American and Chinese;
• **Trucks Venture** (2016) – emerging transportation-sector companies, mainly American;
• **Iris Capital** (2017) – innovative French and German companies;
• **Maniv Mobility** (2017) – emerging transportation-sector companies, mainly Israel;
• **Cathay CarTech** (2017) – innovative Chinese automotive-sector companies.
RESEARCH AND TECHNOLOGY PARTNERSHIPS WITH:
• **Safran** (aerospace, defense, security) (2013) – driving assistance and autonomous vehicles;
• **Mobileye** (2015) – microprocessors, computer vision algorithms and laser scanner technology;
• **NTT Docomo** (2018) – development of new mobility services for connected cars;
• **Baidu** (2018) – strategic partnership with Apollo, the open autonomous driving platform;
• **Meituan** (2019) – strategic cooperation agreement in last-mile autonomous delivery services;
• **Renault Group** (2022) – Renault Group, Valeo and Valeo Siemens eAutomotive join forces to develop and manufacture a new-generation automotive electric motor in France;
• **Motherson** (2022) – Motherson and Valeo sign a partnership to create the automotive interior of the future;
• **TotalEnergies** (2022) – TotalEnergies and Valeo sign an agreement to develop an innovative way of cooling electric vehicle batteries using a new, very high-performance dielectric fluid;
• **SRG Global®** (2022) – Valeo and SRG Global® entered into a strategic alliance agreement to provide the next generation of exterior illuminated front panels to the automotive industry;
• **Ningbo Swell** (2022) – Valeo and Ningbo Swell Industry entered into a strategic alliance agreement for the development, production and marketing of the next generations of illuminated front grilles or panels for the Chinese market;
• **CNRS** (2022) – Valeo and the CNRS entered into a shared research program partnership, aimed at accelerating the development of innovations that will lead to cleaner and safer mobility for both people and goods.

1.2 Overview

1.2.1 Company profile

Valeo is an automotive supplier that partners with all automakers worldwide as well as new mobility players. As a technology company, Valeo proposes innovative products and systems contributing to the reduction of greenhouse gas emissions and to the development of safer, more autonomous, more connected, more intelligent and more diverse mobility.

In 2022, the Group generated sales of 20.0 billion euros and invested 10.4% of its original equipment sales in Research and Development. At December 31, 2022, Valeo had 183 plants, 21 research centers, 44 development centers and 18 distribution platforms, and employed 109,900 people in 29 countries worldwide. Valeo is listed on the Paris Stock Exchange.

1.2.2 Legal structure

The Group's legal structure is based on three main holding companies interposed between the parent company, Valeo, and its operating subsidiaries:

- Valeo Finance, which manages R&D projects;
- Valeo Bayen, which holds most of the Group's shares in French and non-French companies;
- VIHBV (Valeo International Holding BV), registered in the Netherlands, which previously performed the function of investing in non-French companies, and which retains certain investments.

At an intermediate level, in some countries, investments can be held directly or indirectly by one or more companies, which play the role of holding company to form a local sub-group. This structure permits the centralization and optimization of the financial management of the sub-group and, where legally possible, the creation of a tax group.

Valeo has also formed jointly owned companies with industrial or technological partners in order to break into new markets, consolidate its systems offering for customers and develop new product offerings.

1.2.3 Valeo's tax policy

Valeo's tax policy is aligned with the Group's strategy to create value for its shareholders, customers, employees and local communities whilst maintaining its reputation and complying with the laws and regulations applicable everywhere the Group operates.

The tax policy adopted by Valeo and its subsidiaries reflects the Group's ethical rules and responsible approach to taxation. It is based on the following three principles: giving priority to operations, applying tax regulations fairly and ensuring tax costs are correctly calculated.

Giving priority to operations

Valeo's tax policy is based on accepting all the tax consequences that arise as a result of the Group's operations. Accordingly, Valeo does not use tax optimization strategies if such strategies do not meet its operating requirements. An efficient tax structure is implemented provided it is in accordance with the law, supports a genuine business activity and is not artificial. Consequently, the Group has not set up any entity within a particular territory for the sole purpose of benefiting from favorable tax arrangements.

The same principle underpins the Group's transfer pricing policy, which takes into account the operating environment in which transactions are carried out, the location of intangible assets (know-how, Research and Development, patents, etc.), relevant functions and economic circumstances.

The Group's tax policy complies with the principles defined by the OECD (Organisation for Economic Co-operation and Development) with respect to declaring income where the value is actually created.

Applying tax regulations fairly

The Group adheres strictly to tax regulations and ensures that it complies with local tax laws, and international treaties and guidelines. While all of these regulations must be complied with, the Group should not overpay tax as a result.

The Group takes a proactive but fair approach in its tax management and if necessary seeks the advice of external consultants, particularly when legislation is open to interpretation.

Developing strong professional relationships with the tax authorities and carrying out operations in full transparency are vital to ensuring the fair application of tax regulations.

In the event of a dispute, if it is legally possible to do so and does not result in the Group's tax liability being unfairly increased, Valeo favors reaching a compromise with the tax authorities as this minimizes the uncertain consequences of litigation.

Ensuring tax costs are correctly calculated

The Group seeks to ensure that tax costs are correctly calculated by using reliable data, documenting tax positions, training local teams, drawing on the advice of external consultants and cooperating with local tax authorities in full transparency.

Valeo ensures that the tax liability recorded in its financial statements has been correctly estimated. To do this, a reporting process has been put in place to provide the Group with the information required to evaluate the tax situation and costs of its subsidiaries.

Regular training is provided to ensure that the Group's tax policy is correctly implemented by those concerned.

1.3 Operational organization

The Group's operational structure is based on four Business Groups, Valeo Service and 12 National Directorates.

The **Business Groups** (Comfort & Driving Assistance Systems, Powertrain Systems, Thermal Systems and Visibility Systems) operate under the responsibility of the Chief Executive Officer and are responsible for the business growth and operating performance of the Product Groups and Product Lines they manage, across the globe. They propose technology roadmaps to the Group's General Management. With support from the National Directorates, they coordinate the pooling of resources, the allocation of Research and Development expenditure and the optimization of production resources at the plants.

Each of the Business Groups is structured to reinforce cooperation and stimulate business growth worldwide. The **Product Groups and Product Lines** manage their activities and can draw on all the development, production and marketing resources needed to fulfill their objectives. The Regional Operations manage the operations of a Business Group in a given region.

Valeo Service operates under the responsibility of the Chief Executive Officer. Alongside the Business Groups and Product Groups, it supplies original equipment spares to automaker networks and replacement parts to the independent aftermarket.

The **National Directorates** are tasked with ensuring the Group's growth in their respective countries and act as the interface with local customers. They also manage all the services that support operational activities in the country (see section 1.5.2 of this chapter, "Sales and Business Development", page 85).

Operational principles and rules, with an appropriate delegation of authority, have been established at all levels, with a precise definition of areas and decision-making thresholds.

The Group defines internal standards and policies and ensures their implementation, with the support of the functional networks. It allocates resources between the Business Groups, and monitors the consistency of sales and industrial policies.

COMFORT & DRIVING ASSISTANCE SYSTEMS (CDA)

The Comfort & Driving Assistance Systems Business Group provides driving assistance technologies (ADAS), detection systems, human-machine interfaces and connectivity solutions for safer, more intuitive and more connected driving.

ADAS DOMAIN CONTROLLER

€4.234bn
21% OF 2022 GROUP SALES

11 PT
ORIGINAL EQUIPMENT SALES OUTPERFORMANCE
> ADAS: ORIGINAL EQUIPMENT SALES UP 29%*
> REINVENTION OF THE INTERIOR EXPERIENCE: ORIGINAL EQUIPMENT SALES UP 2%*

15.8%
EBITDA MARGIN
> ADAS: 18%
> REINVENTION OF THE INTERIOR EXPERIENCE: 11.2%

23,100
EMPLOYEES

28 PLANTS
18 R&D CENTERS

POSITIONING AND STRENGTHS

1.4X
INCREASE IN ADAS CONTENT PER VEHICLE BY 2025 (VS 2021)

14%
INCREASE IN REINVENTION OF THE INTERIOR EXPERIENCE CONTENT PER VEHICLE BY 2025 (VS 2021)

- **World leader in ADAS**, with the broadest portfolio of sensor technologies
- **Pioneer and leader in industrial-scale** manufacturing of **long range LiDAR** systems
- Major player in the development of **centralized control units** (domain controllers and zonal controllers)
- Strong expertise in software, an **essential mobility component**
- **World leader** in automated **parking solutions**
- Recognized provider of comprehensive solutions for **level 2+ automation**
- Recognized leader in cabin electronics for an intuitive human-machine interface **ensuring occupant safety and well-being**

2025 OUTLOOK*

~€6bn
ORIGINAL EQUIPMENT SALES
16% ANNUAL GROWTH OVER THE 2021-2025 PERIOD
> ADAS: ~€4bn
> Reinvention of the interior experience: ~€2bn

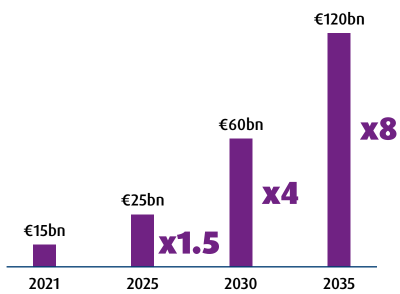
9 PT
OUTPERFORMANCE BETWEEN 2021-2025
> ADAS: >12 pts
> Reinvention of the interior experience: >8 pts

~18%
EBITDA MARGIN
> ADAS: ~21%
> Reinvention of the interior experience: ~14%

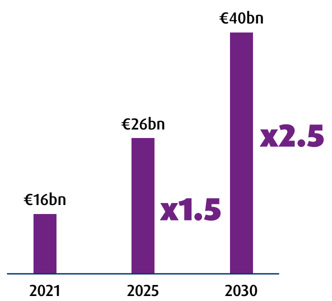
* Move Up Plan as published in February 2022.

MARKET OUTLOOK AND TRENDS

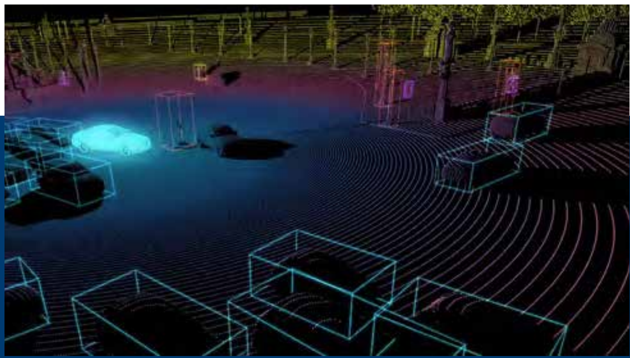
ADAS MARKET(1)



REINVENTION OF THE INTERIOR EXPERIENCE MARKET



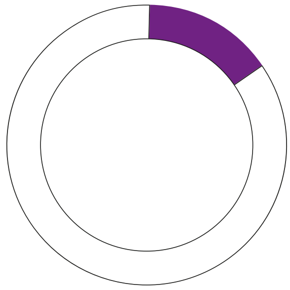
(1) Automotive and new mobility. ** Like for like.*



Valeo third-generation LiDAR – perception capability

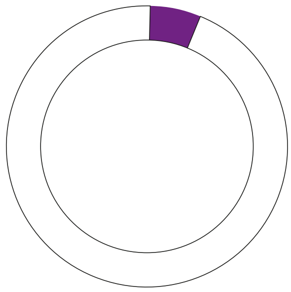
MAIN COMPETITORS ON THE...

ADAS MARKET



Main competitors:
Aptiv, Bosch, Continental, Magna, ZF

INTERIOR EXPERIENCE MARKET



DESCRIPTION OF THE BUSINESS GROUP

The automotive industry is changing fast, and the emphasis today is on providing end-users with advanced technologies for a safer and more enjoyable mobility experience. Drivers expect their cars to be intuitive, smart and connected. Regulations demand the development of ever safer vehicles, and automated driving is now a reality thanks to increasingly affordable technology.
The Comfort & Driving Assistance Systems Business Group is at the forefront of progress in this area, working on two of the four pillars of the Move Up plan: acceleration of ADAS and reinvention of the interior experience. These pillars are fundamental to meeting the growing demand for safer driving and enhanced in-vehicle experience.

The Comfort & Driving Assistance Systems Business Group has two areas of activity:

- Driving Assistance
- Interior Experience

DRIVING ASSISTANCE

ADAS is a major force behind rapid change in today's automotive industry. These systems apply a wide range of sensor technologies and increasingly complex algorithms to make driving safer and more enjoyable for all drivers. The Driving Assistance activity focuses on advances in ADAS as a key pillar of Valeo's strategy, investing in the development of these technologies to meet both growing demand from automakers and consumers, and ever-changing safety regulations and standards.
A wide range of sensor technologies is used to construct a comprehensive approach to the vehicle environment. Ultrasonic sensors, cameras, thermal imaging cameras, mid-range radars and long-range LiDARs are all used to gather accurate and comprehensive data on vehicles, pedestrians, cyclists and obstacles in the vehicle's vicinity. Through this activity, the Group is a world leader in the development and manufacturing of state-of-the-art sensors for ADAS.

With the accelerating adoption of ADAS and the first levels of automated driving they enable, vehicle electrical and electronic (E/E) architecture is changing, and ADAS domain controllers and zonal controllers have become key products in this area.
ADAS domain controllers are dedicated supercomputers that manage vehicle safety and automated driving functions. They process all the sensor data in real time, and host the decision-making algorithms that use this data to improve driving safety or even automate driving. Zonal controllers optimize power distribution to the sensors and actuators located throughout the vehicle, and the collation of data collected by these sensors or transmitted to the actuators.

Building on its experience with vision controllers, a precursor to ADAS domain controllers, and on the performance of its zonal controllers, the Driving Assistance activity is a major player in this rapidly growing market.
The Driving Assistance activity is also a leader in ADAS software development. In particular, Valeo has developed the most advanced parking automation solutions on the market, such as the "trained" automated parking system and automatic valet parking solutions in public parking lots and industrial sites. The Business Group also has level 2, 2+ and 3 automated driving software stacks. Artificial intelligence is central to these developments, and Valeo's advanced AI research laboratory, Valeo.ai, makes major contributions to this work.

To guarantee the quality of its driving assistance systems, the Driving Assistance activity runs both physical and digital testing and validation facilities.
It has nine test tracks and over 200 test cars worldwide, plus many simulation benches with hardware-in-the-loop and over 50 petabytes of data to simulate real-life driving scenarios.

INTERIOR EXPERIENCE

Valeo's Interior Experience activity is one of the world's leading players in human-machine interfaces and interior environment monitoring for vehicles.
It develops a cocoon-like interior for vehicle occupants, with cabin monitoring that enhances safety and well-being for driver and passengers.
Its driver monitoring systems detect signs of drowsiness and distraction.

The activity's wide-angle cameras detect passengers' facial expressions and postures to provide specially adapted and personalized services. It also produces interior radars that detect if an infant has been left in the vehicle unattended.
In addition, the activity develops innovative human-machine interface solutions such as touch-screens and intelligent, ergonomic surfaces that are seamlessly integrated into the cabin design.
Valeo also has a strong foothold in electronic equipment for the steering wheel, and has developed a purely software-based solution for detecting the driver's hands on the wheel. Lastly, its head-up display systems not only enable drivers to see all the information they need for driving without taking their eyes off the road, they also use augmented reality to provide assistance in the form of information superimposed on the driver's view of the road or obstacles.

Connectivity is another key component of the Interior Experience activity, with the increasing use of telematics boxes to connect vehicles to the cloud, and the growing uptake of 5G connectivity on new vehicle models. With a strong presence in hands-free access systems, Valeo also offers Phone-as-a-Key solutions, enabling users to lock and unlock their vehicles as they approach or walk away from the vehicle, while their phone is in their bag or pocket.

Valeo is one of the world's leading players in human-machine interfaces.

MARKET TRENDS AND OUTLOOK

The semiconductor shortage remains a reality in 2023. Because of the nature of its products, the Comfort & Driving Assistance Systems Business Group is the Valeo Group's largest consumer of semiconductors. Given the extremely tense supply-chain situation, protecting our customers remains our priority. At the same time, with the increase in content per vehicle and the penetration rate of its technologies, the Comfort & Driving Assistance Systems Business Group has strong growth prospects in both ADAS and the interior experience, for which record orders have been booked. Today, nearly 50% of vehicles are equipped with ADAS for level 2, 2+ and 3. By 2030, more than 90% of vehicles will be using this technology.

Another key trend for the Comfort & Driving Assistance Systems Business Group is the reinvention of the interior experience.
As well as enhancing safety, its technologies for the vehicle interior create a comfortable, reassuring cocoon-like experience.
The expansion of ADAS and level 3 automation solutions is set to radically revolutionize the interior experience. The delegation of driving tasks to the vehicle is creating opportunities for new usages and features.

Valeo is a pioneer and leader in the industrial-scale manufacturing of automotive LiDAR systems.

2022 HIGHLIGHTS

Record order intake of 11.3 billion euros, representing 2.9x total OEM sales.

MARCH

Valeo received **Honda Supplier Award** in the Development Category for its contribution to the world's first SAE Level 3 Automated Driving System authorized for commercial use.

APRIL

Valeo produced its 100 millionth automotive nearfield camera, which gives the car its rear and surround vision, at its Tuam site in Ireland.

JUNE

Valeo and the BMW group entered into a major collaboration for which Valeo will provide the ADAS domain controller, sensors and software for parking and maneuvering for BMW's upcoming platform generation "Neue Klasse", due to launch in 2025.

JUNE

Stellantis chose Valeo's third-generation LiDAR to equip multiple models of its different automotive brands from 2024. The Valeo SCALA 3 LiDAR will enable these vehicles to be certified for level 3 automation.

NOVEMBER

Valeo produced its 10 millionth front camera system integrating Mobileye EyeQ® technology, at its Wemding site in Germany. Valeo has produced nearly 13 million front cameras since launching this activity.

NOVEMBER

New building inaugurated at the Prague R&D center dedicated to ADAS.

DECEMBER

First contract secured in the United States for display systems, at a record amount.

POWERTRAIN SYSTEMS (PTS)

The Powertrain Systems Business Group is at the heart of the electrification revolution, developing and producing powertrain solutions to improve today's electrified powertrains, and to shape the electric mobility of tomorrow.

EESM E-AXLE
(RARE EARTH- AND MAGNET-FREE)

€5.689bn
29% OF 2022 GROUP SALES

5 PT
OUTPERFORMANCE (ADJUSTED*)

+10.9%
EBITDA MARGIN

25,900
EMPLOYEES

56 PLANTS
25 R&D SITES

* 2021 and 2022 sales adjusted as if the high-voltage electrification business had been consolidated in the Group's financial statements as of January 1, 2021.

POSITIONING AND STRENGTHS

6X
INCREASE IN HIGH-VOLTAGE SYSTEM CONTENT PER VEHICLE BY 2025 (VS 2021)

2/3
OF PTS ORDERS IN 2022 FOR HIGH-VOLTAGE ELECTRIFICATION

- **Technological leader**
- **Electric mobility champion,** with integration of 100% of Valeo Siemens eAutomotive in July 2022
- **Full product offering,** from low-voltage to high-voltage, including eAxle, motor, inverter, transmission system, onboard charger and DC/DC converter
- **90 models of electric and plug-in hybrid vehicle models** equipped with Valeo motors, inverters and onboard chargers at end of 2022
- **1 in 3 new vehicles worldwide equipped** with Valeo electrical solutions
- **Synergies** between low- and high-voltage operations

2025 OUTLOOK*

~€7.5bn
ORIGINAL EQUIPMENT SALES
15% ANNUAL GROWTH OVER THE 2021-2025 PERIOD

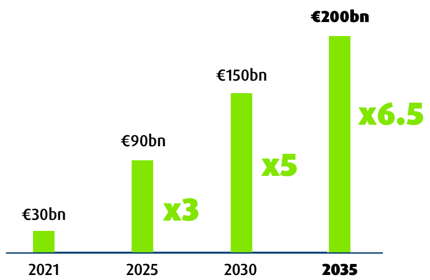
>8 PT
OUTPERFORMANCE
BETWEEN 2021-2025

~13%
EBITDA MARGIN IN 2026

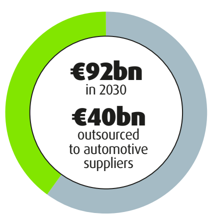
* Move Up Plan as published in February 2022.

MARKET OUTLOOK AND TRENDS

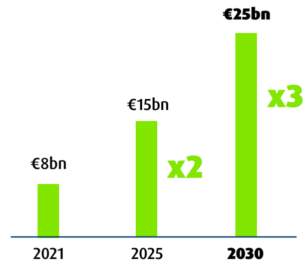
ELECTRIFICATION MARKET(1)



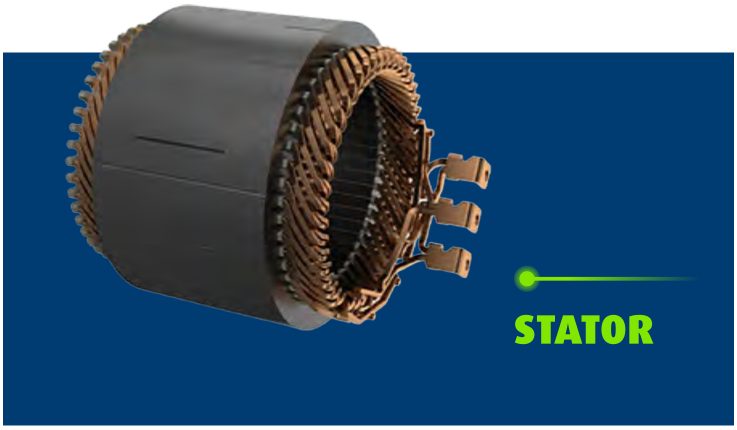
HIGH-VOLTAGE ELECTRIC POWERTRAIN MARKET(2)



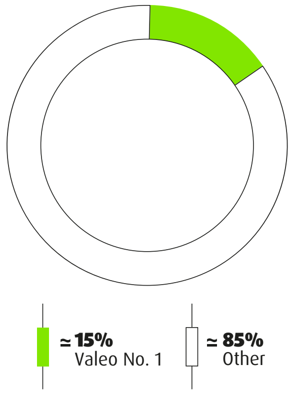
NEW MOBILITY MARKET



(1) Automotive and new mobility. (2) Source: "Ongoing quotes and Valeo estimates" McKinsey analysis.



MAIN COMPETITORS ON THE POWERTRAIN SYSTEMS MARKET



Main competitors:
Denso, Schaeffler, Vitesco,
BorgWarner, Bosch, Nidec, Magna, ZF

DESCRIPTION OF THE BUSINESS GROUP

The Powertrain Systems Business Group is at the heart of the electrification revolution, developing and producing innovative powertrain solutions to improve today's electrified powertrains, and to shape the electric mobility of tomorrow.
In July 2022, the integration of Valeo Siemens eAutomotive, the joint venture formed with Siemens in 2016, provided the opportunity to reorganize the Powertrain Systems Business Group into two Product Groups:
- **Powertrain Electrified Mobility**
- **Powertrain Systems Driveline**

These two Product Groups work closely together to develop and produce:

- comprehensive, integrated low- and high-voltage electric powertrain solutions; and
- solutions to further reduce fuel consumption and pollutant emissions from internal combustion engines.

Valeo's 48V powertrain system is a hybridization solution for all types of vehicles and a full electrification solution for urban vehicles.
It can be used in hybrid and all-electric applications, and is versatile and less expensive than high-voltage (over 60V) motors, with a less complex architecture that requires less safety equipment and is easier to service. Some of its components derive from technologies already in series production (48V starter-alternator, derived from alternator technology, for example), which significantly reduces development costs. Valeo's 48V all-electric motors are versatile, meaning they can be used to power not only cars, but also new urban mobility (urban electric vehicles, autonomous shuttles, motorcycles and even the three-wheel rickshaw vehicles found on Asian markets, as well as electric bikes).

In July 2022, the Valeo Siemens eAutomotive joint venture, which develops high-voltage electric powertrain solutions for plug-in hybrid and all-electric vehicles across all market segments, was integrated into the Powertrain Systems Business Group's Powertrain Electrified Mobility Product Group.

Valeo's all-electric offering addresses growing demand from automakers for electric powertrain systems across the range. Valeo's powertrain systems run at voltages of 60V upwards (up to a power rating of 347 kW, or the equivalent of over 470 hp) and give optimum performance, lower energy consumption and greater comfort. Valeo builds on nearly a century of extensive experience to take a comprehensive approach to powertrain system design from the outset, covering transmission and integration.

Complementary coverage across the two Product Groups of the Powertrain Systems Business Group enables Valeo to address growth in the hybrid and electric vehicle market with solutions adapted to all types of transmission: automatic, semi-automatic, dual-clutch and hybrid.

Its hybrid and all-electric powertrain systems are designed for integration in all types of vehicle architecture: on the engine shaft, before/after/in the transmission and/or on the rear axle, with an appropriate transmission system if needed.
Hybrid and plug-in hybrid powertrain systems are optimized as a whole. The electric motor power is adapted to vehicle use and architecture, and the combustion engine is optimized using Valeo solutions (sensors, actuators, electric motor) to ensure optimum operation and compliance with standards on greenhouse gas emissions (and thereby reductions in fuel consumption) and pollutant emissions (particles, NOx, etc.).

Valeo all-electric powertrain systems, both low-voltage (48V) and high-voltage (over 60V), include the motor and inverter (motor control electronics) and the

transmission for transferring torque and power to the wheels.
Its comprehensive powertrain systems also include the electric oil pump (for lubrication and thermal management) and anti-theft and clutch systems. Battery charging is managed via an onboard charger that connects to the power grid.
The DC/DC converter links the battery (48V, 400V or 800V depending on the hybrid or all-electric application) to the vehicle's onboard network (12V) to power the vehicle's electrical equipment and accessories (car radio, windshield wipers, etc.).

Valeo has advanced expertise in power electronics, essential for the control of electric motors.

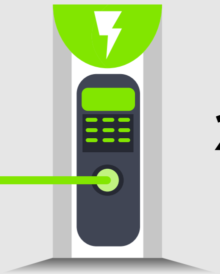
MARKET TRENDS AND OUTLOOK

In 2022, the automotive market once again had to contend with an increase in raw material costs and a semiconductor shortage, but also a major energy crisis. Several regions have confirmed or announced they will phase out internal combustion engine vehicles and transition to all-electric mobility. Market penetration for electric vehicles accelerated in 2022, with sales approaching 8 million units, twice as many as in 2021.

In response to market trends, the Powertrain Systems Business Group has decided to focus all its development and innovation efforts on solutions for all-electric mobility, in both high-voltage and low-voltage formats, since electrification concerns all forms of mobility.
The Powertrain Systems Business Group no longer addresses the automotive industry alone, but provides proven and robust solutions to support transition of the entire mobility sector towards all-electric vehicles.

THE POWERTRAIN SYSTEMS BUSINESS GROUP'S GROWTH IS DRIVEN BY:
conventional and hybrid solutions, where Valeo is lengthening its lead, and low- and high-voltage electric mobility solutions, which are growing rapidly.
The electrification market is highly competitive but not yet mature. In this environment, Valeo already produces low- and high-voltage electric powertrain systems and offers a portfolio of innovative solutions to meet automaker and market requirements for coming generations. Valeo has a market share of around 15% in this rapidly growing market.

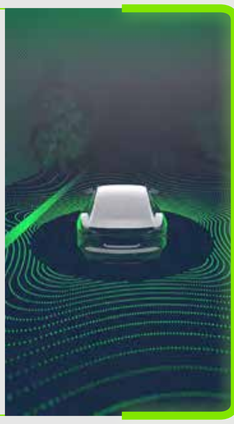
Production line for starter-alternators



2022 HIGHLIGHTS

FEBRUARY

Valeo and Renault announced they were joining forces to develop and manufacture a new-generation electric motor without magnets or rare earth metals.



JUNE

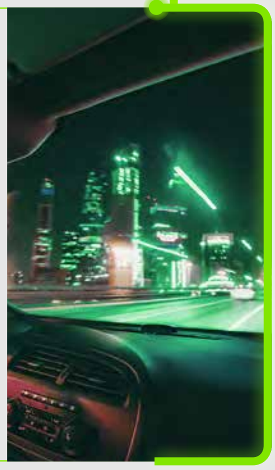
Atul, Honda and Valeo **announced partnership** to accelerate three-wheeler electrification in India.

JUNE

Order intake for high-voltage powertrain systems since January 2021 **exceeded target of 4 billion euros set for the 2021-2022 period, seven months ahead of schedule**. Orders mainly concern new 800V SiC technology.

JULY

Valeo integrated 100% of Valeo Siemens eAutomotive joint venture and reorganized Powertrain Systems Business Group into two complementary Product Groups to develop solutions for **all-electric** mobility.



SEPTEMBER

Valeo launched series production of the **Valeo Cyclee** cargo bike system.

SEPTEMBER

Valeo won a Pace Award for its Pendulum Dual Mass Flywheel Gen. 2.

SEPTEMBER

Valeo and the CEA announced their collaboration for the next generations of power electronics.

DECEMBER

First prototype finalized for an electric mower with five Valeo 48V electric motors (two for propulsion and three for mowing), presented at CES Las Vegas in January 2023.

THERMAL SYSTEMS (THS)

The Thermal Systems Business Group designs and manufactures intelligent solutions for optimizing vehicle thermal energy and in-vehicle comfort for all occupants, especially the ones that are essential to electric vehicle efficiency.

SMART HEAT PUMP

€4.543bn
23% OF 2022 GROUP SALES

5 PT
OUTPERFORMANCE

7.3%
EBITDA MARGIN

23,500
EMPLOYEES

65 PLANTS
14 R&D SITES

POSITIONING AND STRENGTHS

2.5X
INCREASE IN VEHICLE ELECTRIFICATION CONTENT PER VEHICLE BY 2025 (VS 2021)

- **A key player in e-thermal systems,** with strong technical leadership
- **Record orders of 7 billion euros** in 2022, with two-thirds in electrification
- **Strategic partnerships** to develop the thermal systems of the future (TotalEnergies, EDF, CEA, Wuhan University of Technology, etc.)
- **Large customer portfolio** (premium, mainstream and new players) on all continents, especially in China and the West Coast of the United States
- **Comprehensive coverage in thermal systems,** plus expertise in composite structural parts
- Thermal management expertise **made available to new sectors** (data centers, etc.)

2025 OUTLOOK*

~€5bn
ORIGINAL EQUIPMENT SALES
11% ANNUAL GROWTH OVER THE 2021-2025 PERIOD

>4 PT
OUTPERFORMANCE
BETWEEN 2021-2025

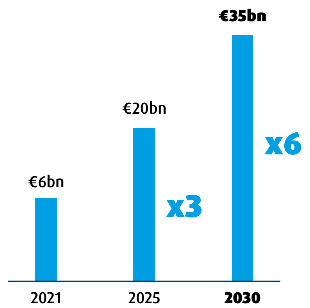
~13%
EBITDA MARGIN

* Move Up Plan as published in February 2022.

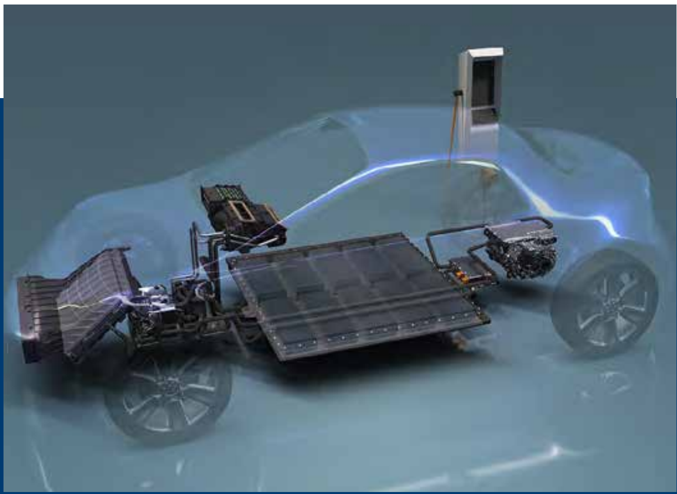
MARKET OUTLOOK AND TRENDS

2/3
OF 2022 THS ORDERS FOR HIGH-VOLTAGE ELECTRIFIED VEHICLES

MARKET FOR THERMAL SYSTEMS FOR ELECTRIC MOBILITY



GROWING APPEAL OF SMART HEAT PUMP TECHNOLOGY,
a new, more compact heat pump, fully integrated into the vehicle



Valeo's e-skateboard integrating electric powertrain systems and the associated e-thermal systems

DESCRIPTION OF THE BUSINESS GROUP

THERMAL MANAGEMENT IS MORE IMPORTANT THAN EVER FOR ELECTRIC MOBILITY.

The Thermal Systems Business Group develops systems addressing various electric mobility challenges (for cars, buses, trucks) in terms of cost, energy efficiency and usage, primarily as regards improvements to vehicle range, battery charging speed and carbon footprint.

The Business Group has expertise spanning passenger thermal comfort and thermal energy management for batteries and structural parts enhancing collision protection.

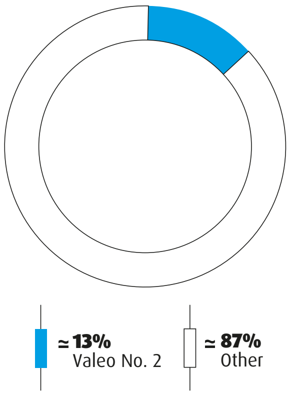
It offers: smart and simplified thermal management systems (global architecture and control laws); compact integrated multifunction modules (HVAC, heat pump modules, front panel modules); efficient, lightweight components with reduced carbon footprint (e-compressor, exchangers, electric valves and pumps, brushless fans and motors, controlled shutters, electric air, water and radiant heaters, beams and structural reinforcements in composite materials, etc.), all controlled by software.

TECHNOLOGICAL SOLUTIONS AND MAJOR INNOVATIONS

Valeo Thermal Systems designs and produces smart, compact heat pump systems integrating all the components (exchangers, valves, pumps, fluid distribution board and sensors) compatible with R-1234 and R-744 fluids. High efficiency in both heating and cooling modes brings weight and cost reductions of up to 20%. The Business Group also offers low-consumption cabin heating with the Valeo FlexHeater radiant heating system, controlled with contact surfaces and the air conditioning unit. Together, these solutions reduce the impact of interior heating requirements on the battery pack by 20% to 45% in cold weather (7°C).

Noise from the front fan and the compressor during rapid charging of EVs can be a key challenge. The Thermal Systems Business Group has developed a silent cooling module that reduces the vehicle's noise signature by up to 7dB(A) during rapid charging. This ultra-compact module (Z<250 mm) also improves vehicle aerodynamics and frees up more space for cameras/LiDARs or front trunk capacity than conventional modules.

MAIN COMPETITORS ON THE THERMAL SYSTEMS MARKET



Main competitors:
Denso, Hanon, Mahle

With its leading position in battery cooling solutions and firm commitment to reduce greenhouse gas emissions, the Thermal Systems Business Group has developed the next generations of low-carbon solutions, using recycled aluminum or dielectric fluid, combined with thermoplastic composite casings for battery packs.

It also develops structural parts in thermoplastic composite for body reinforcement (bolster, beam and crash box). This recyclable material is lighter, equally robust and offers the same performance. And the switch from a metal to thermoplastic reduces the CO_2 impact by up to 80%.

IDEAL POSITIONING FOR THE THERMAL SYSTEMS BUSINESS GROUP

With the growing electrification of mobility, thermal management has become a major challenge, opening significant growth opportunities for the Business Group. The thermal systems market is set to more than double by 2030, to 49 billion euros. Valeo Thermal Systems stands as a highly valuable systems partner, with worldwide coverage, close reach to manufacturers and a broad customer portfolio that includes both traditional automakers and new mobility players. Valeo is highly integrated and offers a comprehensive product range effectively addressing the cost and carbon-footprint challenges raised by the mobility of the future.

High Voltage Coolant Heater

MARKET TRENDS AND OUTLOOK

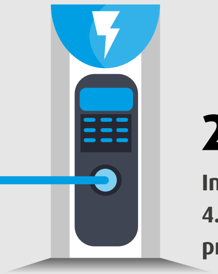
Individual mobility solutions have diversified considerably in recent years. However, the light motor vehicle remains attractive for private and commercial use, as do buses for public transportation.

At its current scope, the Thermal Systems Business Group is aiming to outperform its addressable market by more than 4 percentage points by 2030, driven mainly by the mass electrification of vehicles, both hybrid and all-electric. All-electric vehicles alone already accounted for nearly 8% of the world market in 2022, and the figure is expected to reach nearly 29% by 2030.

The thermal management content of an electric vehicle will be 2.5 times higher by 2025. The technology roadmaps of all automakers accommodate the need for an optimized thermal management system for energy performance and passenger comfort in electric vehicles. Battery thermal management, improved for faster charging, along with heat pump penetration to ensure travel range in winter, are important content and growth drivers.

As a result, the market for automotive thermal systems offers significant momentum and opportunity.

Bus air conditioning
system production line.



2022 HIGHLIGHTS

In 2022, the Thermal Systems Business Group booked record orders topping 4.6 billion euros in the area of thermal solutions for electrified vehicles, proving that its technology roadmap is on the right track.

MARCH

Valeo signed an advanced development contract with an Asian automaker for a composite rear impact beam including shock absorbers.

MAY

Valeo supplied an XXL battery pack plate heat exchanger for a leading German automaker's new electric vehicle platform.

MAY

Valeo supplied the world's first recycled plastic climate control unit for a leading German automaker, the Business Group's largest order to date, as well as a front-end cooling module (September 2022).

JUNE

Valeo supplied the first **Smart Heat Pump** module designed by an automotive supplier for a Chinese automaker.

JULY

European automaker with international **scope extended order** for glycol battery coolers for its electric vehicle platform.

OCTOBER

Valeo signed an agreement with **TotalEnergies** to develop an innovative way of cooling electric vehicle batteries using a new, very high-performance dielectric fluid.

NOVEMBER

Valeo and **École Polytechnique** renewed partnership to accelerate innovation projects.

DECEMBER

European Commission granted funding of more than 3.5 million euros for an initial project on laser welding for the aluminum coolers of electric vehicle batteries. This solution will contribute to a **low-carbon Europe**.

DECEMBER

European automaker placed substantial order for an even higher performance heat pump system for their new global electric platform.

VISIBILITY SYSTEMS (VIS)

Through its Visibility Systems Business Group, Valeo is the world leader in the lighting and wiper systems markets.

ULTRA THIN LENS

€5.363bn
27% OF 2022 GROUP SALES

-2 PT
OUTPERFORMANCE

13.1%
EBITDA MARGIN

32,200
EMPLOYEES

48 PLANTS
23 R&D CENTERS

POSITIONING AND STRENGTHS

1.2X
INCREASE IN CONTENT PER VEHICLE BY 2025 (VS 2021)

10%
GROWTH BY 2025 (VS 2021)

- **World leader in lighting and** wiper systems
- **Growth in tech content per vehicle,** thanks to vehicle electrification and automation
- **Standardized and competitive technological platforms**
- **World-recognized multidisciplinary expertise** in design, digital simulation, optics, plastic injection molding, electronics and software
- **Product portfolio closely aligned with market trends:** performance, style and safety

2025 OUTLOOK*

~€6bn
OEM SALES GROWTH
10% PER YEAR IN 2021-2025

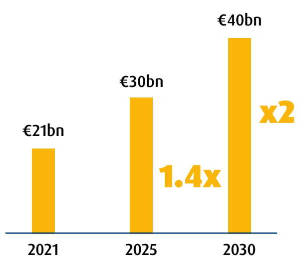
>4 PT
OUTPERFORMANCE
BETWEEN 2021-2025

~15%
EBITDA MARGIN

* Move Up Plan as published in February 2022.

MARKET OUTLOOK AND TRENDS

LIGHTING AND WIPER SYSTEMS MARKET



NEW GROWTH WAVE DRIVEN BY SAFETY, REGULATORY AND DESIGN CONSIDERATIONS, WITH FRONT-END OPPORTUNITIES OPENED BY ELECTRIC VEHICLE DEVELOPMENT.

Illuminated logo and front-end

DESCRIPTION OF THE BUSINESS GROUP

The Visibility Systems Business Group designs and produces innovative, high-performance, smart exterior and interior lighting and signaling systems, along with wiper and sensor cleaning systems.
These solutions help the driver in all driving situations, and improve safety for all vehicle occupants and road users. These systems enable all vehicles, including automated vehicles, to drive in all usage conditions and create a highly immersive experience for all vehicle passengers.

The Visibility Systems Business Group's products are designed to meet driver needs both in manual mode and – in the near future – in autonomous mode, by:

- enabling drivers to see the road clearly, and be seen, by means of intelligent, communication-capable lighting, wiper and signaling systems;
- making sure cameras and other optical sensors work properly in all circumstances;
- enhancing driver and passenger comfort by means of innovative vehicle exterior welcome features and interior lighting functions.

As well as being designed to offer the best performance at an affordable cost, all of the systems developed by the Business Group are also optimized for weight and energy consumption to help minimize the greenhouse gas emissions of internal combustion engine vehicles and increase the travel range of electric vehicles. The entire innovation strategy is aligned with Valeo's CAP 50 carbon neutrality commitments.

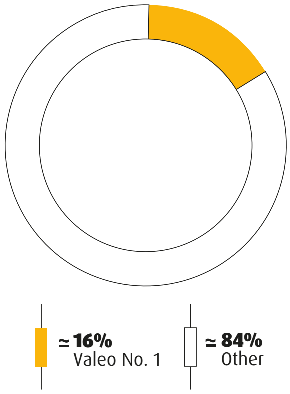
Visibility Systems has two Product Groups:

- **Lighting Systems**
The Lighting Systems Product Group is the world leader in exterior signaling and lighting systems, thanks to its broad portfolio of solutions covering all market needs.
Its innovative interior lighting solutions create a genuine experience on board.

- **Wiper Systems**
The Wiper Systems Product Group offers sensor cleaning solutions for autonomous vehicles and window wiping and cleaning systems to provide both the driver and the vehicle's optical sensors with perfect visibility of the road.

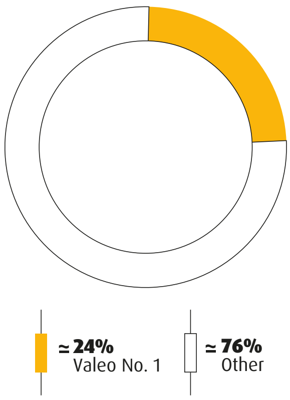
MAIN COMPETITORS ON THE...

LIGHTING SYSTEMS MARKET



Main competitors:
Koito, Marelli, Hella

WIPER SYSTEMS MARKET



Main competitors:
Bosch, Denso, Mitsuba, Dongyang, Shenghuabo

MARKET TRENDS AND OUTLOOK

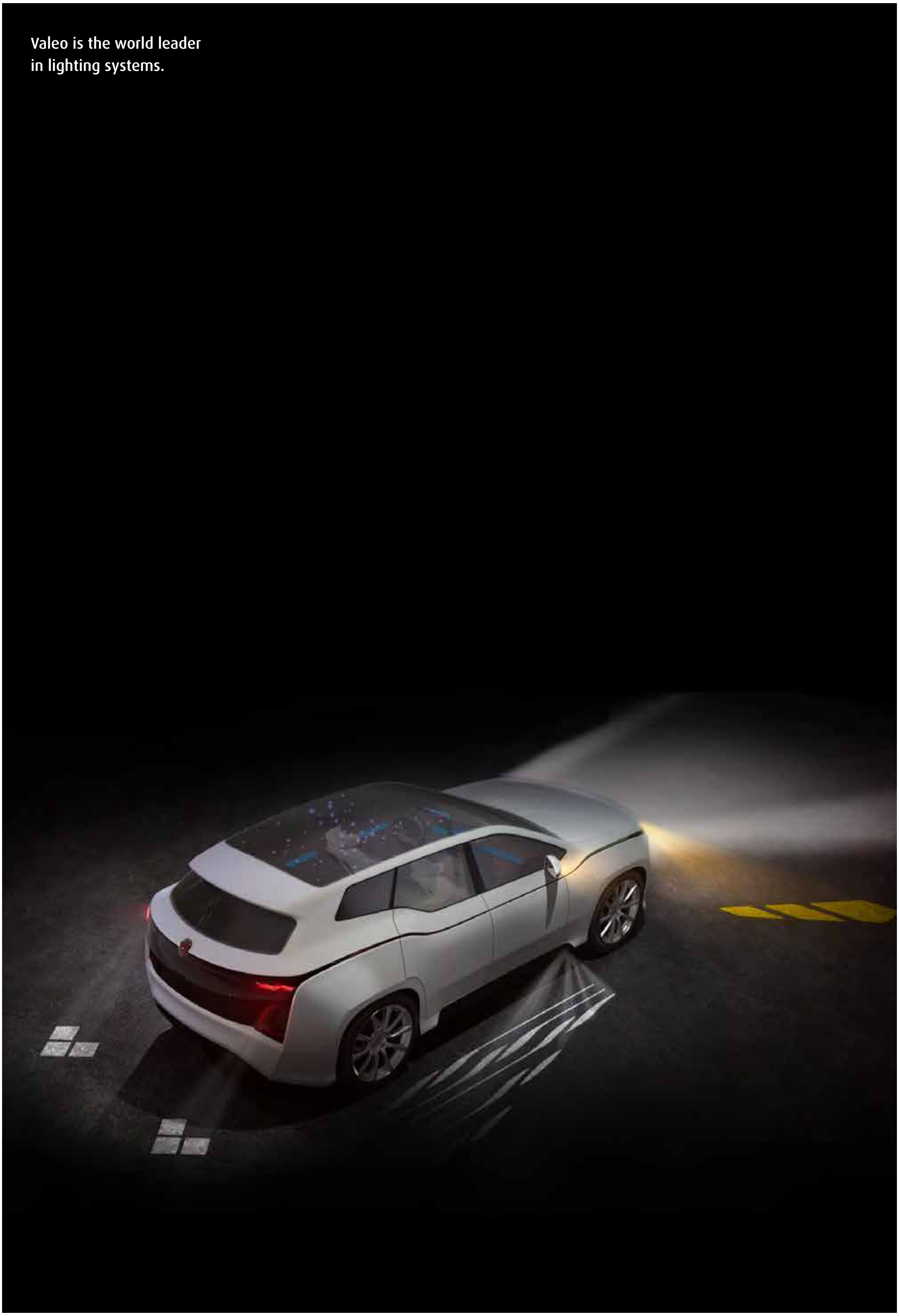
Growth opportunities are driven by developments in electric vehicles and the major changes in the style of the front and rear as a means of asserting brand identity and expanding designers' style choices (illuminated logo and front- and rear-ends).

The cabin well-being and safety experience is also a way for brands to differentiate themselves. Since interior lighting is a key factor in this area, there are genuine growth opportunities in this market for years to come.

Autonomous vehicles need to communicate with their surroundings, and lighting is fundamental, enabling the vehicle to provide clear, real-time information for other road users.
This requires an increasingly complex combination of lighting, signalling, electronics and software in order to create advanced smart solutions.
This trend is opening up opportunities in 360° communication-capable lighting systems and in rear lighting.

Safety is paramount in the development of ADAS and autonomous vehicles.
Sensor cleaning for the many cameras, LiDARs (laser detection systems) and infrared sensors that equip these vehicles is an essential function to ensure they operate reliably in all seasons and weather conditions.

Sensor cleaning systems.


Valeo is the world leader
in lighting systems.

2022 HIGHLIGHTS

The 15-mm ThinLens module, already fitted on more than 21 models and boasting a hardware standardization rate of nearly 94%, won two awards: the Gasgoo Award in China (October) and the CES Innovation Award in the United States (December).

The **Visibility Systems Business Group stepped up** its growth through strategic alliances and partnerships with companies such as Ningbo Swell Industry Co. (December) and SRG Global (October) in illuminated front grilles, and with Motherson (February) in interior lighting.

APRIL

Record order intake for wiper systems, especially electronic wiper mechanisms and arm and blade sets with integrated washer systems, a market led by Valeo for over ten years.

MAY

Valeo cemented its status as an innovative player in interior lighting, with first contract signed for dynamic ambient lighting and back-lighting with Chinese automakers.

JUNE

Substantial order intake, particularly in the United States, highlighted **growing market interest for our rear signaling solutions,** which offer unparalleled consistency and a top-end finish at an optimal price.

OCTOBER

Record order intake, including for adaptive HD headlamps, and a very significant share of orders in China for front lighting systems.

NOVEMBER

Substantial order intake for sensor cleaning systems.

VALEO SERVICE (VS)

Valeo Service supplies original equipment spares and services to car dealer networks and the independent aftermarket.

AS AN AUTOMOTIVE AFTERMARKET SPECIALIST, VALEO SERVICE SUPPORTS REPAIR AND MAINTENANCE PROFESSIONALS IN THEIR OPERATIONS

€2.256bn

IN AFTERMARKET SALES, 11% OF 2022 GROUP SALES

9%

GROWTH COMPARED TO 2021

1,300

EMPLOYEES

MORE THAN 150

COUNTRIES COVERED

POSITIONING AND STRENGTHS

Valeo Service supplies original equipment spares and services to car dealer networks (OES market) and to the independent aftermarket (IAM market). Valeo Service is a trusted partner that supports the development of aftermarket businesses on the vehicle maintenance, crash and repair markets:

- coverage of cars and commercial vehicles;
- coverage of all day-to-day needs for vehicles on the road in more than 150 countries;
- support for the in-depth changes under way in the automotive sector thanks to Valeo's original equipment expertise, and innovative solutions developed specifically for the aftermarket.

Valeo Service aims to be a value-creating partner for all aftermarket players: a Smart, Trusted and Sustainable partner offering a Premium Experience.

To create this value, Valeo Service:

- supports mobility professionals in their transformation;
- acts as a trusted technical advisor in all repair and maintenance operations (parts, assistance and services) for all vehicles, including the new generations of autonomous electric vehicles, new mobility solutions and new technologies;
- offers new retrofit solutions and services to enhance vehicle value and the driver experience.

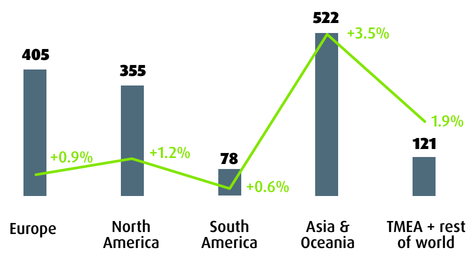
This mission is summed up in the Smart Care for You promise.

MARKET OUTLOOK AND TRENDS

GLOBAL VEHICLE FLEET

Millions of vehicles in 2022

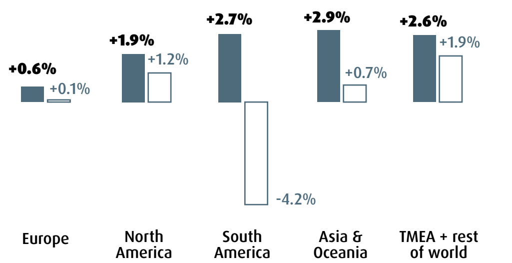
Annual growth over the 2021-2027 period



2021-2027 ANNUAL GROWTH

Dealer networks

Independent aftermarket



Valeo Service offers technical training to aftermarket professionals.

DESCRIPTION OF THE BUSINESS GROUP

A "SMART" PARTNER

Accelerating worldwide rollout of Valeo Service websites: addressing key users (distributors, mechanics and drivers), with an emphasis on user experience and customization. The international platform valeoservice.com, along with 19 national websites, today covers the United Kingdom, France, Spain, Portugal, Italy, Germany, Poland, the Netherlands, Belgium, the United States, Mexico, Brazil, Argentina, India, Turkey, China and Thailand. Valeo's e-platforms enjoy a large and rapidly growing number of visitors, making them some of the most widely viewed aftermarket websites in the world.

Enhanced digital strategy for original equipment spares (OES) with the creation of innovative communication materials.

- Valeo Service has rolled out a new digital content strategy guided by the objective of helping automakers promote aftermarket solutions. It has provided its automaker customers with dedicated communication materials to help them improve the way they communicate to their networks about their spare parts and retrofit offering.
  Rollout of the e-surveys program is accelerating, as is the creation of short training modules in the form of social media stories.
- all this material is now available via an e-platform, for convenient access.

A "TRUSTED" PARTNER

To ensure mechanics can keep their spare parts listings and tooling up to date, Valeo Service pays special attention to launching the latest original equipment innovations on the aftermarket and developing dedicated aftermarket solutions. Some 13,000 products were added in 2022.

Upgrade to the Valeo Tech@ssist online technical support platform for workshops, co-designed with workshops and distributors.

- The platform offers a quick and intuitive parts search engine:
  Valeo Tech@ssist is easily accessible via the valeoservice.com website (and country websites), and uses databases widely recognized in the market.
  Mechanics can find Valeo product details with ease, including technical features, automaker compatibility information and product images.
  Users can search by vehicle (brand, model or version), vehicle identification number (VIN), license plate (in some countries) or product reference;
- full technical information, including technical service bulletins, instructions and installation videos, are now available in a single location for immediate consultation. Valeo Tech@ssist is continuously upgraded to provide access to product-specific technical information, for increased efficiency and lower error risk;
- though training for professionals is of crucial importance given the pace of technology in automotive maintenance and repair, it is very difficult to organize, because of a lack of time and the difficulty in interrupting mechanics' everyday routines. To overcome these limitations, Valeo Service has made webinars available via Valeo Tech@ssist. Take-up by workshops in the past few years has been very strong, and continues to accelerate. Valeo Service ran more than 100,000 training courses in 2022;
- Valeo Tech@ssist has been rolled out on websites in Europe, Southeast Asia, Africa, French overseas territories, and China (via the WeChat application, specific to China). In 2023, the platform will be extended to cover Brazil.
  It is also interconnected with the portals of several major European aftermarket players.

A new interactive catalog, specific to clutch kits for trucks. Clutches are one of the product families where Valeo's expertise is particularly recognized. But given the very large number of items in the catalog, searching for the right part can be time-consuming. Valeo Service's new interactive catalog enables workshops to find the right component from a part number present on the vehicle. The result is considerable time savings for repair professionals. Valeo is the first automotive supplier to offer such a tool. Already available in some European markets, such as the United Kingdom and Germany, it was released worldwide in the first half of 2022. This interactive catalog received the European Innovation Award from Frost & Sullivan in 2022.

A "PREMIUM EXPERIENCE" PARTNER

Valeo Specialist Club: a unique workshop loyalty program, developed with input from partner workshops. Valeo Specialist Club is accessible via smartphone app or the Valeo Service website, and includes a feature allowing workshops to sign up using a single account or open multiple accounts to reward their teams. It is accessible via a smartphone app:

- the program is 100% digital, straightforward and efficient, its defining characteristic being the total freedom from cumbersome procedures: no need to cut out packaging or collect documents and return by mail;
- it takes mechanics no more than a couple of minutes to open an account, start scanning Valeo products, and watch the points add up in their accounts in real time. As well as recognizing spare parts for passenger cars, Valeo Specialist Club also offers rewards on industrial vehicle parts;
- the program has been taken up by more than 40,000 repair workshops worldwide, on every continent, from China to Brazil, Russia, Europe and Turkey.

For 2022, Valeo received Nexus Automotive's Supplier of the Year award. This recognition solidifies a successful collaboration that began in 2014. Nexus is the largest international-scale distributor, with sales currently topping 35 billion euros.

A "SUSTAINABLE" PARTNER

Reducing greenhouse gas emissions has long been a concern for the Valeo Group. With today's mounting awareness of the need for more environmentally-friendly vehicles, the Group is reaping the benefit of its longstanding strategic investments in this area. These trends, already apparent in the background of the automotive aftermarket business, have accelerated.

- **Vehicle electrification is creating a major revolution for the automotive world,** and, as world leader in this field, Valeo holds a pivotal position in this unprecedented revolution. To reduce its carbon footprint, Europe's vehicle fleet is gradually going electric. This will open up aftermarket opportunities for new replacement parts for hybrid and electric vehicles. The two areas most concerned by electrification are powertrains and thermal systems. Valeo has already made huge strides in both these areas.

By offering the aftermarket these new technologies for electrified vehicles, Valeo is contributing to the ongoing electric revolution. It began in 2020 with the release of the iBSG (integrated Belt-driven Starter Generator) for mild-hybrid technologies, the very first on the market. Soon after, in 2022, came the Dual Wet Clutch Dual-Mass Flywheel (DWC DMF) technology, recognized as highly innovative in reducing noise and vibration, while providing flexibility to the stop-start mechanism in hybrid vehicles.

- **Valeo is also committed to offering ever more innovative and durable wiper blade ranges.** In 2022, it launched Everguard, the new generation of wiper blades, with silicone technology. As well as offering excellent visibility and exceptional wiping performance, this innovation also brings uniquely extended service life. The silicone material makes it twice as durable as a standard wiper.

The product is developed in France by Valeo, world number-one in wiper systems.

MARKET TRENDS AND OUTLOOK

The automotive repair market is in a state of transformation, as evidenced by the arrival of new entrants on the aftermarket, the strong growth in online sales, the increasing complexity of automotive technology, and heightening expectations from professional and private customers on ecology, health and safety. In this changing market context, vehicle maintenance and repair specialists face considerable uncertainty, with challenges in productivity, efficiency and profitability, which is under particular strain given the worldwide health crisis and the ensuing business closures and lockdowns.

With its STEPS strategy, Valeo Service makes a firm commitment to support vehicle maintenance and repair specialists with solutions closely tailored to their needs and designed to create value.

We're talking about Smart solutions, that are agile, innovative, digital and personalized, from a Trusted partner, through products and services geared to more Sustainable mobility, the purpose being to bring customers a Premium Experience.

- **Valeo Service is constantly stepping up support for car** and truck **makers' circular economy strategies.** In Europe, Valeo's remanufactured dual-mass flywheel program continued to gain momentum, with several product-line extensions and the addition of new automaker customers. At the same time, Valeo Service OES launched its first dual clutch offering, addressing a growing market, along with a range of brake calipers. In China, where the remanufacturing market is still in its early days, Valeo Service OES provides an air conditioning compressor line. In the United States, Valeo Service OES is preparing to release its first range of remanufactured alternators and starters for a leading automaker, through a local partnership.

Valeo Service's mission is embodied in its strategic STEPS program: Smart, Trusted, Sustainable, Premium Experience.

1.4 Geographic and industrial footprint

Geographic footprint at December 31, 2022

	Plants	Research centers	Development centers	Distribution platforms	Number of employees
WESTERN EUROPE					
Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, United Kingdom	46	17	9	5	27,623
CENTRAL AND EASTERN EUROPE					
Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Turkey	20	0	7	3	18,788
AFRICA					
Egypt, Morocco, South Africa, Tunisia	9	0	1	0	7,305
NORTH AMERICA					
Canada, Mexico, United States	24	0	6	2	16,315
SOUTH AMERICA					
Argentina, Brazil	5	0	2	1	2,255
ASIA, MIDDLE EAST & OCEANIA					
China, India, Indonesia, Japan, Malaysia, South Korea, Thailand, Australia	79	4	19	7	37,614
Total	**183**	**21**	**44**	**18**	**109,900**

At December 31, 2022, the net carrying amount of the Group's real estate portfolio (land and buildings) was 1,455 million euros (see Chapter 5, section 5.4.6, Note 7.3 "Property, plant and equipment" to the consolidated financial statements, pages 378 to 381). The portfolio is largely composed of plants, the majority of which are wholly owned.

The net carrying amount of the Group's equipment, which is largely made up of technical facilities, machinery and tools, was 3,607 million euros at December 31, 2022, excluding property, plant and equipment in progress and other property, plant and equipment (see Chapter 5, section 5.4.6, Note 7.3 "Property, plant and equipment" to the consolidated financial statements, pages 378 to 381).

Environmental constraints liable to have an impact on the use of fixed assets and real estate result from the regulations applicable in this area to all Group establishments (see Chapter 4, section 4.1.4 "Sustainable development policies", under "Environmental policy", pages 218 to 220).

1.5 Functional structure

The Group's functional structure is as follows:

- the **Internal Audit and Control Department** comprises the Risk Management, Internal Control, Internal Audit and Fraud teams;
- the **Sales and Business Development Department** consists of a Sales Department and an International Development Department for each Business Group, Customer Directors dedicated to each major automaker and National Directorates for each geographic area. It partners Group customers across all their markets and all continents;
- the **Communications Department** is responsible for setting out and sharing the Group's vision and strategy, both externally (with customers, journalists, civil society and the general public) and internally, in order to promote the Group's image, highlight its performance and unite employees;
- the **Ethics, Compliance and Personal Data Protection Office** is tasked with putting in place, managing, and coordinating the Compliance program, as decided by the Operations Committee, at global, national, local, and plant levels;
- the **Finance Department** oversees management control, accounting, financial reporting, financing activities and cash management, taxation, investor relations, strategic operations, information systems and risk and insurance;
- the **Legal Department** ensures compliance with Group procedures and with legal regulations and strives to defend the Group's interests;
- the **Purchasing Department** is in charge of Group purchasing. It seeks the most competitive suppliers, applies rigorous selection processes for new suppliers, and ensures suppliers comply with its total quality and innovation approach;
- the **Research & Development and Product Marketing Department** directs the Group's innovation policy as well as product development methods and tools;
- the **Human Resources Department** tackles the many challenges Valeo encounters worldwide in developing and managing human resources, from competing for talent to building and sharpening advanced skills and sustaining employability;
- the **Strategy and External Affairs Department** which, in collaboration with all the functional departments, the Business Groups and the Valeo Service activity, coordinates the Group's strategic planning efforts, notably with a view to preparing the medium-term plan and defining the main thrusts of the Group's organic and external growth and profitability strategies. It coordinates the **Sustainable Development and External Affairs Department**, which is responsible for implementing and monitoring the Group's sustainable development policy as well as its relations with external stakeholders.

1.5.1 Internal Audit and Control

Mission

The Internal Audit and Control Department is tasked with building a robust, integrated and structured risk management and control environment capable of helping the Group achieve its objectives.

Organization

It has four units:

- the Risk Management Unit is responsible for identifying, evaluating, processing and controlling risks of any kind liable to prevent the Group from achieving its objectives;
- the Internal Control Unit develops and maintains a robust control environment by way of operational support, by raising awareness among operating entities and functional departments, explaining control activities, and verifying their implementation and proper application. The team is made up of internal controllers at Group and regional level. An additional team handles IT Internal Control, which involves design and implementation of control procedures specific to information systems;
- the Internal Audit Department provides assurance, independent advice and objectives concerning the appropriateness and effectiveness of the governance structure and risk management system. The internal auditors, based in France at Group level and assisted by a team in China, carry out financial, IT and cross-functional audits of all Group entities to ensure procedures are properly applied, and put forward recommendations on improving effectiveness;
- the Fraud Department investigates all allegations of fraud received through the whistleblowing system or other channels (by email or letter), and raises awareness of fraud risks among all teams.

1.5.2 Sales and Business Development

Valeo partners with practically all of the world's automakers and truck manufacturers in developing, producing and marketing innovative products, systems and modules for both the original equipment market and the aftermarket.

Valeo supports its customers in the development of their markets on all continents, fielding a unique portfolio of innovative technologies and products designed to meet the automotive industry's challenges in accelerating powertrain electrification and ADAS, the reinvention of the interior experience and lighting everywhere.

Mission

The Sales and Business Development Department is tasked with designing and implementing a sales strategy adapted to all markets, and forging local and global partnerships with automakers to sustain profitable, global growth.

Organization

The Sales and Business Development Department pursues a program of continuous improvement to ensure customer expectations are met as fully as possible. It breaks down into three main functions:

- Sales Directors, reporting to each of the four Business Groups' management teams, in charge of defining and applying the sales strategy of each Business Group and its Product Groups. They head up a network comprising the Sales Directors of each Product Group;
- Group Customer Directors, in charge of defining and implementing a growth strategy to grow the Group's business with customers, cross-functionally for all Business Groups;
- International Development Directors in each of the four Business Groups are responsible for identifying market opportunities in high-growth countries, defining and implementing the Business Group's external growth strategy, and managing relations with partners.

2022 highlights

The breakdown of 2022 original equipment sales among the Group's customers once again confirms the geographic diversity and balance of Valeo's customer portfolio:

- Asian customers (including Nissan) come first, with 32% of original equipment sales;
- German customers account for 31% of original equipment sales;
- US customers (including Chrysler) account for 19%;
- French customers account for 13% of sales.

Thanks to its diverse customer portfolio and powerful product strategy in electrification and ADAS, Valeo recorded order intake of 32.6 billion euros in 2022, 1.9 times the Group's original equipment sales. This confirms the successful positioning of Valeo's new technologies and products.

1.5.3 Communications

Mission

The Communications Department is tasked with defining and implementing the Group's communications strategy and with strengthening Valeo's image and reputation across the world and with all stakeholders (employees, customers, shareholders, journalists, suppliers, partners and the general public).

Organization

It is structured around five units:

- **Media Relations**, which manages all relations with journalists worldwide and in all media formats. This unit handles all queries and requests from journalists as well as proactively offering news topics, interview themes and events designed to highlight the Group's activities and image;
- **Internal Communications,** tasked with building team cohesion, encouraging employees to act as company and brand ambassadors, and nurturing a Group-wide team spirit. Digitalization of internal communications and employee mobilization through the Valeo Employee Advocacy program are two of the key levers used to strengthen individual involvement and support the Group's major projects;
- **Brand**, responsible for ensuring a coherent brand expression worldwide, along with lasting brand integrity and strength to enhance Valeo's image;
- **Content,** responsible for developing a variety of content (written, audio and audiovisual) to promote all aspects (human, industrial, technological, etc.) of the Group's image and to enhance its visibility across the different channels under the unit's remit: the valeo.com website and the Group's social media accounts;
- **Events**, tasked with organizing all types of Group events – physical, hybrid and digital – such as trade shows, commercial and corporate events, customer visits, Shareholders' Meetings and internal events.

All of the Group's communications professionals in both the Communications Department and within the Business Groups and countries work together to reinforce the Group's image and reputation across the world, in line with the main areas of focus determined annually by the Communications Department.

1.5.4 Ethics, Compliance and Personal Data Protection Office

Mission

The Valeo Group's Ethics, Compliance and Personal Data Protection Office proposes, designs, pilots and coordinates the implementation of programs to detect and prevent risks of corruption and anti-competitive practices, and to ensure compliance with international sanctions and export controls as well as with regulations on personal data protection and human rights.

Organization

The Ethics, Compliance and Personal Data Protection Office is headed by the Group Chief Ethics, Compliance and Personal Data Protection Officer, who sits on the Executive Committee and the Operations Committee and chairs the Alerts Committee.

It comprises two units:

- the Ethics and Compliance Office, a central team responsible for developing compliance policies and tools, incorporating compliance programs into methodologies and advisory systems for operational staff, providing training, and conducting second-level compliance audits. It is also in charge of the Whistleblowing System. A total of 42 Compliance Champions covering different countries, Business Groups and functions (Purchasing, Sales, Logistics, Communications, R&D, HR, IT, Legal, etc.) contribute to the implementation of policies, priorities, control points, action plans and instructions in their respective areas of responsibility;
- the Personal Data Protection unit, a central team responsible for defining programs and tools to protect personal data processed in connection with the Group's activities, and by the Human Resources and R&D Departments in particular. A total of 13 Personal Data Protection Managers and 37 Data Protection Champions contribute to the implementation of these programs and tools at local level, as well as compliance with regulations.

1.5.5 Finance

The Finance Department comprises the following departments: Management Control, Reporting, Accounting, Financing, Cash Management, Tax, Investor Relations (see Chapter 6, section 6.2 "Investor relations", pages 467 to 468), Strategic Operations, Information Systems and Risk Insurance. Operating either on a Group-wide network basis or centrally from headquarters, these functions execute Valeo's financial strategy. In particular, they are tasked with:

- providing the tools and procedures necessary to supervise and monitor the performance of the Group's activities;
- producing tools to support decision-making;
- ensuring that the Group controls its financial risks;
- presenting detailed, up-to-date and relevant information on the Group's financial situation, the performance of its activities as well as its economic environment;
- ensuring the Group's financing;
- providing information systems units to meet their needs.

Management Control

The management control function acts as co-pilot, assisting operations managers in the management of Group activities and in preparing and approving investment documentation and responses to tenders launched by automakers. It assists with the monthly accounts closing and provides analyses of performance, risks and opportunities using both key financial and operating indicators. It draws up three-month forecasts on a monthly basis and sets out the budget and the medium-term plan.

The management control function is present at all levels of the organization (sites, Product Lines, Product Groups, Regional Operations, Business Groups and Group). It works together with the accounting and cash management services to provide relevant and reliable information. The management control function has a number of effective tools to enable it to carry out its duties, including standardized enterprise resource planning and reporting systems.

Accounting

Mission

The Group Accounting Department is responsible for preparing the consolidated financial statements for the Group and the individual financial statements for Valeo. Its mission is to supervise and control all the Group's accounting activities.

Organization

To perform these duties, the Group Accounting Department is organized into three units:

- the **Technical Standards Department** is responsible for the implementation and application of International Financial Reporting Standards (IFRS). It ensures that the financial statements are prepared in accordance with said standards. This department also prepares and organizes training sessions for the Group's finance teams with a view to continuously improving reporting quality and promoting better knowledge of the standards. Since 2022, it has also analyzed and assessed the impact of environmental, social and governance (ESG) regulatory requirements on the scope of financial information, and conducts appropriate reporting in coordination with the Sustainable Development Department;
- the **Consolidation Department** prepares the Group's consolidated financial statements; each member of the team, under its director's supervision, reviews the financial statements of subsidiaries within a specific region (Europe, America, Asia, etc.) and follows up on broader issues that also concern their region;
- the **Holding Companies Accounting and Valeo Internal Bank Department** prepares the financial statements of the Group's main holding companies and oversees the operations of the Group's Internal Bank.

The accounts function for Group subsidiaries is usually handled by the Shared Services Centers (SSC). The Group currently has 13 SSCs worldwide.

The Group Accounting Department guarantees the quality of the consolidated financial statements and their consistency with IFRS, and ensures that subsidiaries' statutory financial statements are compliant with local accounting standards. As part of its role, it strives for continuous improvement in the transparency, relevance and readability of the financial information reported by Valeo.

Financing and Treasury

Mission

The Financing and Treasury Department develops and implements the Group's finance, cash management and financial risk management strategy. It guarantees the security and optimization of cash flows and manages relations with banks and rating agencies.

Organization

The Financing and Treasury Department is structured into three sub-departments:

- the **Cash Management Department**, which is responsible for cash reporting, optimization of working capital and management of customer credit risk. To do this, it leads a team of corporate treasurers operating across the Group. Working within the SSCs, which are organized by country, the treasurers work closely with the accounting services to produce standardized reporting;
- **Valeo Internal Bank, with its three offices**:
  - the front office of Valeo Internal Bank, which identifies and centralizes the management of market risks (essentially interest rate, foreign currency, commodity and liquidity risk). The financing, investment and risk hedging strategies are reviewed monthly by the Group's Finance Department,
  - the middle office of the Valeo Internal Bank supervises control over operations,
  - the cash management/back office oversees banking relations and activities with external and internal counterparties;
- the **Treasury Systems Department**, which is responsible for means of payment and continuous upgrade and availability of treasury systems. Secure applications are in place to control payment and collection flows.

2022 highlights

At the end of November 2022, Valeo placed 750 million euros' worth of sustainability-linked bonds. This second issue based on the "Green and Sustainability-linked financing framework" established in July 2021, underlines Valeo's commitment to achieving carbon neutrality and is a natural extension of the Group's overall efforts in terms of sustainability.

Tax

The Tax Department supports the Group's strategic and operational decisions and manages all tax matters.

The Tax Department is divided into three functions:

- **a Group-level specialist team** in charge of transfer pricing, indirect taxation, taxation of R&D and cross-business projects, and supporting operational and local tax specialists;
- **an operational team** of tax specialists from the Business Groups;
- **a local presence in the National Directorates,** comprising tax officers who act as the representatives of the local Finance Departments. They guarantee that transactions are compliant with local regulations and are on the front line in the management of tax audits and disputes.

Information Systems

Mission

The Group's Information Systems Department is tasked with defining and implementing solutions that address all of the Group's business needs. It is structured into six Functional Departments and five Continental Departments.

Organization

The six Functional Departments define Group standards for IT systems and infrastructure as follows:

- the **Enterprise Management Systems Department**, which safeguards the integrity of the central IT system, provides reporting and business intelligence tools and underpins Valeo's growth by developing standardized solutions for Production, Logistics, Quality and Purchasing;
- the **Research and Development Information Systems Department,** which supports innovation in Valeo products. Through its IT expertise centers and business partner network, it draws up and implements standard solutions used in product design and simulation, life cycle management for mechatronic products and onboard software, and planning, resource management and project reporting tools;
- the **Office Systems Department**, which defines the Group's communication and collaboration services and makes them available to all computer-equipped Group employees. It works to continuously boost both individual and collective efficiency to improve administrative productivity;
- the **Infrastructure Department**, which is responsible for the performance of all information systems. It produces resilient standards for information and telecommunications networks, hardware and software for workstations and servers. It monitors IT security policy through a network of experts in each country;
- the **Information Systems Security Department**, which sets Information Systems Security Policy and is responsible for deploying it and monitoring its implementation across all Valeo sites (organization, processes and security solutions). The department's objective is to guarantee the availability, integrity, confidentiality and traceability of Valeo's assets. It also audits third-party companies to ensure that they do not pose a risk for Valeo. Lastly, the department is responsible for preventing and managing cybersecurity incidents;
- the **Valeo Service Information Systems Department**, which is in charge of the information system designed specifically for managing a distribution activity. It also covers the deployment of Valeo standards.

The five Continental Departments oversee the measures taken to roll out and support adherence to standards at Business Group level. These departments, which work closely with operational staff, contribute to defining needs and are responsible for the implementation of solutions and services at Group sites. They are organized into a network of SSCs, usually one per country. Specialized functional analysts provide systems support for the IT managers at each site.

2022 highlights

- Improved cybersecurity, in particular through the expansion of cybersecurity teams and the deployment of new data leak detection tools;
- Ongoing homeworking support;
- Continued rollout of Factory of the Future systems;
- Continued adoption of a "no code" development tool;
- Strengthening of R&D teams and tools, in particular for embedded software development;
- Preparation of the new human resources management system, with gradual rollout since early 2023.

Risk and Insurance

The two main responsibilities of the Risk and Insurance Department are to (i) help draw up the management policy for insurable risks and oversee its application, and (ii) take out global insurance covering the risks relating to Valeo's businesses.

The Risk and Insurance Department contributes to updating the Group's risk map within the Risks Committee.

It specifies and implements the policy relating to the transfer of the Group's residual risks to the insurance and reinsurance markets by taking out insurance coverage and rolling it out globally. It ensures that coverage is constantly adapted to changes in the Group's situation.

Risks that could impact Valeo's business are set out in Chapter 2, section 2.1.1 "Strategy risks", page 95 *et seq.* Details on insurance and risk coverage are given in Chapter 2, section 2.2 "Insurance and risk coverage", page 104.

1.5.6 Legal

Mission

The Legal Department ensures that Valeo's operations are carried out in compliance with all applicable legislation and internal procedures, and works closely with Valeo's specialist departments to defend Group interests on any issues arising.

Organization

The Legal Department is run by the Group's General Counsel, who sits on the Executive Committee and the Operations Committee. He is also the Group's General Secretary.

He leads a team that is mainly based at the Paris headquarters but also extends to Valeo's main markets: Germany, United States, Japan and China. The Paris-based team comprises the Deputy Group General Counsel, whose tasks include handling due diligence and negotiating and drafting contracts during mergers and acquisitions, and five General Counsels each responsible for a Business Group or Valeo Service, who supervise legal affairs worldwide for the activity under their remit. The other members of the Legal Department are based abroad. These regional General Counsels report to their respective National Directorates and are more particularly dedicated to operations in their particular countries or regions, in coordination with and under the responsibility of the General Counsels of the Business Groups and Valeo Service. All of the General Counsels advise operations managers and ensure that transactions within their remit are carried out in line with the Group's applicable ethics and compliance rules, the delegation and approval procedures implemented by General Management, and the interests of the Group.

The legal team works alongside the other functions, from the product design stage through to marketing and sales and beyond. It assists the Research and Development Department in forming R&D partnerships, the Industrial Department in setting up new industrial facilities, the Purchasing Department in its relations with suppliers, and the Sales and Business Development Department in contracts with both old and new customers, as well as in managing product warranties.

The General Counsels of the Business Groups and Valeo Service are supported by and collaborate closely with the other functional departments to ensure maximum overall business security. They also oversee legal matters at Group entities.

1.5.7 Purchasing

Mission

The main responsibilities of the Purchasing function are to reduce overall purchasing costs by sourcing from the most competitive suppliers, to implement rigorous selection processes for new suppliers, to ensure suppliers and subcontractors comply with its total quality and innovation approach, and to establish close partnerships with the most innovative and efficient suppliers. Valeo sees its purchasing strategy as a path to achieving a truly competitive edge.

Organization

The Group's Purchasing Department has two major priorities:

- **a Commodity/Segment priority**, focusing on the specific purchasing strategy for commodities. Its global approach allows for a consistent supplier selection policy, run through business allocation committees. The seven commodities, divided into segments, are:
  - steel and processing,
  - plastics and processing,
  - non-ferrous metals and processing,
  - electromechanical components,
  - electronic components and systems,
  - lighting and other components,
  - indirect purchasing of products, equipment and services used in the design of Valeo products or in manufacturing processes;
- **an Operation and Projects priority,** focused on project release using optimally cost-effective parts and systems, on the achievement of technically efficient productivity, and on re-sourcing for competitive performance, with particular regard to the productivity it has to grant customers during the product life cycle.

Thanks to its Purchasing Department and its global reach, Valeo sources from cost-competitive regions while remaining close to customers. Valeo is particularly vigilant that suppliers comply with its Code of Ethics, focusing special attention on labor rights, human dignity and environmental protection.

2022 highlights

In 2022, Valeo continued to strengthen measures to ensure the continuity and performance of its supplier panel:

- the supplier insurance program, put together with one of the leading players in the market. Suppliers signing up to the program reduce their exposure to risk of a vehicle recall in the event of defects in the delivered product;
- the Supply Chain Finance program, a reverse factoring program that enables suppliers to obtain favorable finance conditions;
- the RSQ (Restore Supplier Quality) program, for suppliers that show signs of possible quality failings. Valeo liaises closely with the supplier's management to reduce the number of incidents impacting end-product quality;
- self-assessment questionnaire on sustainable development, submitted to more than 80% of the supplier panel. The questionnaire develops suppliers' maturity on sustainable development matters and on requirements on the reduction of greenhouse gas emissions;
- internal tools to evaluate financial risk and the supplier's transparent business allocation process.

This reflects Valeo's commitment to supporting its suppliers in their own quality initiatives, and to integrating them into Group projects.

The year 2022 was marked by rising energy prices, especially in Europe, with the war in Ukraine. In addition, the post-Covid recovery period brought tighter inflationary pressure on raw materials and ongoing tension in the electronic components market.

Despite this, the Group's purchasing organization as a whole showed excellent resilience, ensuring uninterrupted deliveries to all Valeo customers.

1.5.8 Research and Development and Product Marketing

Mission

The main purpose of Valeo's Research and Development and Product Marketing Department is to position Valeo among the world's leading automotive suppliers, in terms of innovation, CO_2 emissions reduction and accident prevention, largely through the development of electric, autonomous and connected vehicles.

Organization

Valeo's Research and Development and Product Marketing Department covers Research, Innovation, Development, Product Marketing and Intellectual Property.

Product Marketing teams carry out surveys to develop a fuller understanding of users' mobility expectations, factoring in new usage patterns related to electric, autonomous and connected vehicles. These surveys are correlated with the needs expressed by automakers. The findings, along with benchmarking results, enable Valeo to draw up the most appropriate roadmaps.

Valeo's successful open innovation program has led to various types of partnership with start-ups and top-ranking universities and research institutes in Europe, Asia and North America. It is also an efficient way of staying abreast of technological progress.

Partnerships with universities, laboratories and start-ups have intensified and become more international in scope, especially in Asia and the United States. Collaborative projects with leaders in other industries have been strengthened to share experience, best practices and research efforts in a spirit of collaborative innovation.

In 2022, Valeo stepped up its initiatives to decarbonize its products under the "CAP 50" Carbon Neutrality Plan. Specifically, carbon footprints have been quantified for all technological platforms, and a massive reduction plan has been put in place accordingly. In addition, a 4Rs (Robust Design, Remanufacturing, Repair, Recycle(d)) Circular Economy policy is already yielding tangible results, such as with the qualification of 100% recycled polycarbonate and polypropylene. Finally, remanufacturing and repair operations are to be intensified over the coming decade, with the aim of doubling volumes of parts produced using materials from the circular economy.

To ensure the most efficient use of resources, the Research and Development function optimizes team location on the basis of customers, costs, the skills market, and opportunities for synergies within the Group. Teams were accordingly strengthened in China, Japan, India and the United States.

Skills development continued: the R&D workforce grew by more than 2,000 to 17,244; the number of Experts increased by 15% to 1,619 (11% women); and Internal Technical Schools delivered 383,000 hours of technology training worldwide.

Processes, methods and development tools are continually adapted to enhance team performance and improve the technical and economic efficiency of the technological platforms that structure developments in electrification and in autonomous and connected vehicles.

The Group has rolled out a major policy to standardize components and products (platforms) across all Product Groups. A cross-functional technologies engineering organization (Engineering Disciplines) has been set up to coordinate, standardize and develop key technologies across the Group in seven areas: systems, software, electronics, artificial intelligence, mechanics, materials and cybersecurity.

2022 highlights

In 2022, the Group's gross Research and Development expenditure totaled 2,077 million euros, representing 10.4% of sales. Innovation is central to Valeo's organization, and innovative Valeo products (i.e., products that did not exist three years ago) such as ADAS, electric powertrains, battery thermal management and intelligent lighting systems accounted for 62% of orders received in 2022.

Valeo gives priority to protecting its innovations, and its policy has proved effective on several counts. Its innovations are protected by a portfolio of more than 35,400 patents worldwide.

Valeo's coverage of new mobility solutions expanded with the announcement of a major partnership with Atul and Honda on the electrification of three-wheeled vehicles in India, and with the market release of its made-in-France electric assistance system for bikes, Valeo Cyclee.

1.5.9 Human Resources

Mission

The Human Resources Department holds a key place in Valeo's strategy, helping to build a common corporate culture rooted in strong values (teamwork, transparency, empowerment, professionalism, ethics) and personal behaviors (courage, agility, solidarity), geared toward achieving the Group's industrial and commercial objectives.

Its multiple aims address primordial challenges (see Chapter 4, section 4.1.4 "Sustainable development policies", paragraph "Employee policy", pages 222 to 225):

- ensuring employee health, safety and well-being at work, by making sure workplaces are free of accident risks and offering a good work-life balance for each employee;
- attracting and developing top talent to strengthen the Group's market share and support innovation and business growth;
- promoting diversity, equality and inclusion across all teams worldwide;
- promoting labor relations and guaranteeing the dignity of individuals and fundamental labor rights.

Organization

Valeo's Human Resources strategy plays a key role in the Group's international expansion and positioning as a company developing and manufacturing high-tech products and systems. It is based on a comprehensive approach, taking into account specific cultural, economic and market conditions.

It is rolled out through the "One HR" project, which is based on three pillars:

- close support for operational teams by dedicated Human Resources teams;
- expertise in specialized areas of Human Resources;
- the pooling of Human Resources to improve efficiency and quality of services.

This "three pillars" model is rolled out at each level of the organization: in the Group Human Resources Department, in each Business Group, in each country and in certain Product Groups and Product Lines. A total of more than 1,660 people work in the Human Resources network, broken down between the various specialties:

- attracting and developing talent;
- compensation and benefits;
- employee relations;
- Human Resources information systems.

This organizational model, built around Valeo Employee Services, is designed to reinforce the partnership between business and Human Resources teams, develop Human Resources expertise, and thereby foster greater efficiency in the function.

2022 highlights

Against the backdrop of high inflation, the continuing global pandemic, and the semiconductor supply crisis, the Human Resources Department played a key role in satisfying the Group's two priorities of protecting all employees and ensuring business continuity.

Cost control in an inflationary environment

Faced with production stoppages arising from the semiconductor shortage, then global inflation in 2022, the Group continued to variabilize its costs by adapting its workforce to weekly production requirements. This involved the discontinuation of temporary contracts (fixed-term and temporary staff). At the same time, the Group continued its efforts to recruit employees with production management skills.

Health protocol

In the first half of the year, the Group continued with the health protocol introduced in 2020, based on measures that go beyond the recommendations issued by the medical administrations of various countries. It allowed for a smooth return to work after the lockdown period and, today, enables all sites to operate as normal while ensuring maximum protection for all employees. The protocol, which is audited, is mandatory and applicable consistently at all Valeo sites worldwide, whether in plants, R&D centers or head offices (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", page 256).

Acquisition and integration of Valeo Siemens eAutomotive

On July 4, 2022, Valeo acquired Siemens' 50% stake in Valeo Siemens eAutomotive, and now holds 100% of Valeo Siemens eAutomotive, the leader in high-voltage electrification, which has been integrated within its Powertrain Systems business. With Valeo Siemens eAutomotive, Valeo brings on board a recognized technological and industrial leader with a workforce of around 4,000, including more than 1,600 engineers, at seven plants in four countries (China, Germany, Hungary and Poland), as well as cutting-edge R&D (laboratories, test benches, simulation tools) and production capabilities.

Measures were taken to stabilize the manager turnover rate, given the scarcity of certain resources.

Preparation of new human resources management systems

As part of the digitalization and transformation of the Human Resources function, the Group prepared for the introduction of new management systems.

These new information systems will enable the Group to improve employee experience management, skills management, and workforce optimization, as from 2023.

2

RISKS AND RISK MANAGEMENT

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

2.1 Risk factors AFR

The environment in which the Group conducts its business is constantly changing. Valeo is therefore exposed to risks, i.e., events which, if they occurred, could prevent it from meeting its medium-term objectives.

Methodology

Risks are mapped using a global, iterative approach involving several stages:

- risks are identified and their causes and consequences analyzed using various methods, including interviews with key stakeholders;
- a risk hierarchy is then drawn up using the assessment method described below;
- action plans are prepared and controls implemented with the aim of continually improving risk management and limiting the impact and/or likelihood of occurrence of said risks as much as possible.

This general risk map is updated on a regular basis.

Two other specific maps were also put in place in 2018 to meet new regulatory requirements:

- a corruption risk map was devised in compliance with France's Sapin II law[(1)];
- a map of non-financial risks was prepared in connection with the Non-Financial Information Statement[(2)].

The Group has also initiated a process to identify risks and opportunities related to climate change, using the classification proposed by the TCFD[(3)] (see section 4.3.3 "Valeo's non-financial risks", pages 236 to 273).

The relationship between risk management and internal control is described in section 2.3.3 "Components of the Group's internal control and risk management system", pages 107 to 109.

Risk evaluation criteria

Risks are assessed according to two measures, each divided into four levels:

- net impact (limited/significant/critical/high), which looks at risks from a financial, operational, reputational, human and/or legal perspective;
- likelihood of occurrence (unlikely/fairly likely/likely/very likely).

This chapter describes the main risk factors to which the Group is exposed.

Main risk factors

The list below indicates those risks that are considered to have a high level of criticality for the Group:

- risks related to the automotive equipment industry;
- risks related to attracting and retaining talent;
- risks related to the development and launch of new products;
- risks related to the quality and safety of products and services sold;
- cybersecurity;
- supplier and supply chain failure risk;
- risks related to an increase in operating costs.

(1) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization, known as the Sapin II law.

(2) Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.

(3) Task Force on Climate-Related Financial Disclosures.

The other risks shown in the table below are considered to have a medium level of criticality.

The Group's operations could also be impacted by other risks of which it is not currently aware, or which it does not consider material at the date of this document. These procedures do not provide absolute assurance that the Group's objectives will be achieved and that risks will be avoided.

Risk categories	Risk factors
Strategy risks	Risks related to the automotive equipment industry
	Risks related to attracting and retaining talent
Operational risks	Risks related to the development and launch of new products
	Risks related to the quality and safety of products and services sold
	Cybersecurity
	Supplier and supply chain failure risk
Financial risks	Risks related to an increase in operating costs
	Foreign currency risk

2.1.1 Strategy risks

Risks related to the automotive equipment industry

Risk factor	Potential impact on the Group and risk management
The Group's sales are directly dependent on the level of automotive production, which itself depends on registrations and automaker sales and production policies. In turn, these are influenced by a number of contextual factors linked to the geopolitical, macroeconomic and health situation. It should also be pointed out that supply contracts with automakers take the form of open orders, with no minimum volume guarantee.	A deterioration in the automotive market or a geopolitical conflict, as well as a change in regulations, customs, taxes or other barriers or restrictions to doing business in the regions in which the Group and its customers are present, particularly Europe, Asia or North America, could lead to a decline in the Group's revenue or profitability and/or to the default of some of its customers or suppliers, and could thereby affect Valeo's financial position. In the event of a deterioration in the automotive market or the relocation of automotive production, Valeo has the necessary expertise and resources to implement large-scale action plans in order to variabilize costs and safeguard the Group's cash position. The Group maintains a tight rein on costs, particularly by ensuring good workforce flexibility. Moreover, the Group has operations in 31 countries and its sales are generated in some 60 countries. The diversity of the Group's sales in terms of region, customer, brand and platform makes it less vulnerable to negative trends in one of its markets. In line with its development strategy, Valeo also seeks to ensure that its original equipment sales are well balanced. The Group's two largest customers in 2022 accounted for 27% of its sales, its five largest customers, 53%, and its ten biggest customers, 79%. Valeo also derives 11% of its sales from the aftermarket, which is less sensitive to fluctuations in the economy. The balanced geographic alignment of Valeo's businesses and its diversified customer portfolio are described in Chapter 5, section 5.1.1 "2022 business review", pages 322 to 324. Having dealt with the Covid-19 health emergency in 2020, Valeo's business in 2021 was affected by the electronic components crisis. While the health emergency led to a sharp deterioration in the automotive market in 2020, in 2021 and 2022, the electronic components shortage resulted in major disruptions to production in the regions where Valeo and its customers are based. Ultimately, business was up year on year by 6.6% (source: IHS as of March 16, 2023), but remains well below pre-Covid levels, reflecting the ongoing electrical components shortage. In this context, the Group's priority is to secure its customer deliveries and its teams worked hard to supply all customers without the slightest interruption in production. However, the Group incurred additional costs linked to the price of electronic components as well as the extreme volatility of automakers' production programs (stop and start), which resulted in an increase in inventories. Valeo is currently negotiating with its customers in an effort to obtain compensation and thereby limit the impact of these disruptions on the consolidated financial statements.

Risks related to attracting and retaining talent

Risk factor	Potential impact on the Group and risk management
The Group operates in a competitive environment and in a sector that is undergoing radical change. This requires an increase in human resources as well as a broader spectrum of critical skills to ensure that it can adapt to changes in the automotive industry. However, Valeo may face difficulties; firstly, in attracting and retaining talent, and secondly, in adapting and taking on the necessary qualifications and skill sets to develop and manufacture its systems and products. The Group's huge investments in innovation mean that it needs to carry out targeted recruitment of skilled Managers and Professionals. The scarcity of labor in certain employment areas makes it difficult to hire the employees needed to increase production.	Failure by the Group to attract and retain talent could impact its product innovation, development, launch and production, and have a negative impact on its business, financial results and reputation. For more information on the program, policies and actions implemented by the Human Resources Department and the related results, see Chapter 4, section 4.3.3 "Valeo's non-financial risks", paragraphs "Risk related to attracting talent" and "Risk related to developing and retaining talent", pages 259 to 266. Attracting the highest performers is a key challenge for the Group amid a competitive environment undergoing a profound transformation. To meet its growth and development objectives, a recruitment organization system is in place in the form of Talent Acquisition Centers (TACs). These TACs bring together all teams dedicated to scouting and attracting talent in a given country or region. In 2022, working groups defined and implemented measures to improve the efficiency of the Group's recruitment procedures and increase the visibility of Valeo as well as its job vacancies. As a result of these measures, 85% of job vacancies (12,000 in total) were filled. A co-optation program is in place for employees. The Group regularly reports on career opportunities and job vacancies through a variety of channels, particularly its website, as well as social networks and partnerships with higher education institutions including universities, engineering schools and business schools. In the first half of 2022, a global recruitment campaign – Very Valeo – was launched and promoted digitally to develop the Group's employer image across all new recruitment channels. Ensuring that high-performing employees remain with the Group is also a key priority for Valeo. Wishing to facilitate quick and successful integration, the Group has developed an onboarding program called "Valeo Discovery" for its Managers and Professionals. Valeo's internal mobility policy is based on annual interviews as well as on "country mobility forums", which were launched in 2019. The aim is to better identify all employees looking for mobility opportunities and be able to place them in vacant positions across the country concerned. Since 2020, an annual Career Week has been organized and an Internal Mobility Charter has been created to enable employees to accelerate their career paths. In 2022, more than 8,000 employees took part in the Career Week. An e-learning platform was also rolled out within the Group to develop employees' skills. During the year, a worldwide mentoring program called "Grow Together", which brings together nearly 500 Group managers and leaders (of whom 51% are women), was rolled out to promote manager development. An ambitious compensation, career development and training policy is also a critical way of recognizing, developing and leveraging talent. Manager training is a priority for the Group: three new training programs were launched in 2022 and more than 700 managers have already completed them. Valeo seeks to encourage diversity when recruiting talent: in 2022, 26% of Managers and Professionals hired were women. The Group seeks to promote women to senior management positions with the aim of doubling the number of women on management committees to 32% by 2030. Progress on this objective is monitored and reviewed several times a year. In 2022, women made up 21% of management committees, as in 2021. In a bid to remain attentive to its employees and improve their satisfaction, the Group conducted a digital survey of over 91,000 employees in 2022, which had a participation rate of 77%. The survey raised the issue of homeworking conditions in the context of the pandemic; the results of the survey highlighted the quality of managerial relations. Valeo has rolled out action plans in each country addressing local recruitment and employee loyalty issues, particularly in areas of full employment. The Group strives to recruit its blue-collar workers from the communities surrounding its plants. Wherever possible, it hires under permanent rather than temporary contracts while maintaining a certain degree of flexibility. It also adapts its teams' work schedules and ensures that new recruits are well integrated. The Group's compensation, training and career development policy is key to retaining blue-collar staff.

2.1.2 Operational risks

Risks related to the development and launch of new products

Risk factor	Potential impact on the Group and risk management
Valeo is exposed to the risks inherent in developing and launching new products. The Group may face problems in connection with project management, from design through to industrialization and including management of changes to orders already made. As the Group conducts its business in an international environment, it is also exposed to risks resulting from changes in applicable laws or regulations affecting its products in all or some of its markets, or affecting export control regimes.	Failure to deliver in a timely manner innovative solutions, solutions that meet new regulatory requirements, or products expected by its clients, could harm Valeo's reputation and affect its financial position. The Group may incur administrative and/or criminal sanctions and its customers and/or suppliers may be unable to carry on their business either temporarily or definitively. Measures in place to mitigate the risk inherent in developing and launching new products are based on: • project teams to ensure that products are developed in compliance with deadlines and customer expectations. Each project has a specific team with a shared objective and schedule. Since 2019, the Group has strengthened project governance, especially with regard to preparing series production launches at the level of design centers as well as at plants; • an organization based on technological platforms allowing a high degree of product and production process standardization: systematic reuse of technological components in innovation processes and technology roadmaps. These platforms enable Research and Development expenditure to be adapted to the technological maturity of the market concerned; • training for members of the project teams so that they can develop the skills they need. Reviews are performed to ensure that this policy is duly applied; • ongoing operating and financial supervision, based on a structured approach that defines key issues in terms of product development and processes. Valeo has also implemented a structured approach to develop software and systems. All of these methodological principles are applicable at the Product Group level. Organizational and governance guidelines, business and best practice descriptions, and forms are available to the teams in their daily work. In order to anticipate regulatory changes and ensure that the products it develops and manufactures are compliant, Valeo has implemented the following measures: • a Regulatory Officer within the Research and Development team has been appointed for each Product Group, responsible for identifying and properly understanding the regulations applicable to products in each of the countries where it operates. Each regulation is translated into a standard for the Group's products; • Research and Development teams in charge of verifying that these standards are duly applied for products under development have been strengthened; • in the 2019-2020 period, a Product Development Integrity Charter was rolled out in the form of online training to General Management and to Research and Development, Project, Purchasing, Quality, Industrial, and Sales and Business Development networks, representing some 25,000 people. The rollout of this charter to the Group's German entities was completed in 2022. The charter is based on five core pillars: regulation, transparency, compliance, quality assurance and management reporting; • a special training program for all employees of the Research and Development and Production Quality laboratories, in order to guarantee the independence of its laboratories. Valeo's export control policy consists of a specific compliance program based on strict rules and procedures applicable to Purchasing and Research & Development teams. The Group constantly looks to anticipate changes in technology and in the regulatory landscape. However, it cannot be sure to anticipate all such changes. For more details on Valeo's Research and Development policy, see Chapter 4, section 4.5.2 "Technological commitments", pages 289 to 292.

Risks related to the quality and safety of products and services sold

Risk factor	Potential impact on the Group and risk management
Some products and services may be intrinsically linked to the safety of people and goods. Regulations seeking to protect car users and/or defend the public interest, particularly in terms of the environment, are increasingly strict and checks that such regulations have been complied with are ever more frequent and thorough. Similarly, the contractual commitments imposed by Group customers, which are also highly demanding, reflect the excellence they expect from their suppliers in terms of operational performance. If products sold by the Group were to prove insufficiently robust, present design, manufacturing or operational defects, or prove non-compliant or incompatible with applicable regulations, Valeo could be exposed to the following risks: • risk of liability warranty claims by its customers; • major recalls; • risk of individual or group liability claims in the event that such products are alleged to have caused damage to users and/or third parties; • risk of liability claims by its customers for breach of contractual commitments.	The Group's businesses, earnings and financial position as well as its image and reputation could be significantly affected. During the product design and development phase, the Research and Development and Quality Departments are in charge of managing these risks. These departments ensure that the product has a robust design and complies with customer specifications, standards and regulations. During volume production, the Purchasing, Industrial and Quality functions, driven by the same total quality approach, seek to ensure that components and materials purchased are appropriate and meet the requisite quality standards, and also ensure that production processes are stable. The measures described below illustrate this approach during product development. It concerns all networks: R&D, Quality, Purchasing, Projects, Processes, etc. • lessons learned from past incidents are used to revise definitions of the standards and processes concerned; • accelerated tests are carried out on products in abnormal conditions of use in order to identify any product weaknesses that could appear in the first three months on the road; • a system for collecting and analyzing returns at car dealer networks enables Valeo to identify weak warranty signals before the parts are physically returned or a customer alert is received; • an annual reassessment process for purchased components has been implemented with Valeo's suppliers to guarantee that all purchased parts match initial samples. Any discrepancies are monitored using a specific indicator; • safety- and regulatory compliance-related discrepancies relating to special product and process characteristics (SPPC) are monitored using an indicator that is updated weekly; • a rigorous process is in place to monitor contractual warranty obligations. A specific procedure has been added to the Financial and Administrative Manual and an approval process has been created. The Group has taken out specific insurance policies to cover the risk that products may be recalled and protect itself against civil liability claims. However, it is uncertain whether these policies would be adequate to cover the full financial consequences of any such claims. In any case, criminal liability risk cannot be insured and certain coverage exclusions can be applied. The Group's insurance policy is presented in section 2.2 "Insurance and risk coverage" of this chapter, page 104. Provisions for customer warranties are set aside to cover the estimated cost borne by Valeo to replace the products covered by the various warranties granted to customers. These amounted to 460 million euros at December 31, 2022 (see Chapter 5, section 5.4.6, Note 8 "Other provisions and contingent liabilities" to the consolidated financial statements, pages 387 to 389).

Cybersecurity

Risk factor	Potential impact on the Group and risk management
The Group depends on infrastructure and IT applications common to all of its businesses. These include procurement, production, distribution, billing, reporting and consolidation software, as well as new product design and development. Cybersecurity risks can include breaches of confidentiality, loss of integrity and/or availability of the data and/or transactions processed by the information systems (system malfunction, data theft, data destruction and loss of data integrity). These may result from external (attempted denial of service, attempted damage, attempted hacking, malware[1]) or internal (tampering, breach of rules, human error, breach of data confidentiality) threats. Valeo also faces other indirect social engineering-type threats such as "fake chairman" or "fake treasurer" fraud, blackmail and ransomware[2], as well as indirect threats resulting from third party access to its network, and subcontracting. In addition, the Group faces threats in relation to onboard systems and products, in their design phase and also in their operational and service phases, as the case may be. These threats are increasing with the rise of autonomous and connected cars.	All of these risks and threats could impact the Group's operations, its reputation and its profitability. To address these risks and threats, in 2016 the Group stepped up information system security by recruiting a Group Chief Information Security Officer, who reports to the Chief Financial Officer. The Chief Information Security Officer is responsible for the governance and continuous improvement of information system security policy, and particularly: • preventing risk by raising employee awareness, emphasizing a security "by design"[3] and "by default"[4] mindset and by stepping up audits of critical system components; • continuing the security program in order to bolster access control for persons and equipment, protect sensitive data and identify potential system weaknesses; • improving the detection of security incidents and the response model in accordance with the type of threat or its potential impact, and automatically blocking any apparent malware. Cybersecurity risks are managed across all geographies by a cybersecurity officer in each region, for all sites and at each site. The program for vetting suppliers and more generally, for verifying external systems interfacing with the Group's information systems or managing data on the Group's behalf (SaaS)[5] has been stepped up to better take into account any associated risk, the needs of Valeo's customers, current and future legal and regulatory requirements, and the recommendations on information system security issued by various government organizations. All information system security rules are formally documented in an Information Systems Security Policy (ISSP), set out in an Information and Communications Technologies User Charter put in place by the Group and applied by all users. This charter is explained and illustrated in a practical guide that aims to raise users' awareness of the importance of safeguarding the Group's assets on a daily basis through the fair and responsible use of available IT resources. An additional program to raise employee awareness of emerging IT threats was rolled out in 2017 and, since 2020 also covers phishing[6]. An operational security improvement program is also being deployed to combat the new threats faced by industries, which includes advanced detection and threat intelligence[7] features. Product cybersecurity was enhanced in 2017 when the Group recruited a product cybersecurity officer. As of 2019, the Cybersecurity Officer reports to the Group Chief Information Security Officer. Working closely with the Product Groups, the Cybersecurity Officer is responsible for: • overseeing the governance and continuous improvement of cybersecurity, including its organizational structure; • representing Valeo in international standard-setting groups and regulatory bodies such as UNECE, ISO and AutoISAC in the area of automotive cybersecurity. Valeo has an internal Cybersecurity Management System (CSMS) based on internal policies, methodologies and standards appropriate for the state-of-the-art auto industry; • verifying that the various Product Groups develop their projects in compliance with the CSMS; • capitalizing on the new developments by creating reusable architecture, software and models to increase efficiency and robustness; • improving the Group's embedded cybersecurity expertise by rolling out an internal training plan, recruiting experienced individuals and developing external joint projects with higher education and research institutions.

(1) Malicious software used to contaminate information systems.
(2) Malicious software taking data hostage. Ransomware encrypts and locks files saved on computers and demands a ransom in exchange for a key allowing them to be decrypted.
(3) "Security by Design" (SbD) is a strategy to mitigate cybersecurity risks with processes "that build security into IT systems from the beginning using sound design principles, rather than trying to tack it on at the end," (NIST definition – National Institute of Standards and Technology).
(4) "Security by default" means processes are always applied whenever necessary, in terms of privacy, for example, as required by the General Data Protection Regulation (GDPR).
(5) "SAAS" or "software as a service" is an application software solution hosted and operated outside the organization by a third party, also called a service provider.
(6) "Phishing" is a fraudulent technique intended to trick Internet users through the use of deceptive emails into revealing personal (log-ons, passwords, etc.) and/or banking data by pretending to be a trusted third party.
(7) "Threat Intelligence" refers to a body of expertise used to identify and analyze external IT threats to an organization on an ongoing basis.

Supplier and supply chain failure risk

Risk factor	Potential impact on the Group and risk management
In purchasing primarily specific products, Valeo is exposed to the risk that one of its suppliers fails to deliver on schedule the quantities required, or that the products supplied fail to meet the requisite quality standards.	***Supplier failure risk*** Failure of one or more of the Group's major suppliers in this respect could cause interruptions to suppliers and prevent the Group from delivering to its customers, or cause returns of products under warranty or product recalls. This would also generate additional costs (exceptional transportation costs, deterioration in the supplier's production facilities or financial difficulties of the supplier). The Group's earnings and financial position could be affected. Supplier failure could result: • from Valeo growing on innovative markets, thereby leading it to increase its share of business among an optimal number of suppliers; • from a structural change in automotive markets and the disappearance of certain products, which could immediately impact a supplier's financial staying power if that supplier were unable to reposition itself on other markets; • or from an economic crisis, such as the 2020 health crisis, if it were to last longer than the supplier's cash resources. Despite the discontinuation of certain support measures, the number of supplier failures remains at a lower level than before the pandemic. Nevertheless, the significant rise in energy prices, particularly in Europe, and raw material prices worldwide, is causing significant disruption across the entire supplier base. The Group ensures secure relations with its suppliers through: • a solid risk identification and monitoring process for each new contract and new business awarded, as well as for new suppliers with a long history with recently consolidated entities; • continuous monitoring of the supplier base in accordance with supplier risk assessment procedures based on criteria including financial and management criteria, dependence on Valeo, integration and quality, as set out in IATF standard 16949(1); • a watchlist of high-risk suppliers, who are monitored monthly by the Group Purchasing Committee. Emergency stockpiles are built up where necessary and/or additional production facilities launched; • a product civil liability insurance program for its suppliers. Each supplier can subscribe and thereby meet the Group's coverage standards in terms of product defect risks. As a result, they are covered against any harm they may cause Valeo as a result of the products they supply; • diversified supply streams in order to mitigate supplier failure risk as much as possible while maintaining acceptable economic conditions. Since the supply capacity of certain businesses is limited, particularly electronic components, Valeo may be exposed to inadequate capacity leading to production allocation issues. To address this, production purchases are made with a broad range of suppliers, with several suppliers for each business and in each region where necessary and where possible. Ninety-five percent of Valeo's needs are handled by 2,131 suppliers. The Group's biggest supplier accounts for 2% of its purchases, its five biggest suppliers, 7% and its ten biggest suppliers, 10%. In addition, a detailed action plan involving the Purchasing Department, the Research and Development Department and the Industrial Department, set up following the recent supply shortages observed for certain electronic components, was maintained in 2022. Under this plan, the Group's projected requirements are to be communicated to its supplier database and the purchasing strategy is to systematically factor in purchases of components in product designs. Valeo is highly involved with its suppliers, in particular to continually improve the quality of the products it delivers to automakers. This does not mean, however, that there are ownership links between Valeo and its suppliers.

(1) The International Automotive Task Force (IATF) standard 16949 has replaced ISO TS 16949.

The Group's supply chain and delivery procedures apply worldwide and incorporate all physical and information flows throughout the logistics process, upstream and downstream of plants and warehouses.

A breakdown in this chain arising from either internal or external factors – whether regarding supply, transportation or logistics – exposes the Group to the risk that it will be unable to deliver on schedule the quantities required, or that the products supplied fail to meet the requisite quality standards.

Supply chain failure risk

Failures in the supply chain could lead to production line interruptions and production stoppages at automakers. This would also generate additional costs (exceptional transportation, financial and commercial penalties due to customer production stoppages). The Group's earnings and financial position could be affected.

A failure in the supply chain could result:

- either from internal events such as a failure to place orders or a miscalculation of requirements, poor anticipation of transportation capacities, delays in the configuration of flows, or internal transportation and logistics accidents;
- or from external events such as natural disasters, pandemics, political crises, conflicts, war, strikes, cyber attacks, accidents or attacks on means of transportation, as well as the lack of transport supply or the global shortage of a commodity (e.g., electronic components).

The Group manages this risk using various processes:

- the application of safety guidelines regarding traffic, handling equipment and storage in racks in order to limit the risk of internal accidents;
- an "inbound material flow strategy", which is designed to take control of long-distance transportation flows, while locating returnable supplier inventories as close as possible to where they are needed, provided this is permitted by applicable laws and regulations;
- supply chain checklists. These allow Valeo to verify that logistics processes have been implemented throughout projects, by systematically applying the Group's logistics standards and failure mode analyses to the supply chain;
- the securing of supplier capacities through the "early open order" process;
- the entire strategic, operational and execution planning process, which now covers 24 months in advance;
- a formal document listing Valeo's supply chain and logistics requirements. This document is sent to all suppliers of primary materials and parts;
- the logistics protocols signed by Valeo with its production suppliers;
- the transportation protocols signed by Valeo with its haulers;
- the information systems that update inventory movements, cyclical inventory standards and the specific control reports from these systems (inventory coverage, transit operation tracking, etc.);
- supervision of transportation flows by means of hauler alerts;
- the "Logistic Red Alert" process, which now incorporates alerts related to tier 2 suppliers;
- a unit of specialists (Supply Chain Management Allocation and Risk Team) focused on high-risk technologies within the Electronics segment, which decides how requirements and resources are allocated across all Group sites.

In 2022, the Russia-Ukraine conflict caused a breakdown in trade flows between Asia and Europe and led to reduced air freight capacity, as well as land freight capacity in Europe. Transportation flows had to be reorganized in order to bypass the affected regions, resulting in an increase in in-transit inventories, amplified by congestion at ports, mainly in Europe. To better manage its electronic component needs, the Group has set up tools and processes, in the form of the 3T (Transverse Transparency Tool) project, to ensure complete visibility of needs and resources throughout the supply chain, from suppliers to customers.

Claims, litigation, and governmental, legal and arbitration proceedings

Proceedings arising within the ordinary course of business

In the ordinary course of the Group's operations, certain entities may be involved in legal proceedings. Lawsuits have been brought by certain current or former employees for asbestos-related damages, or on the grounds of previous asbestos exposure. Almost exclusively in France, employees exposed to asbestos in the Group's plants could have developed an illness as a result of this exposure. If such illnesses were considered as occupational illnesses by health insurance funds, the employees concerned could bring a claim against Valeo (as their employer) for inexcusable misconduct (*faute inexcusable*). If the claim of inexcusable misconduct and the occupational nature of the illness are confirmed, Valeo will be required to pay compensation to claimants and any beneficiaries as well as the increase in the annuity awarded by the primary health insurance fund (*Caisse Primaire d'Assurance Maladie*).

In 1999, French law introduced an early retirement scheme for workers having been employed at sites officially recognized by decree as having contained asbestos. Under certain conditions, the workers concerned are entitled to early retirement. Pursuant to rulings previously handed down by the Supreme Court (*Cour de cassation*), many former employees have brought claims against Valeo before the French Labor Court (*Conseils de prud'hommes*) seeking damages for anxiety regarding an asbestos-related illness.

Other claims may be filed against Group companies, for example by their employees or by the tax authorities.

Each of the known cases involving Valeo or a Group company is examined at the end of the reporting period and the provisions deemed necessary based on the advice of legal counsel are set aside to cover the estimated risks.

Provisions for employee-related and other disputes notably cover risks relating to former employees, particularly in connection with asbestos. A provision is also set aside for tax disputes.

Even though the outcome of outstanding lawsuits cannot be foreseen, at the date of this report Valeo considers that they will not have a further material impact on the Group's financial position.

Antitrust investigations and resulting proceedings

At the end of July 2011, antitrust investigations were initiated against numerous automotive suppliers (including Valeo) by the US and European antitrust authorities in the area of components and systems produced for the automotive industry (see Chapter 5, section 5.4.6, Note 8.2 "Antitrust investigations" to the consolidated financial statements, page 388).

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving climate control products on September 20, 2013 as part of which Valeo Japan Co. Ltd agreed to pay a fine of 13.6 million US dollars.

This settlement agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Group for practices that came to light during their investigations. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo amnesty and so did not fine Valeo for this conduct.

Also in the United States, three class actions were filed by automotive dealers, direct purchasers and automotive end-payers against Valeo Group companies with the United States District Court for the Eastern District of Michigan, for alleged antitrust violations involving the sale of climate control products. Each of these class actions was settled with court approval. Separately, Valeo reached court-approved settlement agreements in connection with two prospective actions relating to access mechanisms over which automotive dealers and end customers were threatening to file claims. Certain customers opted out of the aforementioned US settlement agreements, and Valeo has reached settlements with some of these customers. In addition, two class actions were filed against Group companies in British Columbia and Ontario in Canada. An agreement – pending approval by the competent court – was reached with the plaintiffs in 2022.

In Europe, the European Commission issued a decision on March 8, 2017, fining certain automotive air conditioning and engine cooling suppliers for conduct involving thermal systems products. Valeo was fined a total of 26.8 million euros. On June 21, 2017, the European Commission issued a further decision fining automotive lighting system suppliers and marking an end to all its investigations involving Valeo. Valeo was among those identified by the Commission in the automotive lighting system case, but was granted immunity and was therefore not fined.

Valeo remains in contact with a number of European automakers regarding ongoing claims for damages resulting from the European Commission's proceedings. On June 17, 2022, the Group was informed that BMW had withdrawn a claim filed with the Munich Regional Court in Germany seeking compensation from Valeo for alleged damages, after a settlement was reached between the parties. Elsewhere, two automakers have filed individual claims against Valeo and other automotive suppliers with the UK's High Court of Justice.

Additional actions for damages can or may be brought further to the aforementioned antitrust investigations. The Group sets aside provisions whenever the payment of compensation is likely and can be quantified.

2.1.3 Financial risks

Valeo's Financing and Treasury Department (part of the Finance Department) proposes and implements rules on managing financial risks. These risks are generally managed centrally by the parent company. Financing, investment, risk identification and hedging strategies are reviewed each month by the Group's Finance Department.

The Financing and Treasury Department is supported by, among other things, a treasury management system that constantly monitors the main liquidity indicators and all of the financial derivatives used at central level to hedge commodity, currency and interest rate risks. Valeo's Finance Department receives periodic reports about market trends and the liquidity, commodity, currency, interest rate and counterparty risks incurred by the Group, as well as hedging operations implemented and their valuation.

Risks related to an increase in operating costs

Risk factor	Potential impact on the Group and risk management
The strong economic recovery in 2021 and the supply disruptions that followed the Covid-19 pandemic, as well as the geopolitical events in Ukraine, have accelerated the increase in the cost of raw materials, electronic components, energy, transportation and wages. The Group purchases more than 50 billion electronic components every year, and uses a certain number of raw materials for its industrial operations, including non-ferrous metals, steel, plastics and rare-earth metals. The Group is therefore directly impacted by the inflationary environment.	This risk could have a major impact on the Group. As the Group may not always be able to pass on the full extent of a rise in raw material prices to its customers, this may have an adverse effect on its earnings. See Chapter 5, section 5.4.6, Note 9.1.4.2 "Fair value of commodity (non-ferrous metals) derivatives" to the consolidated financial statements, pages 403 to 404.

Foreign currency risk

Risk factor	Potential impact on the Group and risk management
As the Group conducts its business in an international environment, Group entities conducting cross-border operations may be exposed to operational currency risk, resulting from purchases or sales of products or services in currencies other than their functional currency. The financing needs, met by intra-Group borrowings, of foreign subsidiaries outside the eurozone expose some entities of the Group to financial currency risk. This risk corresponds to the risk of changes in the value of financial receivables or payables denominated in currencies other than the functional currency of the borrowing or lending entity.	The Group's earnings may be adversely impacted in the event of significant fluctuations in certain currencies. See Chapter 5, section 5.4.6, Note 9.1.4.1 "Fair value of foreign currency derivatives" to the consolidated financial statements, pages 401 to 403.

2.2 Insurance and risk coverage

The Group's insurance strategy is combined with a strong risk prevention and protection approach and coverage includes major claims.

With the aim of optimizing insurance costs, the Group self-insures risks that are likely to recur frequently, but that are not deemed financially material.

The Group pools and thereby reduces its risks in worldwide insurance plans taken out in each country in accordance with local rules, guaranteeing uniform quality and coverage level for the Group's risks throughout the world. This strategy also contributes to reducing volatility of costs and coverage.

All Group companies are insured by first-rate insurance companies for all major risks that could have a material impact on their business, earnings, assets and liabilities.

The risks covered include:

- property damage: insured events relate to technological risks (in particular fire, explosion, machine breakage and electrical damage) as well as natural events (in particular wind, floods and earthquakes). Property is insured on the basis of the replacement cost of buildings, equipment and inventories;
- business interruption: this covers any cases where activity is interrupted or reduced following an event insured under property damage coverage, or by extension, one of the following events with specific sublimits: physical impossibility of accessing a site, client or supplier deficiencies and loss of energy supply. Business interruption is insured on the basis of loss of gross margin;
- Group liability for all kinds of damage caused to customers and third parties. The Group also takes out insurance to cover the financial consequences of any liability it incurs due to damage of any nature caused by its products, as well as the financial consequences of product recall campaigns that may be carried out by automakers;
- IT system security infringements;
- goods and equipment transportation and business interruption following transportation incidents;
- liability towards employees for occupational illnesses and accidents.

Property damage and business interruption events are sufficiently covered to meet the estimates drawn up by the Group's insurers during their annual prevention/protection audits with regard to the maximum possible number of claims that they could receive. Valeo endeavors to optimize the part of its insurance coverage which is subject to sublimits by current practice and restrictions common to the insurance and reinsurance markets. In particular, special attention is given to coverage of natural events.

In 2022, the general liability insurance policy provided coverage in line with the continental insurance market's highest standards. With regard to the recall policy, Valeo pays 15 million euros per claim per year through its reinsurance subsidiary, above and beyond the applicable deductibles.

Insurance is adjusted each year and cover is extended where necessary in order to best protect the Group's exposures, taking into account the constraints and limits of the insurance and re-insurance markets.

The Group also took out an insurance policy allowing each production supplier to contract insurance with appropriate coverage and amounts so as to protect themselves against any damage they could cause Valeo as a result of the products they supply. This policy now covers a significant panel of suppliers.

2.3 Internal control and risk management

The Board of Directors has asked the Group Internal Audit and Control Director to describe in this section the internal control and risk management procedures in place in accordance with the reference framework and the Application Guide prepared in 2010 under the aegis of the French financial markets authority (*Autorité des marchés financiers* – AMF).

The Group's comprehensive risk management system can be illustrated in accordance with the IIA's (Institute of Internal Auditors) Three Lines model. It outlines the responsibilities of the Group's different governance bodies and defines the roles and relationships between the different functions.

Board of Directors

The Board of Directors defines the composition and the responsibilities of the Audit & Risks Committee, and its modus operandi.

Audit & Risks Committee

The Audit & Risks Committee oversees the effectiveness of the risk management and internal control systems within the Group. It regularly reviews the risk mapping of the main risks identified by General Management, the results of the operation of the risk management and internal control systems and the relevance of the risk monitoring procedure. It also ensures that appropriate action plans have been implemented to mitigate any problems and weaknesses identified.

General Management

General Management sets strategic guidelines, arbitrates the allocation of resources to the Business Groups/Product Groups and Valeo Service, develops synergies between the Business Groups and National Directorates through the functional networks, and ensures that internal control procedures are duly in place.

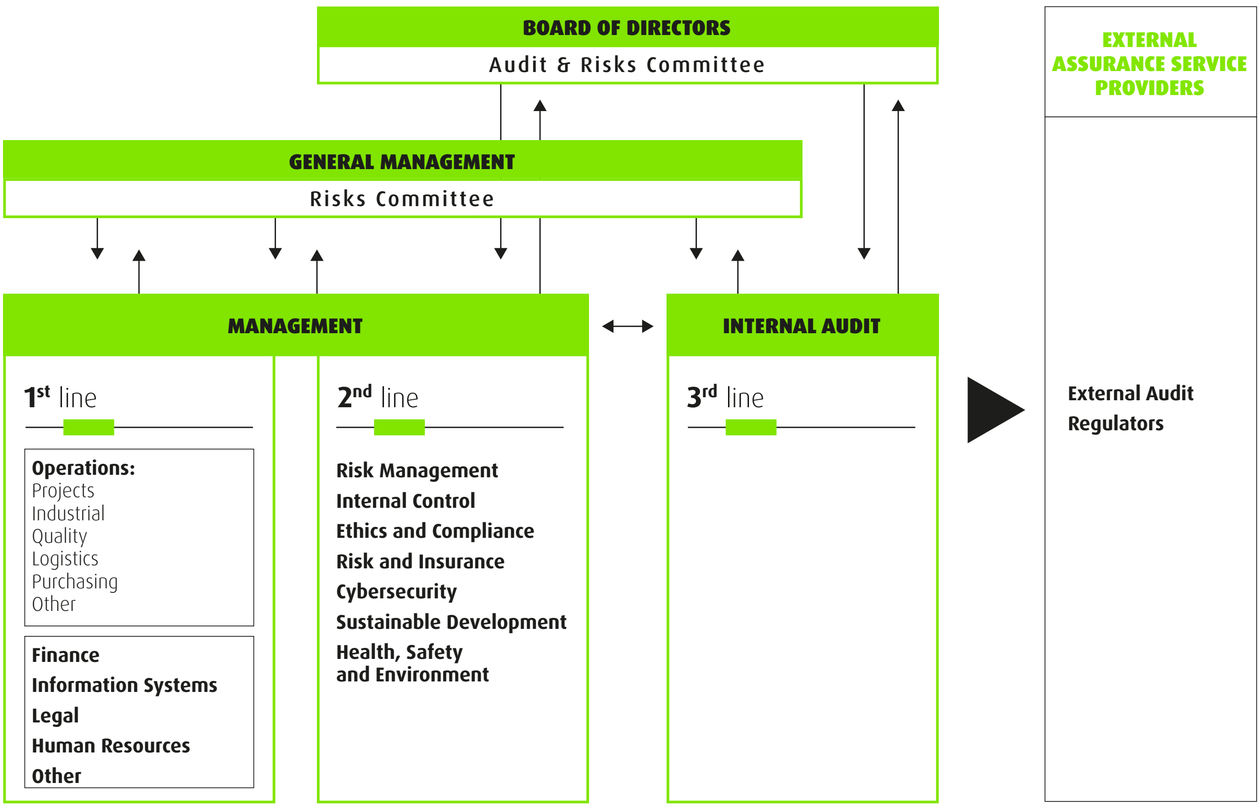
Risks Committee

The Risks Committee coordinates the risk management process, reviews risk mapping and heads up the dynamic risk management system.

External assurance service providers

External auditors report on any material internal control weaknesses with regard to the procedures for preparing and processing accounting and financial information. This is part of their annual statutory audit and consolidated/parent company financial statement certification engagement.

The regulators also play a part in reinforcing existing risk management procedures.



Management

Management is responsible for achieving the Group's objectives.

The Business Groups, Product Groups, Valeo Service and National Directorates verify the performance of operational entities and provide entity coordination and assistance. Each manager is directly involved in implementing internal controls and is responsible for assessing and mitigating risks associated with the processes falling within his/her remit.

The First-Line and Second-Line functions and the Internal Audit Department work in close cooperation, maintaining an ongoing dialog with each other.

First Line

The First-Line operational and support functions are directly linked to the supply of products and services to customers, and they coordinate and implement the actions necessary to achieve the Group's objectives, including risk management.

For example:

- the **Quality Department** implements the "zero defects delivery" quality policy and tools needed to meet targets and ensure that the sites meet the latest quality assurance standards for the sector;
- the **Finance Department** provides the tools and designs the procedures needed to monitor and control the Group's businesses and to ensure the Group's financial risks are duly managed;
- the **Legal Department** ensures that transactions are conducted in full compliance with legislation and the Group's procedures.

Second Line

The Second-Line functions are responsible for coordinating the overall risk management framework, providing additional expertise and assisting the First-Line stakeholders. These functions may be given specific objectives: For example:

- the **Risk Management** function, whose role is to keep the risk maps up to date and to oversee the active management of risks;
- the **Internal Control Department**, whose role is to ensure the internal control system is consistent and deployed at all of the Group's sites;
- the **Ethics and Compliance Office**, whose role is to put in place, manage and coordinate the Compliance Programs;
- the **Risk and Insurance Department**, whose role is to contribute to the management policy for insurable risks and oversee its application, and take out global insurance covering the risks relating to Valeo's businesses;
- the **Health, Safety and Environment Department**, whose role is to apply the Group's risk management policy in terms of environment, safety and security and certification (ISO 14001, OHSAS 18001 and ISO 50001) across all sites;
- the **Sustainable Development and External Affairs Department** which, together with the Risk Management function, performs analyses of non-financial risks;
- the **Cybersecurity Department**, which is responsible for the governance and continuous improvement of the information security policy with the aim of staying abreast of cybersecurity risks and threats.

Third Line

Internal Audit provides assurance, independent advice and objectives concerning the appropriateness and effectiveness of the governance structure and risk management system in place within the Group. It carries out financial, IT and cross-functional audits of all Group entities to ensure that procedures are duly applied.

2.3.1 Internal control and risk management – Definitions and applicable standards

Definition

Risk management is a comprehensive system for identifying, assessing and managing risks of all kinds, involving risk mapping and action plans to address these risks. The methodology and the main risks to which the Group is exposed are described in Chapter 2.1 "Risk factors", pages 94 to 103.

Internal control as defined by the Group is the process implemented by management and employees to provide reasonable assurance regarding the due and proper management of operations with regard to the following objectives:

- reliability of financial and management data;
- compliance with applicable laws and regulations;
- implementation of guidelines and strategies set by General Management;
- adequate functioning of the Company's internal processes, particularly processes to help safeguard its assets;
- risk management;
- effectiveness and efficiency of operations.

As with any control system, Valeo's risk management and internal control procedures cannot provide absolute assurance that the Group's objectives will be achieved and that all risks will be eliminated. The purpose of the system put in place by Valeo is to reduce the probability of incidents occurring and their potential impact.

Applicable standards

Valeo refers to the international standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to define and continuously improve its overall risk management system.

The Group has adopted a definition of internal control in line with the COSO findings published in 1992 in the United States. There are no significant discrepancies between Valeo's internal control organization and the procedures and principles described in the reference control framework and the Application Guide set out by the AMF.

2.3.2 Scope of internal control and risk management

Valeo's overall risk management procedures are applied to the entire Valeo Group, defined as the parent company Valeo and all of its fully consolidated subsidiaries (see Chapter 5, section 5.4.6, Note 3 "Scope of consolidation" to the consolidated financial statements, pages 347 to 350).

2.3.3 Components of the Group's internal control and risk management system

Valeo's internal control procedures are based on the five components defined in the COSO framework.

Control environment

The control environment sets the tone of an organization, influencing the level of awareness of its employees to the need for controls within the Group.

Valeo's internal control system – which falls under the Board's supervision, but operates entirely independently – is organized around a multi-tier operational structure: General Management, Group functional departments, Business Groups/Product Groups, Valeo Service, National Directorates and operational entities. General Management sets strategic guidelines, arbitrates the allocation of resources to the Business Groups/Product Groups, and develops synergies between Business Groups and National Directorates in the functional networks. The Business Groups/Product Groups, Valeo Service and the National Directorates control the performance of the operational entities and play a key role of coordination and support between the entities, notably with regard to the pooling of resources, the allocation of Research and Development expenditure and the optimization of production among the different industrial plants. Each level is directly involved in implementing the internal control system. For this purpose, the Group has established operating principles and rules with appropriate delegations of powers, starting with those of the Chairman and Chief Executive Officer, which precisely define the areas and levels of decision-making and control for each operational manager.

Valeo's self-imposed policies and behavioral principles are set out in its Code of Ethics, which aims to ensure that Valeo operates in accordance with national and international rules of ethics and law. The code places major emphasis on upholding fundamental rights with respect to the prohibition of child labor, the fight against discrimination and harassment, occupational health and safety, diversity, and promoting the employment of disabled workers (see Chapter 4, section 4.5.4 "Employee-related commitments", pages 296 to 301). It also highlights the Group's commitment to sustainable development, based on respect for the environment and the relentless drive for environmental protection, both of which are a priority for the Group. Lastly, the Code of Ethics deals with social issues and integrity in business conduct, the fight against corruption and anti-competitive practices. These values are also broken down in the Valeo Business Partners Code of Conduct, which explains the Group's expectations of its business partners in terms of integrity and ethics. Available on the intranet and translated into 26 languages, the Code has been sent out to all of the Group's employees. It is also available on Valeo's website (www.valeo.com).

Capitalizing on its Code of Ethics and its culture of integrity, the Group has implemented a compliance initiative since 2012 under the aegis of the Ethics and Compliance Office, which created four in-depth programs tailored to the regulatory requirements of each country in which Valeo does business. The programs are dedicated to the fight against corruption and anti-competitive practices, compliance with regulations on export control and economic sanctions, and personal data protection.

The anti-corruption program (described in this chapter, section 2.4 "Ethics and compliance", pages 111 to 112) is based on annual and mandatory training campaigns for all Group Managers and Professionals. In 2017, the entire program was reviewed in order to bring it up to date with the provisions of France's Sapin II law[(4)]. In particular, the Group drew up a specific corruption risk map, carried out specific audits, and now continues to roll out action plans aimed at reducing these risks. The section of the Code of Conduct concerning the prevention of insider trading and the notification procedure for those affected has been in place since the entry into force of EU Regulation No. 596/2014 on market abuse (see Chapter 3, section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 147 to 159).

A data protection compliance program has also been set up in accordance with global regulations, in particular the General Data Protection Regulation (see section 2.4 "Ethics and compliance" of this chapter, pages 111 to 112).

Risk management and assessment

The overall risk management system is designed to ensure the ongoing identification, prioritization, management and analysis of risks that may prevent Valeo from carrying out its strategy or meeting its objectives.

During the risk mapping process, risks are reviewed in depth and their impact and likelihood of occurrence are assessed. The risk assessment criteria are detailed in section 2.1 "Risk factors", pages 94 to 103. By prioritizing risks, action plans can be devised for identified risks to improve risk management and control, by acting on their impact or on their likelihood of occurrence.

The risk management process is coordinated by a Risks Committee made up of eleven permanent members: the Chief Financial Officer, the Vice-President, Powertrain Systems Business Group, the President, Research & Development and Corporate Strategy, the General Counsel and General Secretary, the Chief Ethics, Compliance and Data Protection Officer, the Chief Human Resources Officer, Senior Vice-President, Group Communications and Investor Relations, the Risk and Insurance Director, the Group Accounting Director, the Group Internal Audit and Control Director, and the Head of Risk Management. The committee met six times in 2022 and was mainly tasked with reviewing the risk mapping process and the procedures in place to address those risks. For each major risk in the risk map, a "risk owner" is identified. The risk owner reports to a member of the Risks Committee and his or her role is to (i) assess the criticality of the risk and the effectiveness of the associated risk control procedures, and monitor changes in the risk on the basis of key indicators, and (ii) identify and implement action plans to manage the risks where appropriate.

Risk monitoring by the Business Groups and National Directorates enhances the dynamic risk management implemented by the Risks Committee. Along with the functional networks, the Business Groups and National Directorates are responsible for assessing and managing risks within their remit, and for ensuring compliance with local regulatory requirements. They are also responsible for ensuring that guidelines and recommendations defined at Group level are properly applied throughout their operational entities. The Group therefore has a global view of risks.

Risk mapping gives rise to an annual update approved by the Risks Committee, based on a detailed analysis of the major risks and monitoring carried out by the risk owners. The findings of the latest update were presented to the Audit & Risks Committee at its meeting on November 24, 2022. A 2023 audit plan was defined on the basis of these findings, with a focus on the most acute risk areas.

The major risks identified and the procedures for managing these risks are presented in section 2.1 of this chapter "Risk factors", pages 94 to 103. They are:

- strategy risks, which include in particular risks related to the automotive equipment industry and risks related to attracting and retaining talent;
- operational risks, which include risks related to the development and launch of new products, risks related to the quality and safety of products and services sold, cybersecurity, and supplier and supply chain failure risk;
- financial risks, which include risks related to an increase in operating costs and foreign currency risks.

Control activities

Control activities are the policies and procedures that help ensure that General Management directives are carried out. They are performed throughout the organization, at all levels and in all functions with the aim of mitigating the risks described above.

The Group has a Financial and Administrative Manual that contains all the financial management procedures. It is used throughout the operating departments on a daily basis and is divided into four main sections defining the rules relating to:

- internal control;
- management control;
- accounting: how the main items of the statement of financial position and income statement should be measured and presented;
- cash management: payment procedures and cash from operations.

Every year, letters of representation regarding compliance with the Group's internal control and management guidelines are drawn up at the different levels of the operational organization. At the end of 2022, the National Directors and National Financial Directors, the Financial Directors of the Shared Services Centers (SSC), as well as the Financial Directors and Controllers of the operational entities all signed these letters of representation.

In addition to the Financial and Administrative Manual, the functional departments have implemented special rules and procedures that are consistent with financial and management standards:

- CPM (Clean Project Management), including the Constant Innovation Charter, which defines the way to manage development projects;
- marketing procedures and sales practices;
- human resources procedures;
- ethics and compliance rules that define the principles that all the Group's employees must comply with while conducting business and completing work related to their position and level of responsibility;
- purchasing procedures that set down the Group's strategy and objectives for purchasing and its supply base, as well as the rules that buyers and all stakeholders must follow throughout the purchasing process;

(4) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization, known as the Sapin II law.

- the Risk Management Manual on security, safety, health and the environment, as well as the Insurance Manual;
- legal procedures that set down the principles with which the Group must comply, mainly laws and regulations applicable in the countries where the Group operates, the Group's contractual obligations and the rules protecting the Group's intellectual property;
- rules for using new information technologies.

Details of these rules and procedures can be consulted on the Group's intranet by the staff concerned.

As regards quality, Valeo has set its own standard – Valeo 5000. In addition, the Quick Response Quality Control (QRQC) method ensures the prompt implementation of corrective action, and the Lessons Learned Cards (LLC) process enables the Group to monitor best practices and explore avenues for improvement. These changes were incorporated into product standards and processes through the RAISE (Robustness Accountability Innovation Standardization Expertise) customer feedback consolidation process.

For the past 15 years or so, the Group has organized Valeo Finance Academy seminars with the aim of developing internal control and financial management skills. By combining modules (on accounting, cash flow, management control and internal control) with case studies and simulations, these yearly training sessions help the Group's younger financial managers to get better acquainted with the methods and tools used in financial control.

Information and communication

Pertinent information must be identified and communicated in a form and timeframe that enable all of the Group's staff to carry out their responsibilities and perform the checks required of them. The information originating from the management system is analyzed and circulated once a month to all operational personnel. A monthly summary is then presented to the Group's Operations Committee, comprising the Chief Executive Officer and 13 other functional or operational directors.

Steering the internal control system

The internal control system is jointly monitored and steered by General Management, the Risks Committee, and the Internal Audit and Control Department, with support from the functional departments, as well as management teams at the Business Groups/Product Groups, Valeo Service and the National Directorates.

The internal control system is audited by the Internal Audit and Control Department. This department is tasked with carrying out assignments within the Group to ensure that the procedures are implemented, the performance indicators are calculated in accordance with the rules of the business lines and the processes are effective. The tasks set out in the annual audit plan are set down based on the risk map. For 2022, Internal Audit performed financial and IT audits of the operational entities and Shared Services Centers (finance and accounting), as well as cross-functional audits examining project and R&D activities, and non-financial risks.

In 2022, the Internal Audit Department's Anti-Fraud Unit also performed more than 100 specific investigations following allegations of fraud received by email or letter (most of them anonymously) or via the whistleblower hotline put in place in February 2014. These allegations were handled by a dedicated audit team under the responsibility of the Group's Fraud Investigation Officer. The Alerts Committee was informed of the detailed findings of the investigations carried out by the Internal Audit Department, which decides on the actions to take and sanctions to apply in the case of actual fraud.

Recommendations for critical issues identified during the various assignments carried out by Internal Audit are put forward to the audited entities and Shared Services Centers (SSC), which are subsequently required to implement appropriate action plans. Internal Audit's work and findings, as well as the progress made with the action plans in the audited entities, are presented to the Audit & Risks Committee every year in accordance with the Committee's internal procedures.

The Internal Audit Department is certified by the French Institute of Audit and Internal Control (IFACI) in accordance with the profession's international standards.

The application of Valeo's quality, industry, project management and safety standards is regularly checked via VAQ (Valeo Audit Quality) audits, and the environmental and safety aspects are overseen by the Health, Safety and Environment Department. Valeo has thus launched a certification program for its manufacturing plants in accordance with the ISO 14001 standard (relating to environmental management) and the ISO 45001 standard (concerning occupational health and safety).

At December 31, 2022, 145 plants had been certified ISO 14001 and 120 plants had been certified ISO 45001, out of a total of 154 eligible plants. The percentage of ISO 14001 and ISO 45001 certified plants is therefore 94% and 78%, respectively. In 2013, Valeo launched a certification program for its manufacturing plants in accordance with ISO 50001 (relating to energy management systems). At December 31, 2022, 60 plants (40%) had been certified ISO 50001 out of a total of 154 eligible plants (see Chapter 4, section 4.1.4 "Sustainable development policies", paragraph "Environmental policy", pages 218 to 222).

2.3.4 Organization of internal control and description of the assessment process

The Internal Control Department reports directly to the Internal Audit and Control Department. At the end of December 2022, it was made up of a team of 15 people, exclusively dedicated to internal control at Group and regional level. In 2022, the main role of the regional controllers was to assist the Group Internal Control Director in overseeing the internal control self-assessment campaign and ensuring best practices are applied uniformly across the regions with the support of the Business Groups and National Directorates.

The Group has developed a self-assessment process based on a questionnaire in order to measure and assess correct implementation of existing internal control procedures throughout all of its operational entities.

In 2022, the self-assessment questionnaire was rolled out, focusing on the following 12 processes: accounts closing; sales, management of customers and incoming payments; production purchases, management of suppliers and outgoing payments; non-production purchasing; projects and research & development; monitoring of fixed assets; monitoring of inventories; payroll and human resources; cash management; customs and duties; information systems and compliance. The self-assessment campaign involved 342 operational entities including 15 finance Shared Services Centers (SSC).

As part of the campaign, rules for documentation and testing (size of the sample used) were set so as to ensure reliability and uniformity of the tests carried out in the entities. A special database of internal control best practices has been posted on the Group's intranet.

A report of the initiative implemented in 2022 was presented to the Audit & Risks Committee on November 24, 2022. The results make it plain that internal control guidelines and the assessment procedure have been significantly improved, owing mainly to the department's greater visibility and efficiency, thanks to the establishment of clear objectives, the increased use of information systems and regular additions to department staffing.

The areas for improvement for the Group's internal control and risk management procedures are presented in section 2.3.7 "Outlook" of this chapter, page 111.

In addition to the internal control self-assessment and the implementation of action plans, Valeo has rolled out a procedure aimed at reviewing user profiles and access controls for the integrated accounting software package used within most of the Group's entities. The aim of this process is to ensure that the rules relating to separation of tasks laid down by internal control are applied consistently across all operational entities and Shared Services Centers (SSC). Using matrices that show incompatibilities for each of the processes, standard user profiles respecting the principles for separation of tasks have been defined and deployed. Whenever the package is deployed for the first time, the Internal Audit team provides manuals and tracks incompatibility matrices, in liaison with the entities concerned.

2.3.5 Procedures for preparing and processing financial and accounting information for the financial statements of the Company and the Group

The Finance Department is responsible for preparing the parent company and consolidated financial statements, and reports to the Chief Executive Officer. The budget and monthly reporting procedure is a critical tool for Valeo in managing its operations. The same information system tool is used for the consolidation and reporting processes, thus ensuring completeness and consistency in the preparation of financial information.

The Finance Department is in charge of the internal control procedures pertaining to the preparation and processing of financial information. Production and analysis of this information is handled as follows:

- the Group Accounting Department prepares and disseminates the accounting procedures used by the Group, making sure they are consistent with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group Accounting Department, along with the Management Control Department, carries out regular checks to ensure that operations have been correctly recorded in the accounting books;
- the Consolidation Department (within the Group Accounting Department) is responsible for preparing half-yearly and annual consolidated financial statements under IFRS. Each half-yearly and annual report includes for each legal entity complete financial statements, prepared on the basis of detailed period-end closing instructions, which include the accounts closing schedule, changes in the scope of consolidation, classification of and movements in the main statement of financial position items, the process for reconciling intercompany transactions within the Group, and the supervision of off-balance sheet commitments (entities are required to provide an exhaustive list of their commitments and also to monitor them);
- based on detailed monthly information for each management entity, the Management Control Department assesses the economic performance of the Group, analyzes the relevance of reported information, and prepares a summary of management indicators for General Management. Its analyses focus on sales, the order book, and margin and EBITDA analyses[5] for each Business Group/Product Group and geographic area;
- the Tax Department coordinates the Group's tax policy and advises the legal entities, National Directorates and, where necessary, the Business Groups/Product Groups and Valeo Service on all issues relating to tax law and also on the implementation of the tax consolidation system within certain countries.

(5) *See financial glossary, page 47.*

2.3.6 Outlook

Valeo will pursue ongoing efforts to improve its identification and analysis of risks, and its internal control system. The purpose of these efforts, in place for several years now, is to constantly adapt human resources, management and control tools and information systems in line with changes in the Group's structure and objectives. In 2023, the Group will continue to develop its internal control policy by:

- continuing to roll out IT internal control guidelines;
- adapting its internal control guidelines to ensure they are as relevant as possible to operations, in particular by involving the different networks in evaluating and improving internal control in their areas of responsibility;
- using data analysis software to enable constant monitoring of its operational entities;
- completing a project to automate the accounts closing process.

The Group's aim is to develop pertinent and effective internal controls at each level of responsibility, based on:

- an appropriate control environment;
- the accountability of all parties involved, and particularly operational staff key to the internal control processes and responsible for driving forward ongoing internal control improvements;
- consideration of the cost of implementing internal controls with regard to the level of risk exposure.

The Group will continue developing its risk management system, drawing inspiration from professional standards (COSO ERM[(6)]), including in particular:

- continuing to map risks of all kinds together with certain departments, including the Strategy, Sustainable Development and R&D departments for non-financial risks, the Ethics and Compliance Office for corruption risks, etc.;
- continuing the process initiated in 2021 to identify climate change risks and opportunities, using the classification proposed by the TCFD[(7)];
- continuing to work closely with Internal Control and Internal Audit teams, with the common objective of continuously improving risk management and the control environment.

This approach is actively supported by the Group's General Management.

2.4 Ethics and compliance

Run by General Management and the Ethics and Compliance Office, endorsed by all management teams and relayed worldwide by Compliance Champions, Data Protection Champions and Data Protection Officers, the Group's Compliance Programs are designed to prevent a number of risks and ensure compliance with the applicable regulations regarding:

- the fight against anti-competitive practices;
- the fight against corruption and influence peddling;
- compliance with international economic sanctions and export control regimes;
- personal data protection;
- whistleblower mechanisms and measures aimed at protecting whistleblowers, targeted persons and facilitators.

Designed in line with the highest international standards, including France's Sapin II law, the Foreign Corrupt Practices Act (FCPA) and the General Data Protection Regulation (GDPR), the Compliance Programs break down into different principles, policies, instructions, recommendations, tools and training modules.

They are based on a Code of Ethics and risk mapping, and a set of internal rules that:

- concretely and operationally reflect Valeo's determination to comply with regulations and prevent identified risks;
- describe prohibited practices using a range of illustrations and examples;
- define the conditions and prerequisites for acceptable conduct regarding business relationships and alliances;
- establish procedures for implementing and monitoring the effectiveness of the Compliance Programs; and
- help to prevent and detect risks, and implement corrective action plans as appropriate.

The Compliance Programs come with a range of awareness and training campaigns aimed at newcomers, as well as Managers and Professionals, along with those people identified as the most exposed.

Training courses, whether generic or targeted in light of a particular need or activity, are subject to rigorous and systematic monitoring by the Group's Human Resources Department and the Ethics and Compliance Office, with mandatory catch-up sessions. Awareness-raising involves recurring and regular communication campaigns.

The Compliance Programs are rolled out globally by the Ethics and Compliance Office, with the support of Compliance Champions, Data Protection Champions and Data Protection Officers, who are experienced executives known and acknowledged by their peers and their teams. Drawing on their detailed knowledge of the specificities of their network, country, Business Group or Activity, they help relay all of the programs to their teams, and guide employees on these challenges, thereby actively supporting their implementation at all levels of the organization.

In 2022, these programs were regularly evaluated and adjusted to ensure that the content fully matched the needs.

(6) COSO ERM (Enterprise Risk Management): the risk management framework defined by the Committee of Sponsoring Organizations of the Treadway Commission.

(7) Task Force on Climate-Related Financial Disclosures.

For example, the **Anti-Competitive Practices Program** was supplemented by tools and training related to the risks of sharing sensitive information, particularly in the context of professional events, online or in person.

The **Anti-Corruption Program** was clarified in the light of corruption risk mapping carried out in 2022 by country, by function and by Business Group or Activity. Additional tools have been made available to operational staff to take into account the risks identified in the Group's various operations.

In view of the situation in 2022, **international economic sanctions, export control regimes and their applicability to Valeo products** were closely monitored, and the compliance program, which sets the conditions for developing business relationships with potential partners (customers, suppliers, etc.) located in or linked to countries targeted by international sanctions, was adjusted accordingly. Updates were rolled out with the support of the Operations Committee and the Compliance Champions as part of a regular communication and awareness campaign.

To ensure compliance with international sanctions against Russia and Belarus, the Group rolled out a dedicated compliance system worldwide. The system is updated as regulations evolve and is scrupulously monitored.

The protection of personal data is a global issue and is subject to specific regulations in virtually all of the countries in which Valeo does business. **The Data Protection Program**, initially developed in accordance with the General Data Protection Regulation (GDPR), also meets international standards. The Valeo Data Protection Principles (VDPP), which are applicable worldwide, form the basic framework. They are rounded out where necessary, depending on local regulations, with principles specific to the various countries in which Valeo operates.

The **Whistleblowing System**, accessible to employees and stakeholders via a dedicated and secure platform available free of charge 24/7, allows all employees and stakeholders to issue detailed, confidential – even anonymous – and documented alerts, either orally or in writing, by completing a pre-selected questionnaire in the language of their choice. Access to the system is provided by a European operator. It is available on PC, smartphone, and tablet, via a link or a QR code.

Alerts received are systematically analyzed and investigated when they are deemed admissible.

Chaired by the Chief Ethics, Compliance and Data Protection Officer, the Alerts Committee is responsible for allocating resources to investigate alerts received as well as for approving action plans, including disciplinary measures if necessary, depending on the severity of the alert. The committee is composed of the Group Internal Audit and Control Director, the General Counsel and Corporate Secretary, the Chief Human Resources Officer, the Vice-President, Employee Relations, the Chief Financial Officer and the Vice-President, Purchasing. Depending on the severity of the alert, the committee may be extended to include the Chief Executive Officer and the Senior Vice-President, Group Communications and Investor Relations.

All of the values, principles and Compliance Programs are presented in the Group's Code of Ethics and apply to all of the Group's employees, executives and managers.

Moreover, fair trade practices, mutual respect and integrity among partners, customers, suppliers and other stakeholders are the foundation of long-term, quality and mutually beneficial relationships. This set of rules is reflected in the Valeo Business Partner Code of Conduct. The free training program made available to Valeo business partners has been updated. The Group is rigorous in its selection of third parties liable to represent it, with a view to forming honest and lasting partnerships, and meeting its obligations as regards both the fight against corruption and respect for international economic sanctions.

3

CORPORATE GOVERNANCE AFR

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

Valeo refers to the 2020 version of the AFEP-MEDEF Corporate Governance Code for Listed Companies, in its version of January 2020 applicable for the 2022 financial year[1] (the "AFEP-MEDEF Code"). The Code is available on the MEDEF website (www.medef.com). The application of the recommendations of the AFEP-MEDEF Code is described in section 3.2.4 of this chapter, "Corporate Governance Code", page 160.

The information contained in this chapter, pages 113 to 204, constitutes the Corporate Governance Report required by Article L.225-37 of the French Commercial Code (*Code de commerce*). The information comprising this report was prepared by several of Valeo's Functional Departments, mainly the Legal, Finance and Human Resources departments. It was reviewed by the Compensation Committee and the Governance, Appointments & Corporate Social Responsibility Committee for the parts under their respective authority, and then by the Board of Directors.

(1) The AFEP-MEDEF Code as amended in December 2022 applies to shareholders' meetings held to approve the financial statements for financial periods beginning on or after January 1, 2023.

3.1 Executive bodies

At December 31, 2022, the Group's Executive Management team comprised the Chairman of the Board of Directors, the Chief Executive Officer as well as the Functional Directors and the Operational Directors, who are members of the Operations Committee. The Group also has an Executive Committee that works alongside the Chief Executive Officer and the Operations Committee.

Chairman and Chief Executive Officer (until January 26, 2022)

Chairman of the Board of Directors (from January 26, 2022 to December 31, 2022)

Jacques Aschenbroich

(Current term of office began on May 23, 2019 and expired on December 31, 2022[1]).

In 2022, in his capacity as Chairman of the Board of Directors, Jacques Aschenbroich organized and presided over the work performed by the Board of Directors. He ensured that the Company's governance functioned effectively and that the directors were able to perform their duties. During the management transition, he was vested with specific missions carried out at the request of General Management.

(1) Jacques Aschenbroich's term of office as a director was renewed for a term of four years at the Shareholders' Meeting of May 23, 2019. He was then reappointed as Chairman and Chief Executive Officer at the Board meeting held on the same date. As specified in a press release published on October 27, 2020, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated on January 26, 2022, and the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, appointed Christophe Périllat as Chief Executive Officer of Valeo on January 26, 2022. Jacques Aschenbroich was to continue to serve as Chairman of the Board of Directors until the end of his remaining term of office, i.e., until May 2023. Jacques Aschenbroich stepped down as Chairman of the Board of Directors of Valeo on December 31, 2022, in line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

Deputy Chief Executive Officer (until January 26, 2022)
Chief Executive Officer (since January 26, 2022)

Christophe Périllat

(Current term of office began on May 26, 2021 and expires at the close of the Shareholders' Meeting that will be called to approve the financial statements for the year ended December 31, 2024[(2)]).

In his capacity as Chief Executive Officer, Christophe Périllat has the widest possible powers to act in any circumstances in the Company's name. He exercises these powers within the limits of the Company's corporate purpose and subject to the provisions of the law, the Company's articles of association and the Internal Procedures. He represents the Company in its relations with third parties.

(2) Christophe Périllat was appointed Associate Chief Executive Officer of Valeo on October 27, 2020 and Deputy Chief Executive Officer and director of Valeo on May 26, 2021. In accordance with the succession plan, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, appointed Christophe Périllat as Chief Executive Officer of Valeo effective January 26, 2022.

Chairman of the Board of Directors (since January 1, 2023)

Gilles Michel

(Current term of office began on May 24, 2022 and expires at the close of the Shareholders' Meeting that will be called to approve the financial statements for the year ended December 31, 2025[(3)]).

In his capacity as Chairman of the Board of Directors, Gilles Michel organizes and presides over the work performed by the Board of Directors, and presents a report on its activities to the Shareholders' Meeting. He ensures that the Company's governance functions effectively and that the directors are able to perform their duties

(3) Gilles Michel's term of office as a director was renewed for a term of four years at the Shareholders' Meeting of May 24, 2022. At its meeting held on December 8, 2022, the Board of Directors unanimously decided to appoint Gilles Michel, independent director, as Chairman of the Board of Directors of Valeo, effective January 1, 2023. Gilles Michel has been an independent director of Valeo since May 23, 2018. He was Chair of the Compensation Committee and of the Governance, Appointments & Corporate Social Responsibility Committee from October 24, 2019 to December 31, 2022, a member of the Strategy Committee from July 22, 2021 to December 31, 2022 and Lead Director from October 24, 2019 to January 26, 2022.

COMPOSITION OF THE EXECUTIVE COMMITTEE AND OPERATIONS COMMITTEE AT DECEMBER 31, 2022

Executive Committee members are indicated by an asterisk.

Christophe Périllat*
Chief Executive Officer

Robert Charvier*
Chief Financial Officer

Catherine Delhaye*
Chief Ethics, Compliance and Data Protection Officer

Éric Antoine Fredette*
General Counsel and General Secretary

Detlef Juerss*
Senior Vice-President, Group Sales & Business Development

François Marion*
Senior Vice-President, Group Communication & Investor Relations

Agnes Park*
Group Chief Human Resources Officer

Geoffrey Bouquot(1)
Chief Technology Officer and Vice-President, Strategy

Xavier Dupont
President, Powertrain Systems Business Group

Marc Guédon
Vice-President, Group Purchasing

Maurizio Martinelli
President, Visibility Systems Business Group

Francisco Moreno
President, Thermal Systems Business Group

Éric Schuler
President, Valeo Service

Marc Vrecko
President, Comfort & Driving Assistance Systems Business Group

(1) Member of the Operations Committee and Secretary of the Executive Committee.

3.2 Composition of the Board of Directors, and preparation and organization of its work

3.2.1 Composition of the Board of Directors

Composition of the Board of Directors at December 31, 2022 and changes (made or approved) during 2022

The composition of the Board of Directors at December 31, 2022 is shown in the table below.

	Personal information				Experience	Position on the Board of Directors				
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies(1)	Indepen-dence	First appointed	Expiration of term of office	Years' service on the Board	Membership of Board Committees(2)
Jacques Aschenbroich Chairman of the Board of Directors(3)	68	M	French	876,394	3	-	03/20/2009	2023 Shareholders' Meeting	13 years	-
Christophe Périllat Chief Executive Officer(4)	57	M	French	174,528(5)	1	-	05/26/2021	2025 Shareholders' Meeting	1 year	-
Gilles Michel	66	M	French	2,500	2(6)	√	05/23/2018	2026 Shareholders' Meeting	4 years	GACSRC (Chair)/ CC (Chair)/SC
Bruno Bézard	59	M	French	3,000	0	√	10/24/2017	2026 Shareholders' Meeting	5 years	ARC
Bpifrance Participations Represented by Stéphanie Frachet	45	F	French	12,600,000(7)	0	√	06/21/2019	2026 Shareholders' Meeting	3 years	GACSRC/CC/SC
Alexandre Dayon(8)	55	M	American / French	15,000	0	√	07/26/2022	2025 Shareholders' Meeting	<1 year	SC
Fonds Stratégique de Participations Represented by Julie Avrane	51	F	French	10,213,000(9)	3	√	03/24/2020	2024 Shareholders' Meeting	2 years	ARC
Mari-Noëlle Jégo-Laveissière	54	F	French	1,500	3	√	05/26/2016	2025 Shareholders' Meeting	6 years	ARC
Thierry Moulonguet	71	M	French	3,000	0	√	06/08/2011	2024 Shareholders' Meeting	11 years	ARC (Chair)/SC
Éric Poton Director representing employees	56	M	French	38(10)	0	N/A(11)	06/30/2021	06/30/2025	1 year	ARC
Patrick Sayer	65	M	French	11,700	1	√	05/23/2019	2023 Shareholders' Meeting	3 years	GACSRC/CC/SC (Chair)
Ulrike Steinhorst Member in charge of CSR issues	71	F	German	1,500	1	√	02/24/2011	2024 Shareholders' Meeting	11 years	GACSRC/CC/SC
Grzegorz Szelag Director representing employees	45	M	Polish	218(10)	0	N/A(11)	11/19/2020	11/19/2024	2 years	CC
Véronique Weill	63	F	French	2,390	2	√	05/26/2016	2025 Shareholders' Meeting	6 years	ARC/GACSRC/CC

N/A = Not applicable.
(1) Except for the directorship in the Company.
(2) ARC = Audit & Risks Committee; GACSRC = Governance, Appointments & Corporate Social Responsibility Committee; CC = Compensation Committee; SC = Strategy Committee.
(3) Chairman and Chief Executive Officer until January 26, 2022 and Chairman of the Board of Directors until December 31, 2022, i.e., the end of his term of office as director and Chairman of the Board of Directors of Valeo.
(4) Deputy Chief Executive Officer until January 26, 2022, and Chief Executive Officer since that date.
(5) Christophe Périllat also holds 27,744 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 128,539 shares.
(6) This figure includes the directorship in IBL Ltd which ended on December 31, 2022.
(7) These shares are held by Bpifrance Participations.
(8) At its meeting held on July 26, 2022, the Board of Directors of Valeo unanimously decided, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, to co-opt Alexandre Dayon as an independent director to replace C. Maury Devine, who resigned from her office effective that same day, for her remaining term of office, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2024.
(9) These shares are held by Fonds Stratégique de Participations.
(10) In accordance with the law, the articles of association and the Internal Procedures, the directors representing employees are not required to hold 1,500 shares. Éric Poton and Grzegorz Szelag also hold 90 shares and 4 shares, respectively, in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 416 shares and 18 shares, respectively.
(11) Directors representing employees do not count, in accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code.

NATIONALITY
: French – : American – : German – : Polish

The changes in the composition of the Board of Directors and its Committees in 2022 (made or approved) are shown in the table below.

	Departures	Appointments	Reappointments
Board of Directors	C. Maury Devine[1] (July 26, 2022) Jacques Aschenbroich (December 8, 2022, effective December 31, 2022)	Alexandre Dayon[2] (July 26, 2022) Gilles Michel (Chairman) Stéphanie Frachet (December 8, 2022, effective January 1, 2023)[3]	Bruno Bézard Bpifrance Participations Gilles Michel[5] (May 24, 2022)
Governance, Appointments & Corporate Social Responsibility Committee	C. Maury Devine[1] (July 26, 2022) Bpifrance Participations Gilles Michel (December 8, 2022, effective December 31, 2022)[3]	Véronique Weill (Chair) Stéphanie Frachet (December 8, 2022, effective January 1, 2023)[3]	Bpifrance Participations Gilles Michel (May 24, 2022)
Compensation Committee	C. Maury Devine[1] (July 26, 2022) Bpifrance Participations Gilles Michel (December 8, 2022, effective December 31, 2022)[3]	Véronique Weill (Chair) Stéphanie Frachet (December 8, 2022, effective January 1, 2023)[3]	Bpifrance Participations Gilles Michel (May 24, 2022)
Audit & Risks Committee	N/A	Éric Poton (January 26, 2022)[4] Bpifrance Participations (December 8, 2022, effective January 1, 2023)[3]	Bruno Bézard (May 24, 2022)
Strategy Committee	Bpifrance Participations Gilles Michel (December 8, 2022, effective December 31, 2022)[3]	Alexandre Dayon[2] (July 26, 2022) Stéphanie Frachet (December 8, 2022, effective January 1, 2023)[3]	Gilles Michel (May 24, 2022)

N/A: Not applicable.

(1) Until July 26, 2022, the effective date of her resignation as director and member of the Governance, Appointments & Corporate Social Responsibility Committee and the Compensation Committee.

(2) By decision of the Board of Directors on July 26, 2022, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee.

(3) At its meeting held on December 8, 2022, the Board of Directors unanimously decided, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, to appoint Gilles Michel, independent director, as Chairman of the Board of Directors of Valeo, effective January 1, 2023, to replace Jacques Aschenbroich, who stepped down as Chairman of the Board of Directors and director on December 31, 2022, in line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022. At this same meeting, the Board of Directors co-opted Stéphanie Frachet as an independent director to replace Jacques Aschenbroich, effective January 1, 2023, and acknowledged the appointment of Alexandre Ossola as the permanent representative of Bpifrance Participations, effective January 1, 2023. In line with these decisions, the Board of Directors also decided to change the composition of the Committees by appointing (i) Véronique Weill as Chair of the Governance, Appointments & Corporate Social Responsibility Committee and of the Compensation Committee, replacing Gilles Michel who has become Chairman of the Board of Directors (ii) Stéphanie Frachet as a member of the Governance, Appointments & Corporate Social Responsibility Committee, the Compensation Committee and the Strategy Committee (she was already a member of these Committees as permanent representative of Bpifrance Participations) and (iii) Bpifrance Participations, represented by Alexandre Ossola, as a member of the Audit & Risks Committee.

(4) By decision of the Board of Directors on July 22, 2021, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, effective January 26, 2022.

(5) At the Shareholders' Meeting of May 24, 2022.

Composition of the Board of Directors at January 1, 2023

The composition of the Board of Directors at January 1, 2023 is shown in the table below:

	Personal information				Experience	Position on the Board of Directors				
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies[1]	Independence	First appointed	Expiration of term of office	Years' service on the Board	Membership of Board Committees[2]
Gilles Michel Chairman of the Board of Directors[3]	66	M		2,500	1	√	05/23/2018	2026 Shareholders' Meeting	4 years	-
Christophe Périllat Chief Executive Officer[4]	57	M		174,528[4]	1	-	05/26/2021	2025 Shareholders' Meeting	1 year	-
Bruno Bézard	59	M		3,000	0	√	10/24/2017	2026 Shareholders' Meeting	5 years	ARC
Bpifrance Participations Represented by Alexandre Ossola[5]	48	M		12,600,000[6]	0	√	06/21/2019	2026 Shareholders' Meeting	3 years	ARC
Alexandre Dayon	55	M		15,000	0	√	07/26/2022	2025 Shareholders' Meeting	<1 year	SC
Fonds Stratégique de Participations Represented by Julie Avrane	51	F		10,213,000[7]	3	√	03/24/2020	2024 Shareholders' Meeting	2 years	ARC
Stéphanie Frachet[8]	45	F		0[9]	0	√	12/08/2022 (effective 01/01/2023)	2023 Shareholders' Meeting	<1 year[10]	GACSRC/CC/SC
Mari-Noëlle Jégo-Laveissière	54	F		1,500	3	√	05/26/2016	2025 Shareholders' Meeting	6 years	ARC
Thierry Moulonguet	71	M		3,000	0	√	06/08/2011	2024 Shareholders' Meeting	11 years	ARC (Chair)/SC
Éric Poton Director representing employees	56	M		38[11]	0	N/A[12]	06/30/2021	06/30/2025	1 year	ARC
Patrick Sayer	65	M		11,700	1	√	05/23/2019	2023 Shareholders' Meeting	3 years	GACSRC/CC/SC (Chair)
Ulrike Steinhorst Member in charge of CSR issues	71	F		1,500	1	√	02/24/2011	2024 Shareholders' Meeting	11 years	GACSRC/CC/SC
Grzegorz Szelag Director representing employees	45	M		218[11]	0	N/A[12]	11/19/2020	11/19/2024	2 years	CR[13]
Véronique Weill	63	F		2,390	2	√	05/26/2016	2025 Shareholders' Meeting	6 years	ARC/GACSRC (Chair)/CC (Chair)

N/A = Not applicable.

(1) Except for the directorship in the Company.

(2) ARC = Audit & Risks Committee; GACSRC = Governance, Appointments & Corporate Social Responsibility Committee; CC = Compensation Committee; SC = Strategy Committee.

(3) At its meeting held on December 8, 2022, the Board of Directors unanimously decided to appoint Gilles Michel, independent director, as Chairman of the Board of Directors of Valeo effective January 1, 2023, to replace Jacques Aschenbroich, who stepped down as Chairman of the Board of Directors and director on December 31, 2022, in line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

(4) Christophe Périllat also holds 27,744 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 128,539 shares.

(5) At its meeting held on December 8, 2022, the Board of Directors acknowledged the appointment of Alexandre Ossola as permanent representative of Bpifrance Participations on the Board of Directors of Valeo, effective January 1, 2023.

(6) These shares are held by Bpifrance Participations.

(7) These shares are held by Fonds Stratégique de Participations.

(8) At its meeting held on December 8, 2022, the Board of Directors unanimously decided, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, to co-opt Stéphanie Frachet as independent director, effective January 1, 2023, to replace Jacques Aschenbroich, for his remaining term of office, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2022. The renewal of Stéphanie Frachet's term of office will be proposed at the Shareholders' Meeting of May 24, 2023.

(9) On March 1, 2023, Stéphanie Frachet acquired 1,500 shares in the Company, in accordance with the rules set out in the articles of association and the Internal Procedures.

(10) Stéphanie Frachet has served three years on the Board of Directors, taking into account her term of office as permanent representative of Bpifrance Participations between June 21, 2019 and December 31, 2022.

(11) In accordance with the law, the articles of association and the Internal Procedures, the directors representing employees are not required to hold 1,500 shares. Éric Poton and Grzegorz Szelag also hold 90 shares and 4 shares, respectively, in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 416 shares and 18 shares, respectively.

(12) Directors representing employees do not count, in accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code.

(13) At its meeting held on January 26, 2023, the Board of Directors decided, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, to appoint Grzegorz Szelag as a member of the Governance, Appointments & Corporate Social Responsibility Committee, in addition to serving as a member of the Compensation Committee.

NATIONALITY

: French – : American – : German – : Polish

Summary of the main rules regarding the composition of the Board of Directors

According to the Company's articles of association, the Board of Directors comprises at least three and no more than 18 members (subject to any amendments in line with changes in the applicable law). Directors representing employees are not included in the minimum and maximum number of directors. On December 31, 2022, the Board of Directors had 14 members, including two directors representing employees. The number of directors remained unchanged following the change in the composition of the Board on January 1, 2023.

Directors are appointed by shareholders at Shareholders' Meetings on the recommendation of the Board of Directors, which in turn receives recommendations from the Governance, Appointments & Corporate Social Responsibility Committee. They are appointed for a term of four years ending at the close of the Shareholders' Meeting called in the year in which their term expires to approve the financial statements for the previous year. They may be reappointed and may be removed from office by the Shareholders' Meeting at any time. To ensure smooth turnover on the Board of Directors, the Company's articles of association provide for staggered terms of office, with one quarter of the directors up for reappointment in any one year in principle. Where one or more seats on the Board become vacant due to the death or resignation of any member or members, the Board of Directors may appoint new members on a temporary basis until the next Shareholders' Meeting, in accordance with the applicable legislation. The term of office of the Chairman of the Board of Directors may not exceed his term of office as a director.

By exception and in accordance with the applicable law, the directors representing employees are appointed in accordance with the arrangements provided for in the articles of association. If the Board of Directors has eight members or less, it must include a director representing employees, appointed by the Group Works Council. If there are more than eight directors, a second director representing employees must be appointed by the European Works Council. The second director representing employees will only take up office if the Board still has more than eight members at the date on which that director is appointed (which must be within six months of such threshold being exceeded).

The rules, presented above, applicable to directors appointed by the Shareholders' Meeting as regards the term and renewal of office also apply to the directors representing employees (other than the rule regarding the reappointment of one quarter of the Board of Directors' members), insofar as their term of office will end at the expiration of that four-year term. If a seat as director representing employees becomes vacant for any reason, it shall be filled under the conditions provided for by law, i.e., in the same way as the outgoing director representing employees was appointed. Should the number of directors fall below or be equal to the legal threshold of eight, the term of office of the second director representing employees appointed by the European Works Council will be maintained until it expires. If the requirement to appoint a director representing employees no longer applies, the term of a director or directors representing employees may be ended, on the decision of the Board of Directors, at the close of the Board meeting at which the Board of Directors duly notes that Valeo is no longer subject to that requirement.

Directors appointed by the shareholders are selected on the basis of the diversity policy as described in paragraph "Board of Directors' diversity policy" of this section, pages 124 to 126.

For details of the directorships and other positions held by the members of the Board of Directors (including those held in the last five years), and their experience and expertise, see paragraph "Presentation of directors 2022" of this section, pages 129 to 146.

Attendance rate at Board of Directors' meetings

The Board of Directors met ten times in 2022, including the Board meeting that closed the annual strategy seminar.

The average attendance rate of directors at Board of Directors' meetings held in 2022 was 98.38%. All meetings of the Board of Directors were held in person.

In addition, 21 Board Committee meetings were held in 2022:

- the Governance, Appointments & Corporate Social Responsibility Committee met six times with an average attendance rate of 87.50%;
- the Compensation Committee met six times with an average attendance rate of 89.28%;
- the Audit & Risks Committee met six times with an average attendance rate of 100%;
- the Strategy Committee met three times with an average attendance rate of 100%.

The attendance rate of directors at Board and Committee meetings in 2022 is shown in the table below.

	Attendance rate at Board meetings[1]	Attendance rate at GACSRC meetings[1]	Attendance rate at CC meetings[1]	Attendance rate at ARC meetings[1]	Attendance rate at SC meetings[1]
Jacques Aschenbroich[2] (Chairman of the Board of Directors)	10/10	N/A	N/A	N/A	N/A
Christophe Périllat[3] (Chief Executive Officer)	10/10	N/A	N/A	N/A	N/A
Gilles Michel (Independent director)	10/10	6/6	6/6	N/A	3/3
Bruno Bézard (Independent director)	10/10	N/A	N/A	6/6	N/A
Bpifrance Participations Represented by Stéphanie Frachet (Independent director)	10/10	6/6	6/6	N/A	3/3
Éric Poton (Director representing employees)	10/10	N/A	N/A	6/6[4]	N/A
Alexandre Dayon[5] (Independent director)	3/3	N/A	N/A	N/A	N/A
C. Maury Devine[6] (Independent director)	6/7	3/4	3/4	N/A	N/A
Fonds Stratégique de Participations Represented by Julie Avrane (Independent director)	10/10	N/A	N/A	6/6	N/A
Mari-Noëlle Jégo-Laveissière (Independent director)	10/10	N/A	N/A	6/6	N/A
Thierry Moulonguet (Independent director)	10/10	N/A	N/A	6/6	3/3
Patrick Sayer (Independent director)	10/10	4/6	4/6	N/A	3/3
Ulrike Steinhorst (Independent director)	10/10	6/6	6/6	N/A	3/3
Grzegorz Szelag (Director representing employees)	10/10	N/A	6/6	N/A	N/A
Véronique Weill (Independent director)	9/10	5/6	5/6	6/6	N/A
TOTAL	**98.38%**	**87.50%**	**89.28%**	**100%**	**100%**

N/A: Not applicable.

(1) Board = Board of Directors; ARC = Audit & Risks Committee; GACSRC = Governance, Appointments & Corporate Social Responsibility Committee; CC = Compensation Committee; SC = Strategy Committee.

(2) Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors until December 31, 2022.

(3) Deputy Chief Executive Officer until January 26, 2022, and Chief Executive Officer since that date.

(4) Since his appointment as a member of the Audit & Risks Committee effective January 26, 2022.

(5) Since his co-optation as a director and appointment as a member of the Strategy Committee on July 26, 2022.

(6) Until July 26, 2022, the effective date of her resignation as director and member of the Governance, Appointments & Corporate Social Responsibility Committee and member of the Compensation Committee.

Director independence review

Classification as an independent director is reviewed by the Governance, Appointments & Corporate Social Responsibility Committee and the Board of Directors on two occasions: when a new director is appointed and every year before the Corporate Governance Report is prepared.

In compliance with the AFEP-MEDEF Code, the Internal Procedures classify as independent a director who has no relations whatsoever with the Company, the Group or its Management that may compromise his/her ability to exercise freedom of judgment.

In particular, in accordance with the Internal Procedures and in line with the AFEP-MEDEF Code, independence is presumed to exist when a director:

- is not and has not been in the past five years:
  - an employee or an executive corporate officer of the Company,
  - an employee, executive corporate officer or director of one of the Company's consolidated subsidiaries,
  - an employee, executive corporate officer or director of the parent company of the Company or of one of the parent company's consolidated subsidiaries (Criterion 1);
- is not an executive corporate officer of a company in which the Company holds a directorship, either directly or indirectly, or in which an employee appointed in that role or an executive corporate officer of the Company (currently in office or having held such office during the last five years) is a director (Criterion 2);
- is not (and is not directly or indirectly related to) a customer, supplier, commercial banker, investment banker or adviser:
  - that is material to the Company or its Group, or
  - for which the Company or Group represents a significant portion of its business. The issue of whether or not the relationship with the Company or the Group qualifies as significant is discussed by the Board of Directors, and the quantitative and qualitative criteria used for the assessment (continuity, economic dependence, exclusivity, etc.) are explicitly stated in the Corporate Governance Report (Criterion 3),
  - is not related by close family ties to a corporate officer (Criterion 4),
  - has not been a Statutory Auditor of the Company in the past five years (Criterion 5),
  - has not been a director of the Company for more than 12 years, at which point the director is no longer considered to be independent (Criterion 6).

A non-executive corporate officer cannot be deemed independent if he/she receives variable compensation in cash or shares, or any compensation tied to Company or Group performance (Criterion 7).

Directors who represent major Company shareholders can be deemed independent if those shareholders do not have a controlling interest in the Company. However, above a 10% threshold of the share capital or voting rights in the Company, the Board of Directors, acting on a report from the Governance, Appointments & Corporate Social Responsibility Committee, will decide whether the directors qualify as independent, taking into account the composition of the Company's share capital and the existence of any potential conflict of interest (Criterion 8).

Director independence review on appointment or co-optation in 2022

For each appointment or co-optation during the year, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, reviews the independence of the new members based on each of the above criteria.

Pursuant to the Board of Directors' decision of July 26, 2022 to co-opt Alexandre Dayon as director to replace C. Maury Devine for her remaining term of office, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2024, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, reviewed his independence and concluded that he qualified as independent.

In addition, pursuant to the Board of Directors' decision of December 8, 2022 to co-opt Stéphanie Frachet as director to replace Jacques Aschenbroich for his remaining term of office, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2022, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, reviewed her independence and concluded that she qualified as independent.

Following the appointment of Alexandre Ossola as permanent representative of Bpifrance Participations, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, also reviewed his independence and concluded that he qualified as independent.

It should be specified that, during the independence review, business relationships between the Group and the groups or entities in which some of these new members hold directorships or other positions were identified. Based on the criteria described in the following section, these relationships were not considered very significant for the Group or for the other groups/entities identified.

Director independence review upon preparation of the Corporate Governance Report

In accordance with the Internal Procedures and the AFEP-MEDEF Code, and on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee at its meeting held on January 23, 2023, the independence of the directors in office was reviewed at the Board of Directors' meeting of January 26, 2023.

The table below provides an overview of the status of each director at December 31, 2022 (unless stated otherwise), in light of the independence criteria set out in the AFEP-MEDEF Code and the Internal Procedures.

Criterion[(1)]	Criterion 1: Employee or corporate officer in the last five years	Criterion 2: Cross-directorships	Criterion 3: Significant business relationships	Criterion 4: Family ties	Criterion 5: Statutory Auditors	Criterion 6: In office for more than 12 years	Criterion 7: Non-executive corporate officer	Criterion 8: Major shareholder
Jacques Aschenbroich								
Chairman of the Board of Directors until December 31, 2022	✘	✓	✓	✓	✓	✘	✓	✓
Gilles Michel								
Chairman of the Board of Directors since January 1, 2023[(2)]	✓	✓	✓	✓	✓	✓	✓	✓
Christophe Périllat[(3)]								
Chief Executive Officer	✘	✓	✓	✓	✓	✓	✓	✓
Bruno Bézard	✓	✓	✓	✓	✓	✓	✓	✓
Bpifrance Participations[(4)]								
Represented by Stéphanie Frachet, then Alexandre Ossola since January 1, 2023	✓	✓	✓	✓	✓	✓	✓	✓[(5)]
Éric Poton[(6)]								
Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alexandre Dayon	✓	✓	✓	✓	✓	✓	✓	✓
Stéphanie Frachet								
(since January 1, 2023)	✓	✓	✓	✓	✓	✓	✓	✓
Fonds Stratégique de Participations[(7)]								
Represented by Julie Avrane	✓	✓	✓	✓	✓	✓	✓	✓[(8)]
Mari-Noëlle Jégo-Laveissière	✓	✓	✓	✓	✓	✓	✓	✓
Thierry Moulonguet	✓	✓	✓	✓	✓	✓	✓	✓
Patrick Sayer	✓	✓	✓	✓	✓	✓	✓	✓
Ulrike Steinhorst	✓	✓	✓	✓	✓	✓	✓	✓
Grzegorz Szelag[(6)]								
Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Véronique Weill	✓	✓	✓	✓	✓	✓	✓	✓

N/A: Not applicable.
(1) In the table, ✓ signifies an independence criterion that has been met and ✘ signifies an independence criterion that has not been met.
(2) At its meeting held on December 8, 2022, the Board of Directors unanimously decided to appoint Gilles Michel, independent director, as Chairman of the Board of Directors of Valeo, effective January 1, 2023.
(3) Deputy Chief Executive Officer until January 26, 2022, and Chief Executive Officer since that date.
(4) This independence assessment was conducted for both the company (Bpifrance Participations) and its permanent representative (Stéphanie Frachet then Alexandre Ossola since January 1, 2023).
(5) Bpifrance Participations held 5.17% of Valeo's share capital and 5.04% of the voting rights at December 31, 2022. Bpifrance Participations is controlled by Bpifrance SA, a 50%-50% joint venture between Caisse des Dépôts et Consignations and EPIC Bpifrance.
(6) Directors representing employees do not count, in accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code.
(7) This independence assessment was conducted for both the company (Fonds Stratégique de Participations) and its permanent representative (Julie Avrane).
(8) Fonds Stratégique de Participations held 4.19% of Valeo's share capital and 4.09% of the voting rights at December 31, 2022.

During the independence review, the Board of Directors paid particular attention to the independence of Bruno Bézard: Bruno Bézard is one of the Managing Partners of Cathay Capital Private Equity, a private equity company of the Cathay Capital group. The Cathay Capital group comprises several investment fund management companies. The Group has made five investments in the Sino-French (Innovation) Fund, the Sino-French (Innovation) Fund II, the Sino-French (Innovation) Fund III, the Cartech fund and the Taicang fund (the "**Cathay Funds**") managed by the group Cathay Capital management entities (two of which were made before Bruno Bézard's co-optation as director on October 24, 2017). The review to determine whether the business relationships between the Group and the Cathay Capital group should be classified as significant was based on several quantifiable and qualitative criteria. As regards financial transactions, the Group's investment commitments relating to the Cathay Capital group via the Cathay Funds represented approximately 0.7% of its 2022 sales and 3.7% of the Cathay Capital group's assets under management at December 31, 2022, and are therefore not material. In addition, management fees, which are charged on an arm's length basis, are paid in proportion to the percentage held by each investor in the Cathay Funds and the Group's share is not material. Bruno Bézard does not sit on any committee responsible for the Group's past or future investments in the five funds. Bruno Bézard has no direct or indirect decision-making power in the continuation of this business relationship, which existed before he was appointed as a director of the Company. Moreover, the Group is free to make investments via funds that do not belong to the Cathay Capital group. There is no relationship of exclusivity or dependency, economic or otherwise, between the Group and the Cathay Capital group. The same is true for the Cathay Capital group funds, in which many other investors have invested. Lastly, Bruno Bézard does not receive any form of compensation in relation to the abovementioned investments. Accordingly, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors concluded that Bruno Bézard qualified as independent. The business relationships between the Group and the Diot-Siaci group, of which Bruno Bézard is a director, were also reviewed. The review showed that these business relationships were not significant, for either the Group (0.003% of sales in 2022) or for the Diot-Siaci group (less than 0.1% of sales in 2021).

Business relationships between the Group and groups or entities in which certain directors hold positions or directorships were also identified, but they are not significant for either the Group or the other groups/companies identified, based on quantitative criteria (sales, amount of purchases, arm's length conditions) and, where applicable, qualitative criteria (in particular, whether the business relationship predated the event, possible economic dependence, exclusivity, existence of other suppliers, position within the group and influence on the business relationship).

As regards the executive corporate officers, Jacques Aschenbroich cannot be considered as independent as he was Valeo's Chairman and Chief Executive Officer until January 26, 2022. At December 31, 2022, there was a non-material business relationship between the Group and the BNP Paribas group, of which Jacques Aschenbroich is a director. This business relationship, which is conducted on an arm's length basis, is described in section 3.2.3, paragraph "Conflicts of interest", page 159. Regarding Christophe Périllat, he cannot be considered as independent as he holds the office of Chief Executive Officer.

Following the independence review of the directors in office on January 26, 2023, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, concluded that 11 of the 12 directors were independent (the directors representing employees do not count in accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code): Bruno Bézard, Bpifrance Participations (represented by Stéphanie Frachet and then Alexandre Ossola since January 1, 2023), Alexandre Dayon, Fonds Stratégique de Participations (represented by Julie Avrane), Stéphanie Frachet (since January 1, 2023), Mari-Noëlle Jégo-Laveissière, Gilles Michel, Thierry Moulonguet, Patrick Sayer, Ulrike Steinhorst and Véronique Weill.

Board of Directors' diversity policy

Valeo firmly believes in the importance and relevance of broader diversity at all levels and in every profession within the Company, not only as a question of social responsibility, but also as a tool for performance. Valeo is thus committed to promoting diversity within its governing bodies and across the Group as a whole (see Chapter 4, section 4.5.4 "Respecting and promoting diversity, equity and inclusion", pages 298 to 301).

The policy described below reflects Valeo's approach to diversity within the Board of Directors.

Diversity policy statement

The Board of Directors believes it is essential to encourage gender diversity on the Board, as well as a broad mix of backgrounds and expertise, to ensure that the Board can operate smoothly, to help the Group achieve its objectives, including by ensuring a high quality of discussion within the Board, and to protect the interests of both the Company and all its shareholders and stakeholders.

A broad mix of experience and viewpoints and the independence of the directors gives the Board of Directors the objectivity required in relation to General Management and a specific shareholder or group of shareholders. A diversified composition of the Board of Directors also means seeking a permanent balance between recently appointed members and more long-serving directors, to bring a fresh slant to the Board's discussions whilst ensuring the long-term consistency of its decisions. The length of the directors' term of office and staggered appointments also help to maintain the stability of the Company's corporate bodies.

Through that experience and diversity, Valeo's directors are able to exercise good judgment and have an ability to anticipate events, enabling them to act in the Company's interests and to respond to the challenges facing the Group.

The Board of Directors regularly reviews its composition and identifies ways in which to ensure the broadest possible diversity.

Composition of the Board of Directors and objectives

Gender diversity and independence

At December 31, 2022, the Board of Directors had 14 members, of which five women and nine men, including two directors representing employees appointed respectively by the Group Works Council and the European Works Council. In accordance with Article L.225-27-1 of the French Commercial Code (*Code de commerce*), the directors representing employees do not count for the purpose of determining the proportion of men and women on the Board of Directors. The percentage of women on the Board of Directors is therefore 42%. This percentage remained unchanged following the change in the composition of the Board of Directors on January 1, 2023. Valeo intends to continue its drive to diversify the composition of the Board.

All of the Board members were independent directors with the exception of (i) Jacques Aschenbroich (Chairman of the Board of Directors) and Christophe Périllat (Chief Executive Officer) at December 31, 2022[(1)] and (ii) Christophe Périllat (Chief Executive Officer) following the change in the composition of the Board of Directors on January 1, 2023[(2)], it being specified that in accordance with the recommendation in Article 9.3 of the AFEP-MEDEF Code, directors representing employees do not count toward the number of independent directors.

(1) In respect of the 2022 financial year, Jacques Aschenbroich and Christophe Périllat cannot be considered as independent given their respective positions as Chairman and Chief Executive Officer until January 26, 2022 and Chief Executive Officer since January 26, 2022.

(2) Jacques Aschenbroich stepped down as Chairman of the Board of Directors and director of Valeo on December 31, 2022, in line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

Diversity of backgrounds and experience

At December 31, 2022, eight of the directors held directorships or other positions in French or international listed companies outside the Group, and only Jacques Aschenbroich (Chairman of the Board of Directors), Christophe Périllat (Chief Executive Officer), Éric Poton and Grzegorz Szelag (directors representing employees) held positions within the Group. Following the change in the composition of the Board of Directors on January 1, 2023 (with the departure of Jacques Aschenbroich on December 31, 2022), the situation remains unchanged.

The directors (and where applicable, the permanent representatives of legal entities holding directorships) of the Board of Directors at December 31, 2022, and at January 1, 2023 following the change in the composition of the Board of Directors, come from different backgrounds, bringing the Group the benefit of their broad range of experience and expertise in business, industry, operations, technology and finance. Furthermore, the two directors representing employees bring the Board of Directors the benefit of their knowledge of the Company and its businesses, markets, customers and expertise. For a presentation of the background and experience of each Board member, see paragraph "Presentation of directors 2022" of this section, pages 129 to 146. The Board of Directors intends to further diversify the profiles of its members.

Procedure for selecting directors in accordance with the diversity policy

The Board of Directors regularly reflects on how best to evolve its composition, particularly when co-opting directors or proposing directors for appointment or reappointment and as part of the annual assessment of the Board's operating procedures, composition and organization. The assessment carried out at the end of 2022 and the beginning of 2023, for example, revealed that the directors are committed to further enhancing the diversity and mix of profiles among the Board members (background, nationality, skills) (for further information on the Board's self-assessment, see section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 147 to 159).

The Board of Directors relies on advice from the Governance, Appointments & Corporate Social Responsibility Committee, which initially selects candidates for the position of director. In its drive to achieve a diversified composition guided by the interests of the Company and all its shareholders, the Board takes the following considerations into account: (i) the appropriate balance based on the composition of and changes in the Company's ownership structure, (ii) gender balance, (iii) any representation of vested interests, (iv) the timeliness of renewing directorships, (v) the integrity, skills, international experience, nationality and independence of each candidate, and (vi) the appropriate number of independent directors. The Governance, Appointments & Corporate Social Responsibility Committee, in its search, can also call on external specialized independent consulting firms to identify potential directors meeting the relevant selection criteria and diversity objectives set in the current policy. Where appropriate, the Governance, Appointments & Corporate Social Responsibility Committee conducts its own independence review to confirm that the profiles identified meet this criterion.

Based on the principles and objectives of the diversity policy, the Governance, Appointments & Corporate Social Responsibility Committee identifies new candidates of interest for appointment or co-optation to the Board of Directors.

The process continues with the selection of candidates and, after interviews with them, a recommendation is submitted by the Governance, Appointments & Corporate Social Responsibility Committee to the Board of Directors, which decides whether to co-opt the candidate or to propose his or her appointment to the Shareholders' Meeting (for further information on the role of the Governance, Appointments & Corporate Social Responsibility Committee, see section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 147 to 159).

In accordance with the law, the directors representing employees are appointed in accordance with the procedures set out in the articles of association (see section 3.2.1 "Summary of the main rules regarding the composition of the Board of Directors", page 120).

The Company's new directors are eligible for training to help them learn about the Company, its business lines and business sector, and its corporate social responsibility (CSR) challenges (for further information on the directors' training, see section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 147 to 159).

The Board of Directors reports annually on the results of this diversity policy in the Corporate Governance Report.

Results achieved in the previous year

The following objectives, which had been set by the Board of Directors for 2022, were achieved:

- the completion of the management transition, with the appointment of Christophe Périllat as Chief Executive Officer on January 26, 2022 and Jacques Aschenbroich serving as Chairman of the Board of Directors until December 31, 2022, in accordance with the succession plan unanimously approved by the Board of Directors on October 27, 2020 and in line with the commitments made by Jacques Aschenbroich in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022. Gilles Michel succeeded Jacques Aschenbroich as Chairman of the Board of Directors on January 1, 2023;
- a continued balanced representation of women and men on the Board of Directors, as required by law (41.66% women); following the change in the composition of the Board decided on December 8, 2022, effective January 1, 2023, the gender balance of the Board of Directors remains unchanged;
- a continued high proportion of independent directors (83.33%); following the change in the composition of the Board decided on December 8, 2022, effective January 1, 2023, this proportion rose to 91.66%;
- the strengthening of technological expertise and continued international experience within the Board of Directors with the co-optation of Alexandre Dayon to replace C. Maury Devine, who resigned;

- the appointment of Alexandre Ossola as permanent representative of Bpifrance Participations, effective January 1, 2023, bringing his experience in the financial aspects of the automotive industry to the Board;
- a review of the Group's CSR strategy, commitments and policies.

Diversity policy within the governing bodies

As part of the Group's diversity policy, the Board of Directors also ensures that the Chief Executive Officer implements a policy of non-discrimination, diversity and gender parity, particularly as regards a balanced representation of women and men on the governing bodies. Valeo promotes equality between men and women, particularly pay equality, and ensures that women are represented at all levels of the Company, including top management. At December 31, 2022 and at January 1, 2023, Valeo's Executive Committee has seven members, five of whom are men and two of whom are women – Catherine Delhaye (Chief Ethics, Compliance and Data Protection Officer) and Agnès Park (Group Chief Human Resources Officer) – for a proportion of 28.5%. Catherine Delhaye and Agnès Park are also members of the Operations Committee, which has 14 members.

Valeo is committed to making the further progress required and taking all possible measures to improve gender diversity on governing bodies. In accordance with the recommendations of the AFEP-MEDEF Code, in 2020 the Board of Directors set its 2030 gender diversity targets for the governing bodies as well as intermediate targets on the recommendation of General Management.

Gender diversity is a priority for Valeo and the Company plans to double the number of women on its management committees from 16% at January 1, 2020 to 32% by December 31, 2030. Intermediate targets have been set for December 31, 2024 (23% women) and December 31, 2027 (27% women), by applying a linear annual progression up to the December 31, 2030 target, which is 32% women(3).

Progress in achieving these targets will be monitored regularly by the Board of Directors.

In addition, action and measures taken by Valeo to promote diversity and equality between men and women are presented in Chapter 4, section 4.5.4 "Respecting and promoting diversity, equity and inclusion", pages 298 to 301.

Lead Director

Since October 21, 2015, the Internal Procedures have provided for the possibility of appointing a Lead Director in order to, in the case of the combination of the roles of Chairman of the Board of Directors and Chief Executive Officer, (i) offer additional assurance as to the smooth operation of the Board of Directors and the balance of powers within General Management and the Board of Directors, and (ii) avoid potential conflicts of interest.

This provision was applied following the decision by the Board of Directors at its meeting held on February 18, 2016 to combine the positions of Chairman of the Board of Directors and Chief Executive Officer. This position was held by Georges Pauget (February 18, 2016 to October 24, 2019) and by Gilles Michel (October 24, 2019 to January 26, 2022). In accordance with Article 1.7 (a) of the Internal Procedures, Gilles Michel's duties as Lead Director ended on January 26, 2022, the date on which the roles of Chairman of the Board of Directors and Chief Executive Officer were separated.

Shareholder dialogue

The Group maintains a regular dialogue with its investors. The Chief Executive Officer and the Head of Investor Relations serve as an interface between the Group and the international financial community, including institutional investors such as ESG investors and impact investors, as well as financial analysts and individual shareholders. For further information on the Group's interaction with the financial community, see Chapter 6, section 6.2 "Investor relations".

Furthermore, in view of the importance of having an independent director in charge of shareholder dialogue and discussions with proxy advisory firms about corporate governance matters, it was decided that as from the date when the Chairman and Chief Executive Officer's roles were to be separated, i.e., on January 26, 2022 – and therefore when the Lead Director's duties ended in accordance with the Internal Procedures – and until the end of the term of office of the non-independent Chairman of the Board of Directors, these responsibilities would be entrusted to the Chair of the Governance, Appointments & Corporate Social Responsibility Committee and the Compensation Committee. Consequently, in meetings held with the Company's main shareholders and the main proxy advisory firms in preparation for the May 24, 2022 Shareholders' Meeting, the Chair of these Committees, assisted by the General Counsel and General Secretary, presented the key points relating to Valeo's governance in 2022 and the proposed resolutions.

CSR policy

The Group's CSR and its challenges in the area of sustainable development, including climate change, in relation to its activities are carefully examined by the Governance, Appointments & Corporate Social Responsibility Committee. In view of the increasing importance of CSR issues in the Group's strategy, on October 27, 2020, the Committee decided to appoint Ulrike Steinhorst as member in charge of CSR issues.

CSR issues are presented to the Governance, Appointments & Corporate Social Responsibility Committee several times a year: (i) at meetings attended by the Group Vice-President, Sustainable Development & External Affairs on subjects relating to CSR and climate policy, (in particular the presentation of changes in the structure of the teams in charge of sustainable development, the monitoring of sustainable development objectives and results, the deployment of the CAP 50 program on carbon neutrality, non-financial reporting and non-financial ratings (climate report, non-financial performance statement including taxonomy and taxonomy reporting), the presentation of new challenges that have been identified, as well as the related action plans) (ii) at meetings attended by the Vice-President, Health, Safety & Environment, on subjects relating to health, safety and the environment, in particular on 2021 achievements in terms of health, specifically Covid-19, 2021 achievements in terms of safety, including the launch of specific risk mapping, the continued development of a culture of safety through training and the monitoring of key performance indicators for safety, the main areas of development for safety in 2022, as well as 2021 achievements in environmental matters, with the increase in ISO 50001 certification of sites, the reduction of CO_2 emissions and the reduction of waste, (iii) at meetings attended by the Chief Ethics, Compliance and Data Protection Officer on subjects relating to diversity and equality, in particular, the monitoring of the Group's commitments to promoting diversity within its governing bodies, the presentation of actions implemented to promote diversity within the Group, the renewal of the mentoring program for women by a member of the Operations Committee, and changes in legislation on diversity, and (iv) at meetings attended by the Group Chief Human Resources Officer

(3) Intermediate targets were adjusted in March 2021 to take into account the progression in 2020.

on employment issues, in particular on union representation, relations with trade unions and changes in regulations mainly relating to compensation.

In 2022, Valeo, which is a member of the CAC 40 ESG, once again had its non-financial performance acknowledged by the main rating agencies in this area (as it has for several years), and maintained its position as one of the highest rated automotive suppliers by MSCI (AAA), CDP (A-), Sustainalytics ("Low Risk") and S&P Global Corporate Sustainability Assessment (score of 72/100).

In line with Valeo's climate strategy and in accordance with best practices, the Group was one of the first tier-one automotive suppliers to publish a climate report. This report, which was published in May 2022 for the Shareholders' Meeting, presents (i) the commitment, trajectory, governance and actions that Valeo is deploying to contribute to carbon neutrality and (ii) an analysis of climate change risks and opportunities, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures. The publication of this document was welcomed by investors and non-financial rating agencies.

For further Information on Valeo's climate strategy, see Chapter 4, section 4.1 "Valeo and sustainable development: governance, challenges and policies", pages 208 to 228**.**

Succession plan

Succession planning

Executive succession planning is an important matter for Valeo. In order to protect the interests of the Company and its shareholders, Valeo takes all possible measures to anticipate and prepare for the succession of its executive corporate officers and, where necessary, prepare for the potential unforeseen departure of an executive corporate officer. Valeo's succession plan covers various time horizons depending on the nature of the succession:

- short-term horizon for unforeseen vacancies (death, resignation, unavailability) or forced vacancies (mismanagement, poor performance, failure);
- medium-term horizon for planned successions (end of term, retirement).

Implementing the succession and development plan mainly involves monitoring the career of each candidate and their acquisition of the expertise and experience regarded as necessary, and assessing these periodically. The succession plan, which is reviewed in depth regularly by the Governance, Appointments & Corporate Social Responsibility Committee, is then presented to the Board of Directors.

The orderly succession process of Jacques Aschenbroich was carried out in accordance with the principles governing succession planning (see next section).

Implementation of the succession of Jacques Aschenbroich

During the second half of 2019, the Board of Directors of Valeo started working, under the guidance of the Lead Director[(4)] and the Governance, Appointments & Corporate Social Responsibility Committee, on a comprehensive process to decide on a succession plan for Jacques Aschenbroich.

The succession plan was unanimously approved by the Board of Directors of Valeo at its meeting held on October 27, 2020 and announced publicly the same day. It followed the decision taken by the Board of Directors, within the context of Jacques Aschenbroich's reappointment as director at the Shareholders' Meeting of Valeo held on May 23, 2019, to implement the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer during the first two years of Jacques Aschenbroich's term of office as Chairman and Chief Executive Officer (after his reappointment).

A rigorous and transparent process for assessing potential candidates was thus carried out with the assistance of external consultants.

The process led to the selection of Christophe Périllat, Chief Operating Officer of the Group since 2011, based on the quality of his performance in this role, his ability to deliver results and his extensive knowledge of the automotive industry.

This succession at the level of General Management took place in an extremely complex environment, in which Valeo not only had to deal with the effects of the Covid-19 pandemic but also with the challenge posed by the profound change taking place in the automotive industry. The Board of Directors therefore adapted the succession plan to these circumstances and the executive handover took place in three successive stages to give Valeo every chance of managing the crisis effectively and securing its position in a changing industry.

Christophe Périllat, Chief Operating Officer of the Group since 2011, was therefore appointed Associate Chief Executive Officer of Valeo, effective from October 27, 2020 until May 26, 2021, the date on which the Board of Directors appointed him as Valeo's Deputy Chief Executive Officer and the shareholders appointed him as a director at the Shareholders' Meeting.

In accordance with the succession plan, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, at its January 26, 2022 meeting appointed Christophe Périllat as Valeo's Chief Executive Officer. Jacques Aschenbroich continued to serve as Chairman of the Board of Directors, vested with specific missions at the request of the Chief Executive Officer, without prejudice to (i) the executive functions of the Chief Executive Officer, who has sole responsibility for Valeo's management and operations, and (ii) the powers of the Board of Directors, these missions are:

- contribution to General Management: consultation of the Chairman of the Board of Directors by the Chief Executive Officer (at his request), support and advice to the Chief Executive Officer on various subjects relating to Valeo (governance, strategy, significant transactions and projects);
- relations with public authorities, institutions and business partners: representing Valeo (at the Chief Executive Officer's request), on a national and international scale with respect to public authorities, institutions and business partners (in particular, Chinese and other Asian customers), assisting the Chief Executive Officer (at his request) in the context of Valeo's relationship with its historical and strategic partners;
- relationship with shareholders: monitoring, in coordination with the Chief Executive Officer, the quality of relations and dialogue with Valeo's shareholders;
- corporate social responsibility: promoting Valeo's values, image and culture. Joint participation with the Chief Executive Officer, in actions carried out by Valeo, in particular in the field of corporate social responsibility, ethics and compliance.

The main purpose of these specific missions was to ensure a smooth transition with Christophe Périllat.

In line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022, Jacques Aschenbroich stepped down as director and Chairman of the Board of Directors of Valeo on December 31, 2022.

(4) Until the end of his role as Lead Director on January 26, 2022.

As part of the succession plan for the Chairman of the Board of Directors, the Board of Directors set up an Ad Hoc Committee responsible for the selection procedure for the new Chairman in 2022. This committee was assisted by a specialized external independent consulting firm.

A rigorous and transparent process for assessing potential candidates was thus carried out.

In line with the selection process implemented by Valeo's Board of Directors ended on December 8, 2022 with the Board of Directors' unanimous decision, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, to appoint Gilles Michel as Chairman of the Board of Directors' effective January 1, 2023. The Board of Directors considered that Gilles Michel had all the qualities required for the position of Chairman of the Board of Directors of Valeo:

- Gilles Michel has been a director of Valeo since May 23, 2018, Chair of the Compensation Committee and of the Governance, Appointments & Social Responsibility Committee since October 24, 2019, and a member of the Strategy Committee since July 22, 2021. He was Lead Director from October 24, 2019 to January 26, 2022. He is familiar with Valeo's governance and challenges;
- He has extensive experience as both an executive and non-executive corporate officer of listed companies, acquired in particular with the Imerys group, where he was successively Deputy Chief Executive Officer, Chairman and Chief Executive Officer and Chairman of the Board of Directors, and with the PSA group, where he served as a member of the Management Board and was the Chief Executive Officer of the Citroën brand;
- Gilles Michel also has extensive experience in industry, mainly acquired with the Imerys, PSA and Saint Gobain groups, with an extensive knowledge of the automotive sector due to his experience with the PSA group and in his role as director of Valeo;
- He also acquired extensive international experience working with the industrial groups mentioned above.

The phased succession plan for Jacques Aschenbroich created the conditions for an optimal executive handover, in the interests of the Group's operations and of all its stakeholders and shareholders, by ensuring that the change of governance took place in line with the Company's culture and values.

Presentation of directors 2022

(Information as at December 31, 2022, unless otherwise specified)

Jacques Aschenbroich

Chairman and Chief Executive Officer (until January 26, 2022)
Chairman of the Board of Directors (from January 26 to December 31, 2022)

French
Age: 68
Valeo
100, rue de Courcelles
75017 Paris, France

First appointed: 03/20/2009
Start of current term of office: 05/23/2019
End of current term of office: 12/31/2022
Number of shares held: 876,394
Membership of Board Committees: –

Main position held outside the Company

- Chairman of the Board of Directors of Orange ♦ (since 05/19/2022)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Chairman of the Board of Directors, *École nationale supérieure des mines* ParisTech
- Director, BNP Paribas ♦ (Chair of the Corporate Governance, Ethics, Nominations and CSR Committee, member of the Financial Statements Committee) and TotalEnergies ♦ (member of the Governance and Ethics Committee, member of the Compensation Committee)
- Co-President of the Franco-Japanese Business Club

Directorships and other offices held within the past five years

- Director, Veolia Environnement

Summary of main areas of expertise and experience

Jacques Aschenbroich continued to serve as Chairman of Valeo's Board of Directors until December 31, 2022 following the change in the Group's governance structure on January 26, 2022. He previously held the position of Valeo's Chief Executive Officer from March 20, 2009 until February 18, 2016, and of Chairman and Chief Executive Officer until January 26, 2022. He has extensive experience in senior executive positions in major industrial groups in France and abroad, as well as senior civil service positions.

Before joining Valeo, he held several positions in the French administration and served in the Prime Minister's office in 1987 and 1988. He then pursued an industrial career in the Saint-Gobain group from 1988 to 2008. After having managed subsidiaries in Brazil and Germany, he became Managing Director of the Flat Glass division of Compagnie de Saint-Gobain and went on to become Chairman of Saint-Gobain Vitrage in 1996.

As Senior Vice-President of Compagnie de Saint-Gobain from October 2001 to December 2008, he managed the flat glass and high-performance materials sectors as from January 2007 and, as the Vice-Chairman of Saint-Gobain Corporation and General Delegate to the United States and Canada, he directed the operations of the group in the United States as from September 1, 2007. He was also a director of Esso SAF until June 2009.

Jacques Aschenbroich has, in particular, been Chairman of the Board of Directors of Orange since May 19, 2022 and a director of BNP Paribas and TotalEnergies.

He graduated in engineering from *École des mines.*

He is a French citizen and speaks French, English, German and Portuguese.

♦ *Listed company (for directorships and positions currently held).*

Christophe Périllat

Director

Deputy Chief Executive Officer (until January 26, 2022)

Chief Executive Officer (since January 26, 2022)

French
Age: 57
Valeo
100, rue de Courcelles
75017 Paris
France

First appointed: 05/26/2021
Start of current term of office: 05/26/2021
End of current term of office: Shareholders' Meeting called to approve the 2024 financial statements
Number of shares held: 174,528(1)
Membership of Board Committees: –

Main position held outside the Company

- Director (various companies)

Directorships and other offices currently held

Directorships and other offices within the Group

- Chairman, Valeo Service
- Chairman of the Board of Directors, Valeo SpA, Valeo (UK) Limited and Valeo North America Inc.
- Director, Valeo Service España SAU (until 03/02/2022)

Directorships and other offices held outside the Group

- Director, ALD ♦ (member of the Nomination and Compensation Committee)

Directorships and other offices held within the past five years

- Chief Operating Officer and Associate Chief Executive Officer, Valeo

Summary of main areas of expertise and experience

Christophe Périllat joined the Valeo Group in 2000 and held a number of management positions in Group entities of increasing size before becoming Chief Operating Officer in 2011, Associate Chief Executive Officer in 2020, Deputy Chief Executive Officer in 2021 and Chief Executive Officer in January 2022.

Prior to joining Valeo, Christophe Périllat worked in the aerospace industry at equipment manufacturer Labinal, where he held roles in supply chain management, as well as plant, project and subsidiary management positions in France and the United States.

He is a Board member at ALD.

Christophe Périllat is a graduate of *École polytechnique* and *École des mines de Paris.* He also holds an EMBA from the French business school HEC.

Christophe Périllat is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

(1) Christophe Périllat also holds 27,744 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 128,539 shares.

Gilles Michel

Independent director
Lead Director (until January 26, 2022)
Chairman of the Board of Directors (since January 1, 2023)

French
Age: 66
Valeo
100, rue de Courcelles
75017 Paris
France

First appointed: 05/23/2018
Start of current term of office: 05/24/2022
End of current term of office: Shareholders' Meeting called to approve the 2025 financial statements
Number of shares held: 2,500
Membership of Board Committees:
- Governance, Appointments & Corporate Social Responsibility Committee (Chair) (until 12/31/2022)
- Compensation Committee (Chair) (until 12/31/2022)
- Strategy Committee (until 12/31/2022)

Main position held outside the Company

- Director (various companies)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, IBL Ltd (Mauritius) (until 12/31/2022) ♦ (Chair of the Corporate Governance Committee, member of the Strategy Committee), Solvay (Belgium) ♦ (member of the Finance Committee, Chair of the Nomination Committee and member of the Compensation Committee) and IBL Energy Holdings Ltd (Mauritius) (until 12/31/2022)
- Directorships held in unlisted subsidiaries of the Eclosia Group (Mauritius)

Directorships and other offices held within the past five years

- Chairman and Chief Executive Officer, Imerys
- Chairman of the Board of Directors, Imerys

Summary of main areas of expertise and experience

Gilles Michel has extensive experience in the automotive industry, having spent several years in senior management positions at PSA Peugeot Citroën, where he held roles such as Chief Executive Officer of the Citroën brand and member of the Management Board of Peugeot SA.

He began his career at ENSAE, then at the World Bank in Washington DC, before joining Saint-Gobain in 1986, where, for 16 years, he held various senior management roles, notably in the United States, before being appointed President of the Ceramics & Plastics division in 2000. He joined PSA Peugeot Citroën in 2001 as Executive Vice-President of Platforms, Technical Affairs and Purchasing, before becoming Chief Executive Officer of the Citroën brand and a member of Peugeot SA Management Board. In 2008, he was the first Chief Executive Officer of Fonds Stratégique d'investissement (FSI), in charge of equity investments in companies offering growth and competitiveness for the French economy, which he set up and then managed. He headed the Imerys group from 2010 to 2019, as Deputy Chief Executive Officer, Chairman and Chief Executive Officer and then Chairman of the Board of Directors.

Gilles Michel is a graduate of the *École polytechnique,* ENSAE and the *Institut d'études politiques de Paris* (IEP).

He is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

Bruno Bézard

Independent director

French
Age: 59
Cathay Capital
Private Equity
52, rue d'Anjou
75008 Paris
France

First appointed: 10/24/2017
Start of current term of office: 05/24/2022
End of current term of office: Shareholders' Meeting called to approve the 2025 financial statements
Number of shares held: 3,000
Membership of Board Committees:

- Audit & Risks Committee

Main position held outside the Company

- Managing Partner of investment fund Cathay Capital Private Equity

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, Matmut, Binance France (since 11/18/2022)
- Member of the Supervisory Board, Diot-Siaci (since 01/04/2022)

Directorships and other offices held within the past five years

–

Summary of main areas of expertise and experience

Bruno Bézard has experience in the most prestigious roles in the French civil service, spanning the economic, industrial and financial spheres, as well as in the private equity world. In addition, over the past few years he has gained in-depth knowledge of China, where he lived for several years and spends a substantial amount of time in his current position. He also speaks the language.

Bruno Bézard served as Head of the French Public Finance Administration after spending two years as Minister-Advisor in Beijing, overseeing France's Greater China Regional Economic Department. He created, and then headed, the French State Shareholding Agency (APE), representing the State as a shareholder on a large number of company boards and acquiring vast experience in corporate governance and mergers & acquisitions.

He has notably held a seat on the boards of EDF, SNCF, Areva, La Poste, Thales, Air France, Engie, PSA and Fonds Stratégique d'Investissement (FSI). He was Head of the French Treasury and President of the Paris Club before joining Cathay Capital as Managing Partner in 2016, a private equity fund that invests in start-ups, SMEs and middle market companies, and supports their international development in Europe, the United States and China.

Bruno Bézard is a member of the Supervisory Board of Diot-Siaci and a director of Matmut and Binance France.

An Inspector General of Finance, Bruno Bézard is a graduate of the *École polytechnique* and the *École nationale d'administration* (ENA), and taught at both schools for a number of years.

He is a French citizen and speaks French, English, Chinese and Russian.

Bpifrance Participations

Independent director

Bpifrance Participations
27/31, avenue du Général-Leclerc
94710 Maisons-Alfort Cedex
France

First appointed: 06/21/2019

Start of current term of office: 05/24/2022

End of current term of office: Shareholders' Meeting called to approve the 2025 financial statements

Number of shares held: 12,600,000

Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee (until 12/31/2022)
- Compensation Committee (until 12/31/2022)
- Strategy Committee (until 12/31/2022)
- Audit & Risks Committee (since 01/01/2023)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, Ekinops ♦, Eutelsat Communications ♦, Mersen ♦, Nexans ♦, Orange ♦, Parrot ♦ (until 06/15/2022), Pixium Vision ♦, Prodways Group ♦, Soitec ♦, Technicolor Creative Studios ♦ and Vantiva ♦
- Member of the Supervisory Board, Innate Pharma ♦ and Valneva ♦ (since 06/24/2022)
- Board Observer, Abionyx Pharma ♦ and Fermentalg ♦

Directorships and other offices held within the past five years

- Director, Antalis, Aelis Pharma, Cegedim, CGG, Gensight Biologics, Txcell, Verallia, Verimatrix and Voluntis
- Member of the Supervisory Board, PSA, Vallourec and Valneva
- Board Observer, Poxel

Summary of main areas of expertise and experience

Bpifrance Participations is a Bpifrance subsidiary, and invests both directly and through funds of funds. It is the parent company of Bpifrance Investissement and engages in these business activities under the general interest mission entrusted to Bpifrance.

♦ *Listed company (for directorships and positions currently held).*

Alexandre Ossola

Independent permanent representative of Bpifrance Participations (since January 1, 2023)

French
Age: 48
6-8, boulevard Haussmann
75009 Paris
France

Main position held outside the Company

- Head of Mid Cap Funds and Avenir Automobile Funds at Bpifrance

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Permanent representative of Bpifrance Investissement: member of the Supervisory Board, Novares Group, Trèves and Financière SAF; member of the Board, Ipesup Group; member of the Governance Committee, Odyssey International
- Member of the Supervisory Board, Financière Aquila II (ADIT)
- Member of the Strategy Committee, Carizona
- Member of the Management Committee, Bpifrance Capital Développement

Directorships and other offices held within the past five years

- Board Observer, PSA
- Member of the Supervisory Board, Vallourec

Summary of main areas of expertise and experience

Alexandre Ossola is Head of Mid Cap Funds and Automotive Future Funds (FAA) at Bpifrance and a member of the Management Committee of Bpifrance Capital Développement. He has over twenty years of experience in private equity and M&A.

He began his career in 1998 as an M&A analyst at Wasserstein Perella, and then at Credit Suisse First Boston. From 2000 to 2011, he was a Director in the Paris office of CVC Capital Partners, and then head of venture capital transactions at CDC Climat between 2011 and 2013. He joined Bpifrance Investissement in 2013 as Director of Nuclear and Rail Funds. In 2015, he joined Bpifrance's Mid & Large Cap Management Committee as head of the FAA funds. In 2017, he also took over the management of Mid Cap operations within Bpifrance Capital Développement, where he is a member of the Management Committee.

Alexandre Ossola is a member or permanent representative of Bpifrance Investissement on the boards of directors or supervisory boards of unlisted companies and groups Novares, Trèves, ADIT, Carizona, Ipesup and Odyssey. Previously, he was appointed, on the recommendation of Bpifrance, as non-voting director of the Supervisory Board of PSA (2017-2021) and permanent representative of Bpifrance Participations as a member of the Supervisory Board of Vallourec (2016-2021).

Alexandre Ossola is a graduate of ESCP Business School.

He is a French citizen and speaks French and English.

Stéphanie Frachet

Independent director (since January 1, 2023)

French
Age: 45
CAPZA Paris
103, rue de Grenelle
75007 Paris
France

First appointed: 12/08/2022, effective 01/01/2023(1)
Start of current term of office: 01/01/2023
End of current term of office: Shareholders' Meeting called to approve the 2022 financial statements
Number of shares held: 0(2)
Membership of Board Committees:
- Governance, Appointments & Corporate Social Responsibility Committee (since 01/01/2023)
- Compensation Committee (since 01/01/2023)
- Strategy Committee (since 01/01/2023)

Main position held outside the Company

- Partner of the Flex Equity Mid Market fund at European private investment platform CAPZA (since 06/13/2022)

Directorships and other offices currently held

Directorships and other offices within the Group

- As permanent representative of Bpifrance Participations, director, Valeo (until 12/31/2022)

Directorships and other offices held outside the Group

- Director, Bpifrance Investissement; member of the Management Committee, Bpifrance Capital Développement (until 05/31/2022)
- As permanent representative of Bpifrance Participations, Director, Eutelsat Communications ♦ (member of the Nominations and Governance Committee) (until 05/30/2022)
- Member of the Supervisory Board, Sabena Technics Participations (member of the Compensation Committee) (until 05/31/2022)
- Director, Constellium ♦ (member of the Safety and Sustainability Committee) (until 06/10/2022)
- As permanent representative of Bpifrance Investissement, Director, Sulo (until 05/31/2022)
- Board Observer, Paprec (member of the Audit Committee) and Diot-Siaci (until 05/31/2022)

Directorships and other offices held within the past five years

- Independent director Eurosic
- As permanent representative of Bpifrance Investissement, Director, Sarenza
- As permanent representative of Bpifrance Participations, Director, Fidec
- Board Observer, Horizon Parent Holdings (Verallia) and Financière Carso

Summary of main areas of expertise and experience

Stéphanie Frachet is a Partner of the Flex Equity Mid Market fund at CAPZA, a European private investment platform. She has more than 20 years of experience in finance and private equity.

From 2001 to 2007, she was in charge of audit and transactions at, respectively, Ernst & Young and PricewaterhouseCoopers, working on M&A and LBO transactions. In 2007, she joined the Leveraged Finance team of Société Générale, in charge of LBO transactions for SMEs and large groups. Stéphanie Frachet then joined Bpifrance (formerly Fonds Stratégique d'Investissement) in 2009 where she was Director of Bpifrance Investissement and member of the Management Committee of Bpifrance Capital Développement between 2017 and 2022.

Previously, she was a permanent representative of Bpifrance Participations, notably as a director of Eutelsat Communications and Sulo (formerly Plastic Omnium Environnement). She was also a director of Constellium (a company listed on the New York Stock Exchange) and a member of the Supervisory Board of Sabena Technics Participations, as well as Board Observer of Horizon Parent Holdings (Verallia), Paprec and Diot-Siaci.

She is a graduate of ESSEC Business School.

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

(1) *Stéphanie Frachet was permanent representative of Bpifrance Participations from June 26, 2019 to December 31, 2022.*
(2) *On March 1, 2023, Stéphanie Frachet acquired 1,500 Valeo shares in accordance with the rules set out in the articles of association and the Internal Procedures.*

Alexandre Dayon

Independent director (since July 26, 2022)

French-American
Age: 55
**Salesforce, Inc.
Salesforce Tower
415 Mission Street,
3rd Floor, San Francisco,
CA 94105, United States**

First appointed: 07/26/2022
Start of current term of office: 07/26/2022
End of current term of office: Shareholders' Meeting called to approve the 2024 financial statements
Number of shares held: 15,000
Membership of Board Committees:
- Strategy Committee (since 07/26/2022)

Main position held outside the Company

- Chairman of the Advisory Board, Salesforce (United States)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

–

Directorships and other offices held within the past five years

–

Summary of main areas of expertise and experience

Alexandre Dayon, an information technology entrepreneur, brings to the Board of Directors recognized experience in the digital, software and more generally new technology sectors. His professional background, mainly in the United States but also in France, also allows the Board of Directors to benefit from his vision as an entrepreneur and a corporate officer.

Alexandre Dayon began his career in 1989 when he contributed to the creation of Business Objects, a company specializing in decision-making analysis, where he led the Products team for 10 years. He then founded, managed and developed InStranet, a software company for call centers, in the United States. He joined Salesforce when it acquired InStranet in 2008 and has held, for nine years as part of the Management Committee, key operational positions as President in charge of Product and Product Marketing, which have contributed to the growth of Salesforce.

Since 2017, he has led strategic initiatives, working closely with the major international customers, notably in the automotive sector. He is also Chairman of the Advisory Board of Salesforce.

Alexandre Dayon is an engineer and a graduate of *École supérieure d'électricité* (Supélec).

He is of French and American nationality and speaks French and English.

C. Maury Devine

Independent director (until July 26, 2022)

American
Age: 71
1219 35th Street NW
Washington, DC 20007
United States

First appointed: 04/23/2015
Start of current term of office: 05/26/2021
End of current term of office: 07/26/2022
Number of shares held: 1,500
Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee
- Compensation Committee

Main position held outside the Company

- Director (various companies)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, John Bean Technologies (United States) ♦ (Chair of the independent Nominating and Governance Committee and member of the Audit Committee), ConocoPhillips (United States) ♦ (member of the independent Nominations and Governance Committee and the Public Policy Committee), Gonzaga College High School (United States) and the Catholic Charities Foundation of the Archdiocese of Washington (member of the Investment Committee)

Directorships and other offices held within the past five years

- Director, Georgetown Visitation Preparatory School (United States) (Chair of the Audit Committee and member of the Executive Committee)
- Member of the independent Nominating and Governance Committee, Petroleum Geo-Services (Norway)

Summary of main areas of expertise and experience

C. Maury Devine has held several management positions in international and industrial groups in the United States and Europe. She has also served in public office in the United States and has extensive knowledge of US public affairs.

From 1972 to 1987, C. Maury Devine worked for the US government in various capacities, most notably for the Department of Justice, the White House and the US Drug Enforcement Administration (DEA). Between 1987 and 2000, she held a number of positions at ExxonMobil Corporation, including Chair and Chief Executive Officer of its Norwegian subsidiary from 1996 to 2000 and Secretary General of Mobil Corporation between 1994 and 1996.

She was also Vice-Chair of the Board of Directors of Det Norske Veritas (DNV) from 2000 to 2010 and Fellow at the Belfer Center for Science and International Affairs at Harvard University from 2000 to 2003. She also served on the Board of Directors of FMC Technologies and Technip.

C. Maury Devine is, in particular, a director of John Bean Technologies and ConocoPhillips (US companies).

She is a graduate of Middlebury College, the University of Maryland and Harvard University (master in public administration).

She is an American citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

Fonds Stratégique de Participations

Independent director

Fonds Stratégique de Participations
9, rue Duphot
75001 Paris
France

First appointed: 03/24/2020
Start of current term of office: 06/25/2020
End of current term of office: Shareholders' Meeting called to approve the 2023 financial statements
Number of shares held: 10,213,000
Membership of Board Committees:
- Audit & Risks Committee

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, SEB ♦, Arkema ♦, Eutelsat Communications ♦, Tikehau Capital Advisors, Elior Group ♦, Neoen ♦, Safran ♦ via F&P (joint venture with Peugeot Invest) (until 12/19/2022), Believe ♦ (since 06/20/2022) and Soitec ♦ (since 07/26/2022)
- Member of the Supervisory Board, Tikehau Capital SCA ♦
- Board Observer, Believe ♦ (until 06/20/2022)

Directorships and other offices held within the past five years

- Director, Zodiac Aerospace

Summary of main areas of expertise and experience

Fonds Stratégique de Participations (FSP) is a long-term investment vehicle whose purpose is to support French companies in their growth and transition projects over the long term. FSP thus acquires significant equity interests in companies and plays a role in their governance by obtaining a seat of the Board of Directors or the Supervisory Board. The shareholders of the funds are seven French insurance companies: BNP Paribas Cardif, CNP Assurances, Crédit Agricole Assurances, Groupama, Natixis Assurances, Société Générale Assurances, and Suravenir.

FSP's portfolio currently consists of ten equity interests in French companies that are leaders in their field: SEB, Arkema, Safran, Eutelsat Communications, Tikehau Capital, Elior, Neoen, Valeo, Believe and Soitec.

FSP is managed by the investment management company, ISALT.

♦ *Listed company (for directorships and positions currently held).*

Julie Avrane

Independent permanent representative of Fonds Stratégique de Participations

French
Age: 51
148, rue de la Pompe
75116 Paris
France

Main position held outside the Company

- Chair, Clear Direction

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, Monnoyeur Group, Bureau Veritas ♦ (member of the Strategy Committee and the Audit and Risk Committee), Cubyn (until 07/01/2022), Crouzet (since 07/19/2022), Exail Holding (since 09/29/2022) and Exail Technologies (since 12/08/2022) ♦
- Member of the Supervisory Board, Unibail-Rodamco-Westfield ♦ (member of the Audit Committee)
- Co-Chair of the ESG Club of the French Institute of Directors

Directorships and other offices held within the past five years

- Senior Partner, McKinsey & Company

Summary of main areas of expertise and experience

A Senior Partner in McKinsey & Company's Paris office from 1999 to July 2020, Julie Avrane headed the firm's high-tech industries practice in France (advanced electronics, aerospace and defense, automotive and assembly). She also co-led the firm's high-tech skills practice worldwide.

Julie Avrane specializes in high-tech industries, IT services and software. At McKinsey, she mainly dealt with strategy, growth, M&A and post-merger integration issues in cross-border contexts as well as large-scale transformation plans.

Prior to joining McKinsey's Paris office, Julie Avrane worked as a researcher with Bull Honeywell in the United States in 1993, then with Cogema (Areva) in 1994, and as a business analyst in McKinsey's London office for two years from 1995 to 1997.

Julie Avrane is Chair of Clear Direction. She is also, in particular, a member of the Supervisory Board of Unibail-Rodamco-Westfield and a director of Bureau Veritas and Exail Technologies.

Julie Avrane is a graduate of the *École nationale supérieure des télécommunications de Paris* and of the *Collège des ingénieurs*. She also holds an MBA from INSEAD.

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

Mari-Noëlle Jégo-Laveissière

Independent director

French
Age: 54
Orange
Orange Bridge
111, quai du Président-Roosevelt
92130 Issy-les-Moulineaux
France

First appointed: 05/26/2016
Start of current term of office: 05/26/2021
End of current term of office: Shareholders' Meeting called to approve the 2024 financial statements
Number of shares held: 1,500
Membership of Board Committees:
- Audit & Risks Committee

Main position held outside the Company

- Deputy Chief Executive Officer, Orange Europe (excl. France)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Chair of the Board of Directors, Telekom Romania
- Director, Engie ♦ (member of the Ethics, Environment and Sustainable Development Committee), Orange Romania Communication (Romania), Orange Belgium (Belgium) ♦, Orange Polska (Poland) ♦, Orange España (Spain), Orange Bank and Fondation Orange (since 09/26/2022)

Directorships and other offices held within the past five years

- Director, NowCp
- Chair of the Board of Directors, Soft@Home and Viaccess

Summary of main areas of expertise and experience

Mari-Noëlle Jégo-Laveissière brings the Board of Directors her considerable experience in new technologies and in research and development, particularly in telecommunications, areas in which she has spent most of her career.

She began her career in 1996 at the Paris regional office *(Direction Régionale de Paris)* of France Télécom's commercial distribution network. Since then, she has held various leadership positions within the Orange group: head of Consumer Marketing France (Marketing Grand Public France), Director of Research and Development and Director of International Networks. She became a member of the Executive Committee of Orange in March 2014 in her capacity as Executive Vice-President of Innovation, Marketing & Technologies.

Mari-Noëlle Jégo-Laveissière has been Deputy Chief Executive Officer, Europe (excl. France) of Orange since September 1, 2020. She is also a director of Engie, Orange Belgium and Orange Poland.

Mari-Noëlle Jégo-Laveissière holds a degree from *École normale supérieure* and she graduated in engineering from Corps des Mines. She also holds a doctorate in quantum chemistry from the Université de Paris XI – Waterloo (Canada).

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

Thierry Moulonguet

Independent director

French
Age: 71
Fimalac
97, rue de Lille
75007 Paris, France

First appointed: 06/08/2011
Start of current term of office: 06/25/2020
End of current term of office: Shareholders' Meeting called to approve the 2023 financial statements
Number of shares held: 3,000
Membership of Board Committees:
- Audit & Risks Committee (Chair)
- Strategy Committee

Main position held outside the Company

- Director (various companies)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, Fimalac (member of the Compensation Committee), Fimalac Développement (Luxembourg) and Lucien Barrière group (Chairman of the Audit and Risk Committee and member of the Strategy Committee and the Compensation Committee)
- Chairman of the Supervisory Board, Webedia (Fimalac group)

Directorships and other offices held within the past five years

- Director, HSBC Europe (United Kingdom), HSBC France and Prodways group

Summary of main areas of expertise and experience

Thierry Moulonguet has extensive experience in the French and international automotive industry. He spent most of his career with the Renault-Nissan group, where he held a number of top positions including Associate Chief Executive Officer and Chief Financial Officer of Nissan in Japan and Associate Chief Executive Officer and Chief Finance Officer of the Renault group.

Thierry Moulonguet joined the Renault-Nissan group in February 1991 as Head of Banking Strategy and Financial Communication. He later served as Director of Financial Relations, Director of Capital Expenditure Control, Associate Chief Executive Officer and Chief Financial Officer of Nissan before becoming Associate Chief Executive Officer and Chief Financial Officer of the Renault group, also in charge of Information Systems, and then member of the Management Committee for the Americas and member of its Executive Committee from January 2004 to July 1, 2010. He served as Special Advisor to Renault's Chairman and Chief Executive Officer until March 31, 2011, the date on which he retired. He also served as Board member of Fitch Ratings Ltd, Ssangyong Motor Co. (South Korea), RCI Banque and Renault Retail group.

Thierry Moulonguet is a graduate of *École nationale d'administration* (ENA) and *Institut d'études politiques de Paris* (IEP).

He is a French citizen and speaks French and English.

Éric Poton

Director representing employees

French

Age: 56

Valeo Systèmes d'Essuyage

1, rue Pierre-et-Marie-Curie

63500 Issoire

France

First appointed by the Group Works Council: 06/18/2021, effective 06/30/2021

Start of current term of office: 06/30/2021

End of current term of office: 06/30/2025

Number of shares held: 38[(1)]. In accordance with the law, the articles of association and the Internal Procedures, the director representing employees is not required to hold 1,500 shares.

Membership of Board Committees:

- Audit & Risks Committee (since 01/26/2022)

Main position held outside the Company

–

Directorships and other offices currently held

Directorships and other offices within the Group

- P2, R&I and standard owner project manager within the Group

Directorships and other offices held outside the Group

–

Directorships and other offices held within the past five years

–

Summary of main areas of expertise and experience

Thanks to his career within the Group and his involvement in the employee representative bodies and trade unions, Éric Poton has in-depth knowledge of the Group's business and employee relations, which are key attributes for a director representing employees.

Éric Poton has worked at Valeo since 1998. He has held various positions within the Issoire plant, mainly in the R&D and Aftermarket teams.

Since 2017, he has been project manager for P2 and R&I and standard owner, with a particular focus on developing Aftermarket platform standards for the wiper business. He leads a research and innovation project team and contributes to the Group's innovation activities on wiper system products.

He started his career at Valeo as a design engineer before becoming a member of the R&D project team. Between 2007 and 2011, he held the position of R&D standardization coordinator and in 2012 was appointed P2 project manager.

Éric Poton was a member of the Economic and Social Committee at the Issoire site and a member of the Central Works Council at Valeo Systèmes d'Essuyage (VSE). He was also the site and central union delegate for VSE, as well as a full member of the Group Works Council and the European Works Council for the CFE-CGC trade union.

Éric Poton holds a higher education diploma in industrial product design and has followed a further education course in management.

He is a French citizen and speaks French and English.

(1) Éric Poton also holds 90 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 416 shares.

Patrick Sayer

Independent director

French
Age: 65
Augusta
143, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
France

First appointed: 05/23/2019
Start of current term of office: 05/23/2019
End of current term of office: Shareholders' Meeting called to approve the 2022 financial statements
Number of shares held: 11,700
Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee
- Compensation Committee
- Strategy Committee (Chair)

Main position held outside the Company

- Chairman of Augusta

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Chairman, CarryCo Capital 1, CarryCo Croissance and CarryCo Croissance 2 (Eurazeo group)
- Member of the Supervisory Board, Eurazeo ♦ (member of the Finance Committee)
- Director, Ipulse (United States)
- Board Observer, Moma Group
- Founding member, *Club des juristes*
- President of the Financial Law Chamber (money and financial markets) of the Paris Commercial Court (*Tribunal de Commerce de Paris*)

Directorships and other offices held within the past five years

- Chairman of the Executive Board, Eurazeo
- Chief Executive Officer, Legendre Holding 19
- Chairman, Eurazeo Capital Investissement, Legendre Holding 25, Legendre Holding 26 and AFIC
- Director, Colyzeo Investment Advisors, AccorHotels, Tech Data Corporation (United States) and *Musée des arts décoratifs de Paris*
- Member of the Supervisory Board, Europcar Mobility Group and Grand Port Maritime de Marseille

Summary of main areas of expertise and experience

Patrick Sayer is Chairman of Augusta, a family office that focuses on investing in three core sectors: new technologies, luxury goods and real estate.

Patrick Sayer served as Chairman of the Management Board of Eurazeo, one of Europe's leading listed investment companies, from 2002 to 2018. He became a member of Eurazeo's Supervisory Board in 2018. Eurazeo directly and indirectly manages almost €32 billion in assets.

Previously, Patrick Sayer was a Managing Partner at Lazard Frères et Cie in Paris, which he joined in 1982, and a Managing Director of Lazard Frères & Co. in New York, where he was Global Head of Media and Technology. His private equity experience dates back to the creation of Fonds Partenaires, where he was active from 1989 to 1993. He is also a director of Ipulse. He was, in particular, Chairman and then member of the Supervisory Board of Europcar Mobility Group until February 26, 2021, and a director of ANF Immobilier, AccorHotels, Gruppo Banco Leonardo (Italy) and Rexel. Between 2006 and 2007 he was President of the French Association of Investors for Growth *(Association française des investisseurs pour la croissance)* (AFIC), and he is also a founding member of the legal think-tank *Club des juristes* and the President of the Financial Law Chamber (money and financial markets) of the Paris Commercial Court *(Tribunal de commerce de Paris)*. He is a lecturer in finance (master's program) at Paris Dauphine university.

Patrick Sayer is a graduate of *École polytechnique* (1980) and *École des mines de Paris* (1982). He is also a certified financial analyst, completing the course at the French Society of Financial Analysts training center, where he has also taught classes.

He is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

Ulrike Steinhorst

Independent director[1], in charge of CSR issues

German
Age: 71
3, villa du Coteau
92140 Clamart
France

First appointed: 02/24/2011
Start of current term of office: 06/25/2020
End of current term of office: Shareholders' Meeting called to approve the 2023 financial statements
Number of shares held: 1,500
Membership of Board Committees:
- Governance, Appointments & Corporate Social Responsibility Committee (in charge of CSR issues)
- Compensation Committee
- Strategy Committee

Main position held outside the Company

- Founder and Chair, Nuria Consultancy, a consulting firm
- Director (various companies)

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Director, the Franco-German Chamber of Commerce and Industry, *École nationale supérieure des mines de Paris* ParisTech, Mersen ♦ (Chair of the Compensation, Appointments and Governance Committee) and Albioma (renewable energy) (Chair of the Nomination, Remuneration & Governance Committee and member of the Corporate Social Responsibility Committee) (until 11/30/2022)
- Member of the Management Committee of Fonds de Revitalisation Industrielle (GE)

Directorships and other offices held within the past five years

–

Summary of main areas of expertise and experience

Ulrike Steinhorst has extensive experience in top-level corporate positions, mainly at EDF, Degussa/Evonik group and EADS/Airbus, with a strong focus on international business and strategy. She also has considerable expertise in CSR.

She joined the Électricité de France (EDF) group in 1990 after being at the office of the Minister for European Affairs at the time of German reunification. Within EDF she held a number of positions before becoming head of the International Subsidiaries in the Industrial division. In 1999, she joined Degussa AG group in Germany, before returning to France in 2003 to head up the group's French business. In 2007, she joined EADS where she served as Chief of Staff to the Executive Chairman.

From 2012 to the end of 2015, she served as Strategy, Planning and Finance Director of Airbus group's Technical Corporate division before serving, until June 2017, as Advisor to the Chief Technical Officer.

In 2017, she founded the consulting firm Nuria Consultancy, of which she is Chair. In addition to her consulting activities, she is, in particular, an independent director of Mersen and Albioma, companies specialized in renewable energy. She has also served on the Board of Directors of F2I (UIMM) and the Imagine genetic disease research institute.

Ulrike Steinhorst is a state-certified German lawyer and graduate of the HEC Executive MBA, Université Paris II – Panthéon (post-graduate degree in public law) and the *École nationale d'administration* (ENA).

She is a German citizen and speaks German, English and French.

♦ *Listed company (for directorships and positions currently held).*
(1) *Ulrike Steinhorst will have served on the Board of Directors for 12 years as of February 24, 2023. In accordance with the AFEP-MEDEF Code, she will no longer be considered independent as of that date.*

Grzegorz Szelag

Director representing employees

Polish

Age: 45

Valeo Electric and Electronic Systems Sp. z.o.o.

ul. Bestwinska 21

43-500 Czechowice-Dziedzice

Poland

First appointed by the European Works Council: 11/19/2020

Start of current term of office: 11/19/2020

End of current term of office: 11/19/2024

Number of shares held: 218(1). In accordance with the law, the articles of association and the Internal Procedures, the director representing employees is not required to hold 1,500 shares.

Membership of Board Committees:

- Compensation Committee
- Governance, Appointments & Corporate Social Responsibility Committee (since 01/26/2023)

Main position held outside the Company

–

Directorships and other offices currently held

Directorships and other offices within the Group

- Quality technician

Directorships and other offices held outside the Group

–

Directorships and other offices held within the past five years

- Secretary of the Valeo Group's European Works Council

Summary of main areas of expertise and experience

Thanks to his long experience with the Group and his involvement in its employee representative bodies for more than 15 years, Grzegorz Szelag possesses all the professional and interpersonal qualities required to fulfill the role of director representing employees.

Grzegorz Szelag has been working at Valeo in Czechowice, Poland, since 2002. He started his career as a production operator, before being promoted to production supervisor in 2002, and then quality technician in 2004.

In 2005, he became employee representative at the Czechowice site. He joined Valeo's European Works Council in 2006 as representative for Poland and became its Secretary in 2018.

Grzegorz Szelag has a degree from a mechanical engineering school.

He is a Polish citizen and speaks Polish and English.

(1) Grzegorz Szelag also holds 4 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 18 shares.

Véronique Weill

Independent director

French
Age: 63
CNP Assurances
4, promenade Issy-Cœur de Ville
92130 Issy-les-Moulineaux
France

First appointed: 05/26/2016
Start of current term of office: 05/26/2021
End of current term of office: Shareholders' Meeting called to approve the 2024 financial statements
Number of shares held: 2,390
Membership of Board Committees:
- Audit & Risks Committee
- Governance, Appointments & Corporate Social Responsibility Committee (Chair since 01/01/2023)
- Compensation Committee (Chair since 01/01/2023)

Main position held outside the Company

- Chair of the Board of Directors, CNP Assurances

Directorships and other offices currently held

Directorships and other offices within the Group

–

Directorships and other offices held outside the Group

- Chair of the Board of Directors, CNP Assurances (member of the Compensation and Appointments Committee, Chair of the Strategy Committee, Chair of the Monitoring Committee for the implementation of the BPCE and La Banque Postale partnerships, and Chair of the Ad Hoc Committee)
- Director, Caixa Seguros Holding and Holding XS1
- Lead Director of: Kering ♦ (since 04/28/2022) (Chair of the Remuneration Committee, member of the Appointments & Governance Committee, member of the Sustainability Committee and member of the Audit Committee)
- Member of the Supervisory Board, Rothschild & Co ♦ (member of the Remuneration and Nomination Committee) and the Gustave Roussy Foundation (Co-Chair of the Campaign Committee)
- Member of the European Advisory Board, Salesforce ♦ (until 03/31/2022)

Directorships and other offices held within the past five years

- General Manager responsible for Operations, IT, Real Estate, Insurance and M&A, Publicis group
- Director, Translate Plus – Publicis Groupe (United Kingdom), BBH Holdings Ltd. (Bartle Bogle Hegarty) – Prodigious UK (United Kingdom), the Georges Besse Foundation and the Louvre Museum

Summary of main areas of expertise and experience

Véronique Weill has a strong background in finance and M&A, as well as insurance, having spent more than 20 years in investment banking in the United States and France and then at AXA. She also has extensive experience in new and digital technologies.

Véronique Weill spent more than 20 years at J.P. Morgan, where she held various positions including global head of operations and trading for the investment banking business and global head of IT and operations for the asset management and private banking business. In June 2006, she joined AXA as Chief Executive Officer of AXA Business Services and Director of Operational Excellence. She was also Chair of the Board of Directors and a director of various AXA subsidiaries in France, Spain, Italy and Belgium.

She was Chief Customer Officer for the AXA group and Chief Executive Officer of AXA Global Asset Management until January 18, 2017 and then General Manager in charge of Operations, IT, Real Estate, Insurance and M&A at the Publicis group until December 2020. She was also a member of the Scientific Board of the AXA Research Fund. She has been Chair of the Board of Directors of CNP Assurances since July 2020. She is also, in particular, a member of the Supervisory Board of Rothschild & Co, Lead Director of Kering and co-spokesperson, with the Chair of the Board, to investors on ESG (environment, social and governance) issues.

Véronique Weill is a graduate of *Institut d'études politiques de Paris* (IEP) and has a bachelor's degree in literature from the Sorbonne University.

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships and positions currently held).*

3.2.2 Preparation and organization of the Board of Directors' work

Internal Procedures

On March 31, 2003, the Board of Directors adopted Internal Procedures, which are regularly updated, defining the operating procedures of the Board of Directors in addition to applicable legal and regulatory requirements and the provisions of the Company's articles of association. Acting on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors updated its Internal Procedures on February 23, 2023. Internal procedures have also been drawn up for the Board of Directors' Committees, and are included in the appendices of the Board of Directors' Internal Procedures.

The Internal Procedures apply to each member of the Company's Board of Directors and to each permanent representative of a legal entity that is a member of the Board.

The Internal Procedures are available on the "Corporate Governance" page of the Company's website (www.valeo.com).

Directors' rights and duties

The Internal Procedures include a Directors' Charter that sets out the principles that the directors must follow. This Charter imposes certain duties on directors in order to ensure, in particular, that (i) they are aware of the rules and regulations applicable to them, (ii) conflicts of interest are avoided, (iii) they dedicate the necessary time and attention to their duties and comply with the applicable provisions relating to multiple directorships, and (iv) as regards undisclosed information, they are bound by a duty of confidentiality that goes beyond the mere obligation of discretion provided by law. Notwithstanding this duty of confidentiality, the permanent representative of a legal entity that is a member of the Board may provide information to persons within that legal entity, it being specified that such communication can only be used for the purposes of fulfilling its duties as permanent representative.

Furthermore, members of the Board of Directors are responsible for ensuring that they have all the necessary information to carry out their duties. To this end, the Chairman of the Board or the Chief Executive Officer provides directors with the information and documents required in order for them to fully perform their duties.

As compensation for the work carried out by directors, Shareholders' Meetings may grant an annual fixed amount, allocated by the Board of Directors to its members pursuant to Article L.22-10-8 of the French Commercial Code on the compensation policy for corporate officers (*ex ante* vote). The Board of Directors may also grant directors exceptional compensation for specific assignments or tasks entrusted to them. The Board of Directors sets the compensation of the corporate officers (including the directors), based on recommendations made by the Compensation Committee. The compensation policy is subject to an *ex ante* vote by the shareholders and the compensation paid or awarded pursuant to that compensation policy is then subject to a general *ex post* vote by the shareholders.

Article 14 of Valeo's articles of association provides that each director must hold at least 1,500 registered shares throughout their term of office. This obligation is also set out in Article 1.1(b) of the Internal Procedures. In accordance with the law and the provisions of the Company's articles of association and the Internal Procedures, this requirement does not apply to directors representing employees.

Although not expressly provided for by the Internal Procedures, in practice the directors attend the Company's Shareholders' Meetings, in accordance with the recommendation in Article 20 of the AFEP-MEDEF Code.

On January 23, 2008, the Board of Directors adopted a Code of Conduct on trading in financial instruments and compliance with regulations on insider trading, which governs trading in the Company's securities by members of the Board of Directors, executive corporate officers, members of the Executive Committee, Operations Committee and the Liaison Committee, and any person with inside information (within the meaning of Article 7 of Regulation No. 596/2014 of April 16, 2014 on market abuse). The Board of Directors last updated its Code of Conduct on October 24, 2019 pursuant to Law No. 2019-744 of July 19, 2019 on the simplification, clarification and modernization of company law. On accepting their position, each member of the Board of Directors agreed to comply with this Code of Conduct.

This Code sets out the legal and regulatory provisions regarding the disclosure of trading in the Company's securities applicable to insiders, and in particular members of the Board of Directors, the Executive Committee, the Operations Committee and the Liaison Committee, any person with permanent or regular access to inside information and any Group employees who may appear on the lists of occasional insiders drawn up by Valeo ("**Insiders**").

Under the Code of Conduct, it is prohibited for any person to carry out one or more transactions based on inside information at any time. It is prohibited at any time for these people to carry out or attempt to carry out, either on their own behalf or for third parties, directly or indirectly, one or more transactions (including the sale of shares resulting from the exercise of stock purchase or subscription options or the cancelation or modification of an order) on financial instruments (shares, bonds, etc., and any related derivatives) of the Company if they have inside information about the Company or any other Group entity. This Code also prohibits any person having inside information from disclosing or attempting to disclose inside information about the Company or any Group entity, other than in the normal course of their duties, to any person, particularly when the circumstances of such disclosure would enable that person to carry out one or more transactions on the Company's financial instruments. They are also prohibited from advising or attempting to advise any person to carry out one or more transactions in respect of the Company's financial instruments based on inside information about Valeo or any other Group entity, or encouraging or attempting to encourage any person to carry out such transactions in Valeo's financial instruments based on this inside information.

The Chairman of the Board, the Chief Executive Officer, the members of the Board of Directors, the members of the Executive Committee, Operations Committee and the Liaison Committee and other Group executive managers are also prohibited from carrying out, directly or indirectly, the following transactions:

- any speculative transactions in the Company's financial instruments as well as in any related financial instruments, such as transactions in derivatives, margin buying and short selling, as well as rolling over deferred settlement orders;
- hedging the financial instruments of the Company and any related financial instruments, including shares, stock purchase or subscription options, rights over shares which may be freely allotted, and shares obtained on exercising stock options or freely allotted.

The Code of Conduct also applies to the purchase or sale (or forward transaction) of the financial instruments of any company other than Valeo by any persons having inside information if such transaction is based on inside information obtained in the course of their duties.

In the event of uncertainty as to whether information is considered inside information, all persons must contact the General Counsel and General Secretary before carrying out any transactions involving the Company's financial instruments. The Chairman of the Board, the Chief Executive Officer, the directors and the members of the Group's Executive Committee and Operations Committee must check with the General Counsel and General Secretary before carrying out any transactions involving the Company's financial instruments that they do not have inside information as a result of their position.

Restrictions on trading in the Company's financial instruments apply to any person having inside information up to and including the date of publication by the Group of the press release on the inside information in question.

In addition, subject to the exceptions provided for in the applicable regulations, Insiders are prohibited from carrying out one or more transactions involving the Company's shares, debt securities, derivatives or other related financial instruments (including the sale of free shares), either on their own behalf or for third parties, directly or indirectly, during the following black-out periods:

- from the 30th calendar day inclusive preceding the date of publication of Valeo's press release on the annual and half-yearly results up to and including the date of publication of said press release on these financial statements;
- from the 15th calendar day inclusive preceding the date of publication of Valeo's quarterly information up to and including the date of publication of the press release on this quarterly information.

In addition, pursuant to the Code of Conduct, the Chairman of the Board, the Chief Executive Officer, the members of the Board of Directors, other executive managers and persons having close personal ties with them must comply with obligations to inform the Company and the AMF following transactions in the Company's shares, debt securities, derivatives or other related financial instruments in accordance with applicable laws and regulations.

Rules governing the operation and organization of the Board of Directors, and their application

Average notice period for calling Board meetings

In accordance with its Internal Procedures, the Board of Directors meets at least six times a year, and at least once every three months, on dates that are sent to each director at the beginning of the fiscal year at the latest, and at any other time in the interest of the Company. The average notice period for calling a meeting of the Board of Directors is approximately ten days, allowing the directors to review any useful information for such meetings.

Representation of directors

Directors may be represented at Board of Directors' meetings by another director; however, at a single meeting each director only has a proxy to represent one director. The proxy must be given in writing. In 2022, only one of the directors was represented by proxy at Board meetings.

Chairmanship of Board meetings

Board of Directors' meetings are chaired by the Chairman of the Board or, in his absence, by a Vice-Chairman, where applicable, or a director designated by the Board of Directors. All ten Board of Directors' meetings held in 2022 were chaired by its Chairman.

Directors' participation in Board meetings

The Internal Procedures allow directors to participate in Board of Directors' meetings by any videoconferencing or telecommunications technology that enables them to be identified and ensures that they actually participate in the meeting. Accordingly, directors who take part in Board meetings through such means are deemed to be present for the purposes of calculating the quorum and majority, except at meetings dedicated to the preparation of the annual parent company and consolidated financial statements and the related management reports (as provided for in Articles L.232-1 and L.233-16 of the French Commercial Code). The Chairman of the Board is required to state in the relevant meeting notice whether these methods can be used for certain meetings. Directors wishing to participate in a Board meeting by these methods must contact the General Secretary at least two working days before the meeting date (except in an emergency) in order to ensure that the relevant technical information can be exchanged and tests performed before the meeting takes place.

Under Article 16.4 of the Company's articles of association and Article 1.2 (f) of the Internal Procedures, the directors may be consulted in writing for decisions that fall within the Board of Directors' scope of authority as set out in the French Commercial Code, Article L.225-24 (appointment of a director if a seat becomes vacant due to death or resignation, or if the number of directors falls below the minimum legal requirement or the minimum requirement provided for under the articles of association, or if the gender balance is not observed), Article L.225-35, final paragraph (authorization of sureties, endorsements and guarantees), Article L.225-36, second paragraph (compliance of the articles of association with applicable laws and regulations) and Article L.225-103, I (calling a Shareholders' Meeting), as well as the decision to transfer the Company's registered office to any other location in the same *département* or a neighboring *département*.

Decision-making on the Board of Directors

Except in the event of a written consultation in accordance with the law, the Board of Directors is only validly constituted if half of its members are present or represented. Decisions are taken by a majority vote of the members present or represented. In the event of a tie, the Chairman has the casting vote.

Record of Board decisions

In addition to written consultations, minutes are drawn up at each meeting and signed by the Chairman of the Board and a director. The draft minutes must first be sent to all directors no later than two weeks after the meeting. To ensure a clear account of Board of Directors' meetings, the minutes include, in addition to the information required by law, a summary of the discussions and decisions made, briefly mentioning the issues and reservations raised, along with an explanation of any technical issue related to videoconferencing or telecommunications technology used if it disrupted the meeting. The minutes of Board of Directors' meetings provide a record of the Board of Directors' proceedings.

Frequency and duration of Board meetings and average attendance rates of directors

The frequency of Board of Directors' meetings and the average attendance rate of directors in the 2022 fiscal year are set out in section 3.2.1 "Attendance rate at Board of Directors' meetings", pages 120 to 121. All meetings of the Board of Directors were held in person. The average duration of Board of Directors' meetings was about four hours. The frequency and duration of Board meetings allow for the review and in-depth discussion of matters falling within the Board of Directors' scope of authority.

Directors' access to information

Directors' training

The Company's new directors are eligible for training to help them learn about the Company, its business lines and business sector, and CSR challenges. They also attend an annual strategy seminar, held over several days in a different part of the world each year. This seminar is mainly to provide genuine insight into the discussions of the Board of Directors, as well as strategies, the competitive environment and industry trends, and to gain a practical understanding of the Group's specificities. During the seminar, the directors visit the Group's production facilities and those of its partners. They also meet the local operational teams and local management, and are given presentations on the Group's products and business operations. Given the diversity of the program and the topics discussed, this seminar contributes to the directors' continuous training. The 2022 strategy seminar took place over a period of four days in Hungary.

In accordance with the recommendations in the AFEP-MEDEF Code, the Company has devised a specific training program for directors representing employees. Grzegorz Szelag attended various training courses, including a course provided by the IFA during the year entitled "Salaried Directors Workshop, a guide to being a member of the Board". Éric Poton, the second director representing employees, also attended various training courses, including a directorship training course designed by the French Institute of Directors (*Institut français des administrateurs* – IFA) in partnership with Sciences Po Executive Education entitled "Certificate of Corporate Director" as well as several other IFA training sessions about the fundamental aspects of finance and about audit committees. Both directors representing employees were also given immersion sessions with the executive corporate officers, the General Counsel and General Secretary, the Chief Financial Officer, the Group Chief Human Resources Officer, Human Resources; and the Chief Technology Officer and Vice-President, Strategy.

In general, any time after their appointment, the directors may receive additional training, if they deem it necessary, to learn about the Company, its business lines and business sector, and its CSR challenges, in particular on climate issues (including the Group's CAP 50 plan).

Directors' access to information

Within the scope of the Board of Directors' work, each director is given all the information required to perform his/her duties. The agenda for any upcoming Board of Directors' meeting and details of agenda items requiring upfront analysis and consideration are provided within a sufficient time frame and at least 48 hours (except in an emergency) before the meeting, provided that this is not incompatible with confidentiality requirements.

Directors who are not able to make an informed decision due to a lack of information must notify the Chairman of the Board and request the information they deem necessary to fulfill their duties. Requests for information needed to perform their duties must be made to the Chairman. Generally, each director receives the information that he/she needs to perform his/her duties and may be given all the related documents by the Chairman of the Board of Directors once the Board has determined that they are relevant.

The Chairman of the Board shares with the directors any information about the Company that he has and that he deems relevant to share on an ongoing basis. The Lead Director is in regular contact with General Management and ensures that any information concerning the Company is reported to the Board of Directors.

Guests of the Board of Directors

In 2022, the General Counsel and General Secretary and the Chief Financial Officer attended all meetings of the Board of Directors. Other members of the Group's Management attended for certain specific matters, including the Chief Ethics, Compliance and Data Protection Officer for matters relating to the Group's compliance program. The Group's Statutory Auditors attended parts of some Board of Directors' meetings.

Non-executive sessions

At the end of each Board meeting, it is proposed that the independent directors meet without the executive corporate officers and non-independent directors being present, unless invited. These non-executive sessions encourage debate among the independent directors. In 2022, a meeting without executive corporate officers and non-independent directors was held at the end of each of the 10 meetings of the Board of Directors.

Role of the Board of Directors

The principal role of the Board of Directors, which is a collegial body appointed by the shareholders, is to determine the Company's business strategies and ensure that they are implemented effectively. Subject to the powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, it handles any issues related to the proper operation of the Company and takes care of any business in this respect during its meetings.

In accordance with applicable laws and regulations, the Company's articles of association and the provisions of the Internal Procedures, the Board of Directors has the power, in particular, to:

- convene Shareholders' Meetings and set the agendas thereof;
- draw up the parent company and the consolidated financial statements, the Annual Management Report and the forecast management documents;
- draw up the Corporate Governance Report;
- authorize related party agreements;
- appoint and remove from office the Chairman of the Board of Directors and the Chief Executive Officer and set their compensation;
- appoint the members of the Committees;
- allocate compensation to the directors in accordance with the compensation policy;
- relocate the head office in the same or a neighboring *département* provided that the decision is approved at the next Ordinary Shareholders' Meeting;
- acting under the authority of the Extraordinary Shareholders' Meeting, amend the articles of association as necessary to ensure their compliance with applicable laws and regulations, provided that the articles of association are approved at the next Extraordinary Shareholders' Meeting;
- authorize sureties, endorsements and guarantees;
- issue non-dilutive bonds and/or securities giving or not giving access to the share capital;
- decide on any planned merger or spin-off;
- authorize the Chief Executive Officer, as applicable, to carry out any significant transactions, i.e., any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction;
- review the Group's industrial and financial strategy by devoting, in particular, one session per year to this review.

The Board of Directors is also informed of market and competitive trends and the main challenges faced by the Company, including those related to CSR. It endeavors to promote the Company's long-term value creation whilst taking into consideration the CSR impacts of its operations.

In 2022, the main topics addressed by the Board of Directors related to, in particular:

a) the financial position, cash position, and commitments of the Group, and in particular:
   - reviewing the approximate 2021 results, the 2022 preliminary budget and the 2022 final budget,
   - approving the (i) parent company and consolidated financial statements for 2021 and (ii) interim consolidated financial statements at June 30, 2022; reviewing the Statutory Auditors' presentations; preparing the outlook for 2022,
   - preparing the Management Report and the related notes for the 2021 fiscal year,
   - recommending the appropriation of net income and the dividend payment and reviewing the dividend amount for 2021,
   - reviewing the investor presentation and the 2021 roadshow results,
   - reviewing the quarterly figures and results, and the forecasts and projections prepared for 2022,
   - reviewing the Group's liquidity,
   - reviewing the Group's financial policy (investments, cash position and debt), fiscal policy and insurance program,
   - authorizing sureties, endorsements and guarantees,
   - reviewing the treasury share purchases (including the Chief Executive Officer's delegation of authority to implement the share program) to cover, in particular, the delivery of free share and performance share plans,
   - reporting on the use of the powers delegated to the Board of Directors to issue bonds and the Chief Executive Officer's authorization to issue bonds,
   - analyzing share price trends;

b) business, strategy and risk management, and in particular:
   - reviewing the impact and possible consequences on the business in respect of the 2022 financial year of (i) the Russia-Ukraine conflict, (ii) the Covid-19 pandemic in China, (iii) the semiconductor shortage and (iv) the increase in the cost of raw materials and energy,
   - discussing the proposed acquisitions, investments, sales and strategic operations, in particular the acquisition of Siemens' 50% stake in the Valeo Siemens e-Automotive joint venture (including monitoring the acquisition and integration process within the Group),
   - reviewing the development of major projects, industry trends and the Group's strategic priorities; monitoring changes in the automotive market and the competitive environment,
   - reviewing the "Move Up" strategic plan,
   - examining the Medium Term Plan (MTP),
   - reviewing the main challenges, including the Company's CSR challenges (see below), and regulatory changes,
   - reviewing risk mapping and the Group's risk management systems,
   - reviewing the Group's compliance policy, particularly as regards anti-corruption, economic sanctions, and compliance with (i) competition law, (ii) the General Data Protection Regulation (GDPR) and (iii) the Sapin II law, with particular attention paid to the sanctions related to the Russia-Ukraine conflict,
   - reviewing the annual strategy seminar;

c) executive compensation, and in particular:
   - examining (i) the 2022 compensation policy (*ex ante* vote) for corporate officers and (ii) the 2023 compensation policy for the Chairman of the Board of Directors (in the context of the appointment of Gilles Michel to this position, effective January 1, 2023),

- reviewing the compensation paid or awarded to corporate officers in 2021 (*ex post* vote), including the determination of the variable portion of the compensation and the executive corporate officers' entitlement to pension rights for 2021,
- setting the 2022 objectives of the Chief Executive Officer's annual variable compensation,
- examining the rules for allocating directors' compensation for 2023,
- examining (i) the plan to allot free shares and/or performance shares to the Group's employees and corporate officers in 2022, including the Chief Executive Officer's allotment, and (ii) the structure of the plans to allot free shares and/or performance shares to the Group's employees and corporate officers, with proposed changes for 2023,
- examining the performance conditions and the consequent delivery of performance shares to Jacques Aschenbroich in 2022 under the 2019 plan,
- examining the 2022 Shares4U employee share ownership plan and approving the Board of Directors' supplementary report on the delegation of financial authority relating to the capital increases reserved for employees used under the Shares4U 2022 plan,
- examining the financial conditions related to the end of Jacques Aschenbroich's term of office;

d) corporate governance, and in particular:

- reviewing the status of directors in light of the independence criteria set out in the Internal Procedures,
- assessing the operation of the Board of Directors and its Committees,
- reviewing the composition of the Board of Directors and its Committees,
- reviewing the succession plan for the Chairman and Chief Executive Officer, including (i) the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer and the appointment of a separate Chief Executive Officer on January 26, 2022, and (ii) the continued search for a new Chairman of the Board of Directors,
- reviewing the proposal of the Board of Directors' Ad Hoc Committee concerning the appointment of Gilles Michel as Chairman of the Board of Directors to succeed Jacques Aschenbroich,
- reviewing the proposed appointment of Jacques Aschenbroich as Honorary Chairman of Valeo,
- reviewing the succession plan for directors as well as the succession and development plan for the main Group executive managers,
- reviewing the Corporate Governance Report and the draft report of the Lead Director for 2021,
- reviewing the provisions of the consolidated AFEP-MEDEF Code (comply or explain), the report of the High Committee on Corporate Governance, and the AMF's report on executive compensation,
- reviewing the proposed amendments to the Board of Directors' Internal Procedures,
- acknowledging the absence of related party agreements,
- reviewing transactions entered into in the ordinary course of business on an arm's length basis,
- reviewing the ownership structure and any changes;

e) corporate social responsibility, including climate issues, and in particular:

- reviewing the CSR policy and monitoring the Group's main sustainability achievements, including reviewing the Group's climate strategy and monitoring the implementation of the Group's "CAP 50" carbon neutrality plan, the objective of which is to reach carbon neutrality by 2050 with a 45% achievement rate by 2030,
- examining the Group's health, safety and environment policy, against the 2021 results for the policy; examining the labor policy (labor relations),
- reviewing the Group's diversity, equity and inclusion policy, and more particularly monitoring the diversity targets within its governing bodies;

f) The Shareholders' Meeting, and in particular:

- calling the Ordinary and Extraordinary Shareholders' Meeting (including deciding on the content of draft resolutions, the Board of Directors' Report on the resolutions and special report on the allotment of free shares),
- authorizing the executive corporate officers to reply to shareholders' written questions and to adapt, if necessary, the procedures for calling the Shareholders' Meeting in the context of Covid-19.

Committees created by the Board of Directors

The Board of Directors has set up several committees in order to enhance its operating procedures and provide assistance with preparing its decisions by issuing recommendations and opinions.

At December 31, 2022, and at the date of this Universal Registration Document, the Committees of the Board of Directors were:

- Governance, Appointments & Corporate Social Responsibility Committee;
- Compensation Committee;
- Audit & Risks Committee;
- Strategy Committee.

The Specialized Committees of the Board of Directors have their own internal procedures which set out their composition, their missions and their operating procedures. These internal procedures are available on the Company's website (www.valeo.com/en/corporate-governance).

These Committees, which exercise their duties under the responsibility of the Board, are intended to streamline the Board's operations and to assist the Board with the preparation of its decisions. They are responsible for studying issues submitted to them by the Board or the Chairman, preparing the Board's work in relation to these questions, and reporting their conclusions to the Board in the form of reports, proposals, opinions, information or recommendations. The role of the Committees is strictly advisory. The Board shall decide, at its own discretion, the measures it wishes to take based on the opinions, studies, investigations or reports issued or prepared by the Committees.

In order to carry out their duties, the Committees may decide to hear members of the Group's executive management or third parties, subject to notifying the corporate officers and reporting thereupon to the Board. The Committees may be assisted by external consultants, if needed, subject to their qualifications and independence, and subject to the prior notification of the Chairman of the Board or the Board.

The various Committees reported regularly on their work to the Board of Directors in 2022.

Governance, Appointments & Corporate Social Responsibility Committee (GACSRC)

Composition of the Committee

At December 31, 2022, the composition of the Governance, Appointments & Corporate Social Responsibility Committee was as follows:

- Gilles Michel (Chair and independent director);
- Ulrike Steinhorst (in charge of CSR issues, independent director);
- Stéphanie Frachet, permanent representative of Bpifrance Participations (independent director);
- Patrick Sayer (independent director);
- Véronique Weill (independent director).

The changes in the Committee's composition (made or approved) during 2022 are set out in the table in section 3.2.1 "Composition of the Board of Directors at December 31, 2022 and changes (made or approved) during 2022", pages 117 to 118.

All the members are independent directors and the Company therefore complies with the provisions of Article 17.1 of the AFEP-MEDEF Code recommending that the majority of directors on the Appointments Committee be independent. This provision has been written into the committee's internal procedures.

Committee roles and responsibilities

According to its internal procedures, the roles and responsibilities of the Governance, Appointments & Corporate Social Responsibility Committee are, in particular, as follows:

a) as regards corporate governance:
   - analyzing how the Board of Directors and its Committees operate,
   - assessing and updating corporate governance rules and, in particular, ensuring that the assessment of the Board of Directors' operation is carried out in line with market practices;

b) as regards selection and appointments:
   - preparing the composition of the Company's governing bodies, with reasoned recommendations on the appointment of corporate officers to the Board and its Committees,
   - drawing up a succession plan for executive corporate officers and directors,
   - ensuring that the diversity policy for Board members is prepared and implemented,
   - striving to reflect diverse experience and perspectives, while ensuring for the Board (i) the objectivity and independence required in relation to General Management, a specific shareholder or group of shareholders, and (ii) the stability of the Company's corporate bodies,
   - striving, when it is issuing opinions or recommendations, to ensure that (i) the acting independent directors represent at least half of the members of the Board and (ii) the Audit & Risks Committee does not include any executive corporate officers and comprises at least two-thirds independent directors,
   - ensuring that the executive corporate officers implement a policy of non-discrimination and diversity within the governing bodies,
   - reviewing, each year before the publication of the Corporate Governance Report and before each appointment, the status of each director in light of the independence criteria set out in Article 1.2(b) of the Board of Directors' Internal Procedures, and submitting its proposals to the Board for it to review the status of each person concerned;

c) as regards CSR:
   - reviewing the main thrusts of the Company and Group's corporate social responsibility policy,
   - identifying corporate social responsibility objectives and challenges, and making sure that the previously defined objectives are met,
   - overseeing the gradual and increasing implementation of Valeo's corporate social responsibility policy and assessing the Group's contribution to sustainable development,
   - in conjunction with the Audit & Risks Committee, gaining an understanding of the risks and topics involved in corporate social responsibility, and obtaining information about the resources the Group can call on to pursue its strategy in this area,
   - as required, issuing opinions and recommendations to help the Board make informed decisions,
   - nominating among the members of the Committee a member in charge of CSR issues tasked with reviewing the Group's CSR strategy, commitments and policies as well as the action plans for projects related to those policies, and/or monitoring the implementation of the Group's CSR initiatives. The work carried out by the member in charge of CSR issues is without prejudice to the scope of responsibility of the Board and the Committee.

Role of the Committee in the selection and appointment of directors: description of the procedure at Valeo

In accordance with the Internal Procedures, the Committee recommends the appointment of the corporate officers as well as the appointment of members and the Chair of each of the Committees of the Board, other than its own Chair. It submits reasoned proposals concerning its choice of candidates to the Board.

The Committee oversees the preparation and implementation of the diversity policy for Board members (for further information on the procedure for selecting and appointing directors, see section 3.2.1 "Procedure for selecting directors in accordance with the diversity policy", page 125).

When issuing opinions or recommendations on selections and appointments, the Committee must ensure that (i) at least half of the members of the Board of Directors are independent directors, (ii) the Chief Executive Officer is not a member of the Audit & Risks Committee, and (iii) at least two-thirds of the Audit & Risks Committee members are independent directors.

Role of the Committee in terms of corporate responsibility

The Committee's duties and accomplishments in the area of CSR are described above.

Given the importance of CSR (including climate change) in the Group's strategy, the review and monitoring of these topics has been enhanced on two points:

- the appointment of Ulrike Steinhorst as member in charge of CSR issues, by decision of the Committee on October 27, 2020. Ulrike Steinhorst, without prejudice to the powers of the Board or the Committee, is in charge of the review, in particular, of the Group's CSR strategy, commitments and policies as well as the action plans for projects related to these policies, and/or the implementation of the rollout of the actions of the Group;
- the Committee, in association with the Audit & Risks Committee, is already in charge of examining risks relating to CSR and is kept abreast of the resources available to the Group to apply its strategy in this field. In addition, the member in charge of CSR issues will be in charge of informing, at least once a year, the Audit & Risks Committee, of the Committee's work relating to CSR, in particular with regards to the monitoring of the Group's key performance indicators in this field. This matter was added to the Internal Procedures of these two Committees by decision of the Board of Directors on February 23, 2023.

Committee activity during the year

The Committee met six times in 2022 with an average attendance rate of 87.50% (see section 3.2.1 "Attendance rate at Board of Directors' meetings", pages 120 to 121, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Governance, Appointments & Corporate Social Responsibility Committee in particular:

- reviewed directors' independence, including with regard to significant business relationships with the Company;
- reviewed the proposal of the Board of Directors' ad hoc Committee concerning the appointment of Gilles Michel as Chairman of the Board of Directors to succeed Jacques Aschenbroich;
- reviewed the proposed appointment of Jacques Aschenbroich as Honorary Chairman of Valeo;
- reviewed the succession plan for directors, including the description of the profiles sought;
- reviewed the succession and development plans for the main Group executive managers;
- proposed the reappointment of the directors whose terms of office were due to expire and the co-optation of directors;
- reviewed the assessment of the operating procedures of the Board of Directors and its Committees for 2021;
- reviewed and recommended changes to the composition of the Committees;
- examined the Group's CSR policy and its main sustainability achievements;
- reviewed the climate strategy and the implementation of the Group's "CAP 50" carbon neutrality plan, the objective of which is to reach carbon neutrality in 2050 with a 45% achievement rate by 2030;
- reviewed the Group's health, safety and environment policy and the results of this policy for 2021, in particular regarding the management of the Covid-19 crisis and the measures implemented by the Group regarding the environment, the review of the ISO (50001) certification and the implementation of the CO_2 emissions reduction plan for the Company's sites;
- examined the Group's diversity, equity and inclusion policy, the progress made toward the intermediate targets of the gender diversity plan for 2024 and 2027 within the governing bodies and the progress made on the gender diversity plan for 2030;
- reviewed the Group's "Gender Diversity by Design" sponsorship program for 2022;
- examined the labor policy (labor relations);
- monitored the changes in Valeo's employee share ownership plans and examined the rules applicable to the appointment of a director representing employee shareholders;
- reviewed the proposed amendment of the Board of Directors' Internal Procedures, aimed in particular at (i) complying with the Regulation for a European Company, (ii) entrusting to the Chair of the Committee the responsibilities of shareholder dialogue and discussions with proxy advisory firms about corporate governance matters, given the separation of the roles of Chairman and Chief Executive Officer, the temporary period served by a non-independent Chairman of the Board of Directors and the termination of the Lead Director's duties as a result, and (iii) the description of the main roles of the member in charge of CSR issues;
- reviewed transactions entered into in the ordinary course of business on an arm's length basis;
- acknowledged the absence of related party agreements;
- reviewed the terms and conditions for holding the Shareholders' Meeting depending on the health situation;
- reviewed the main items of interest to the Company in the report of the High Committee on Corporate Governance and the AMF's report on executive compensation;
- reviewed the draft governance section of the draft Corporate Governance Report (including the Comply or Explain section of the AFEP-MEDEF Code) and the Lead Director's report for 2021;
- reviewed the scope of the "Rixain Law".

Compensation Committee (CC)

Composition of the Committee

At December 31, 2022, the members of the Compensation Committee were:

- Gilles Michel (Chair and independent director);
- Stéphanie Frachet, permanent representative of Bpifrance Participations (independent director);
- Patrick Sayer (independent director);
- Ulrike Steinhorst (independent director);
- Grzegorz Szelag (director representing employees);
- Véronique Weill (independent director).

The changes in the Committee's composition (made or approved) during 2022 are set out in the table in section 3.2.1 "Composition of the Board of Directors at December 31, 2022 and changes (made or approved) during 2022", pages 117 to 118.

All the members are independent directors (except for the director representing employees who, in accordance with the recommendation in Article 15.1 of the AFEP-MEDEF Code, does not count) and the Company therefore complies with the provisions of the AFEP-MEDEF Code recommending that the majority of directors on the Compensation Committee be independent and that a director representing employees be a member of the Compensation Committee (Article 18.1).

Committee roles and responsibilities

According to its internal procedures, the roles and responsibilities of the Compensation Committee are, in particular, as follows:

a) as regards executive corporate officers' compensation, reviewing and making recommendations on the matter, in particular with regard to:
   - the variable component of their compensation: the Committee defines the methods for setting the variable component taking into account the performance of the executive corporate officers during the year and the medium-term strategy of the Company and the Group, and makes sure that these methods are applied,
   - all benefits in kind, performance shares or stock purchase or subscription options received from any Group company, pension provisions and any other benefits;

b) as regards directors' compensation:
   - making recommendations to the Board on the rules for allocating directors' compensation and the individual amounts to be paid to each director, taking into account the actual number of Board and Committee meetings attended,
   - recommending to the Board an aggregate amount of directors' compensation to be proposed at the Shareholders' Meeting;

c) as regards long-term compensation:
   - giving its opinion to the Board on the general policy for allotting stock purchase or subscription options and free shares or performance shares, as well as on the stock option, free share and performance share plans set up by the Group's General Management in accordance with applicable rules and recommendations,
   - making recommendations to the Board of Directors on the allotment of stock purchase and/or subscription options and free shares or performance shares, giving reasons for its choice and the related consequences;

d) as regards the compensation of the Group's main executive managers, keeping informed about the compensation policy for the main executive managers who are not corporate officers of the Company or of other Group companies;

e) reviewing any questions submitted to the Committee by the Chairman about the above matters, as well as proposed share issues reserved for employees.

The Annual Corporate Governance Report contains information for the shareholders about compensation paid to corporate officers, the principles and methods used to set their compensation, and any performance shares allotted to them.

Committee activity during the year

The Committee met six times in 2022 with an average attendance rate of 89.28% (see section 3.2.1 "Attendance rate at Board of Directors' meetings", pages 120 to 121, which sets out the average attendance rate of each member at Committee meetings).

During these meetings, the Compensation Committee in particular:

- reviewed the compensation paid to directors in 2021 and the 2022 compensation policy for directors;
- examined directors' compensation for 2023;
- reviewed the variable compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer in 2021;
- reviewed the 2022 compensation policy for executive corporate officers;
- reviewed the targets of the short-term variable compensation of the Deputy Chief Executive Officer and of the Chief Executive Officer in 2022;
- prepared the 2023 compensation policy for the Chairman of the Board of Directors (in the context of the appointment of Gilles Michel, effective January 1, 2023);
- reviewed the financial conditions related to the end of Jacques Aschenbroich's term of office;
- examined the plan to allot free shares and/or performance shares to the Group's employees and corporate officers in 2022, including the Chief Executive Officer's allotment, as well as the structure of the plans to allot free shares and/or performance shares to the Group's employees and corporate officers, with proposed changes for 2023;
- examined the proposed resolutions related to the corporate officers' compensation (2021 *ex post* and 2022 *ex ante*) and the related draft Board of Directors' report;
- reviewed the draft special report on the allotment of free shares in respect of the year ended December 31, 2021 and the Board of Directors' draft supplementary report on the delegation of financial authority relating to the capital increases reserved for employees used under the 2022 Shares4U plan;
- examined the draft press releases on (i) the 2021 compensation, (ii) the 2022 compensation policies for executive corporate officers, (iii) the granting of performance shares to the Chief Executive Officer in 2022, (iv) the 2023 compensation policy for the Chairman of the Board of Directors and (v) the financial conditions related to the end of Jacques Aschenbroich's term of office;
- reviewed the compensation of the Group's main executive managers;
- reviewed the Shares4U employee share ownership plan, including a review of the results of the 2021 plan and the proposed features of the 2022 plan;
- reviewed the compensation section of the draft Corporate Governance Report.

Audit & Risks Committee (ARC)

Composition of the Committee

At December 31, 2022, the members of the Audit & Risks Committee were:

- Thierry Moulonguet (Chair and independent director);
- Bruno Bézard (independent director);
- Julie Avrane, permanent representative of Fonds Stratégique de Participations (independent director);
- Mari-Noëlle Jégo-Laveissière (independent director);
- Éric Poton (director representing employees);
- Véronique Weill (independent director).

The changes in the Committee's composition (made or approved) during 2022 are set out in the table in section 3.2.1 "Composition of the Board of Directors at December 31, 2022 and changes (made or approved) during 2022", pages 117 to 118.

All the members are independent directors and the Company therefore complies with the provisions of Article 16.1 of the AFEP-MEDEF Code recommending that at least two-thirds of directors on the Audit & Risks Committee be independent.

When they are appointed, if necessary, members of the Committee may receive training on specific accounting, financial and operating issues related to the Company and the Group.

Through their training or business experience, all current members of the Committee have financial and accounting skills. Therefore, the Company goes beyond the requirements of Article L.823-19 of the French Commercial Code according to which at least one member of the Audit & Risks Committee must have specialized financial, accounting or auditing skills and be independent. For details of the experience of the Audit & Risks Committee members, see section 3.2.1 "Presentation of directors 2022", pages 129 to 146.

Committee roles and responsibilities

In accordance with Article L.823-19 of the French Commercial Code and its internal procedures, the duties of the Audit & Risks Committee are as follows:

a) as regards the financial statements:
   - ensuring that the accounting policies adopted to prepare the consolidated and parent company financial statements are relevant, consistent and properly applied, and that material transactions are accounted for appropriately at Group entity level,
   - monitoring the statutory audit work on the annual and consolidated financial statements, and at the end of the reporting period, reviewing and giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by the Finance Department before they are presented to the Board of Directors. For this purpose, all draft financial statements and any other useful documentation and information should be provided to the Audit & Risks Committee before the Board of Directors reviews the financial statements. In examining the financial statements, the Audit & Risks Committee should also be provided with (i) a memorandum from the Statutory Auditors reporting on the performance of their assignment and the findings of their work, thereby informing the committee of the principal risks and uncertainties identified by the Statutory Auditors in the financial statements, their audit approach and possible difficulties encountered in carrying out the assignment and (ii) a presentation from the Chief Financial Officer describing the Company's risk exposure and material off-balance sheet commitments and the applied accounting options. The Audit & Risks Committee meets with the Statutory Auditors, the Finance Department (without General Management being present, where appropriate), and with General Management, to discuss depreciation, amortization, provisions, goodwill, consolidation principles and accounting policies, among other subjects,
   - reviewing the draft interim financial statements, interim reports, activity report and earnings releases prior to publication, as well as any financial statements drawn up in connection with specific transactions (contributions, mergers, market operations, interim dividend payments, etc.),
   - analyzing the scope of consolidation, and the reasons why certain companies may not have been consolidated,
   - assessing the risks to which the Company is exposed as well as any material off-balance sheet commitments, and assessing the extent of the failures and weaknesses reported to it and informing the Board of Directors, where appropriate,
   - reviewing the financial and accounting treatment of acquisitions or disposals in excess of 50 million euros per transaction, in conjunction with the opinions of the Strategy Committee where appropriate, and reviewing any key transactions which could have given rise to a conflict of interest;

b) as regards internal audit, internal control and risk management:
   - monitoring the Group's risk management and internal control systems and, where appropriate, internal audit related to the procedures for preparing and processing financial, accounting and non-financial information within the Group. The Committee ensures that there are risk management and internal control systems in place to identify, analyze, manage, and continuously improve the prevention and management of all types of risks that the Group may face in the course of its business, particularly those likely to have an impact on accounting, financial and non-financial information,
   - receiving information on a regular basis from General Management on the organization and operation of risk management and internal control systems,
   - regularly reviewing the risk mapping of the main risks identified (including financial, legal, operational, social and environmental risks) by General Management, the results of the operation of the risk management and internal control systems and the relevance of the risk monitoring procedure and ensuring that appropriate action plans have been implemented to mitigate the problems and weaknesses identified,
   - ensuring that systems are in place for preventing and detecting bribery and influence peddling,
   - reviewing the Group's compliance policy, particularly as regards anti-corruption, economic sanctions, and compliance with competition law, the General Data Protection Regulation (GDPR) and the Sapin II law,
   - keeping informed about the main problem areas and weaknesses observed and the action plans approved by General Management,
   - receiving Internal Audit reports or regular summaries of these reports,
   - monitoring any issues linked to control and the process for preparing financial and accounting information,
   - checking that internal procedures for compiling and verifying information are defined to ensure the information is reliable and reported in a timely manner,
   - reviewing the Statutory Auditors' work plan,
   - regularly meeting with managers of the Group's Internal Audit unit, giving its opinion on how their department is organized, and keeping informed of their work program,
   - keeping regularly informed of the Group's external auditors' working plans and methods and on General Management's responses,
   - reviewing and making observations about the draft Management Report detailing the internal control and risk management procedures implemented by the Company,
   - reviewing any issue related to internal control, risk management, and internal audit submitted to the Committee by the Board of Directors,
   - asking General Management for any information,
   - organizing an annual Audit & Risks Committee meeting dedicated to internal audit, internal control and risk management matters;

c) as regards the Statutory Auditors:
- assessing compliance with rules, principles and recommendations guaranteeing the independence of the Statutory Auditors and monitoring their independence, particularly by examining the risks to independence and the measures taken to mitigate such risks, in conjunction with the Statutory Auditors,
- overseeing the selection or reappointment of the Statutory Auditors based on the best, and not the lowest, tender and respecting the legal rotation obligations; giving an opinion on the proposed statutory audit fees; giving an informed opinion on the choice of Statutory Auditors and informing the Board of Directors of its recommendation in accordance with the law,
- obtaining details of fees paid by the Company and the Group to the statutory audit firm and its network, and of any non-audit services provided by the Statutory Auditors; ensuring that the amount or percentage that such fees represent in relation to the total revenues of the audit firm or network does not risk compromising their independence,
- pre-approving non-audit services;

d) as regards financial policies:
- being kept informed by General Management of the Group's financial position and of the methods and techniques used to define financial policy,
- keeping abreast of the main thrusts of the Group's financial strategy,
- reviewing external communications on accounting and financial matters or events liable to affect the Group's financial position or outlook, prior to their publication,
- giving an opinion on the resolutions submitted to Shareholders' Meetings relating to the parent company and consolidated financial statements,
- at General Management's request, giving an opinion on any resource allocation decisions which, in light of the beneficiaries or because of potential conflicts of interest, could give rise to difficulties in interpretation as to their compliance with legislative rules and the Company's articles of association,
- reviewing any financial or accounting matter referred to it by the Chairman, the Board of Directors, General Management or the Statutory Auditors, as well as any potential conflicts of interest brought to its attention;

e) as regards other reviews performed and falling within its remit:
- being kept informed by General Management and regularly hearing from the Tax Department on the Group's tax strategy and its implications,
- being kept informed by General Management and regularly hearing from the IT Services Department on the Group's information security and cybersecurity governance and policy,
- periodically reviewing the Group's Ethics and Compliance policy and the rules and procedures for its implementation,
- being kept informed by General Management and regularly hearing from the Insurance Department on the Group's insurance program,
- receiving information on a regular basis from General Management on the organization of the finance teams and the succession plan for these teams.

Any risk-related matter may be handled by the Audit & Risks Committee as part of its annual work program.

Furthermore, the internal procedures provide that the provision of a service other than certification of financial statements is subject to the approval of the Audit & Risks Committee and the verification by the Statutory Auditors of its independence, in accordance with the provisions of the French Commercial Code.

The internal procedures provide that the provision of a service other than certification of financial statements is subject to the approval of the Audit & Risks Committee and the Statutory Auditors' verification of its independence, in accordance with the provisions of the French Commercial Code.

The approval of the Audit & Risks Committee is required for the provision of non-audit services by the Statutory Auditors or members of their network, in France or abroad, to the Company and entities controlling or controlled by the Company within the meaning of Article L.233-3 I and II of the French Commercial Code. For this purpose, the Audit & Risks Committee reviews the nature and scope of the services subject to its approval in accordance with the rules and regulations governing the independence of Statutory Auditors. In the absence of such procedures required by the law or regulations, the Audit & Risks Committee has implemented a procedure allowing it to fulfill its obligations, by drawing up a list of the non-audit services that can be provided by the Statutory Auditors or their network, with the related approval procedures. Each year, the Audit & Risks Committee will review and pre-approve the list of the services that can be provided by the Statutory Auditors and will review the list of prohibited services. These lists may be reviewed and amended by the Audit & Risks Committee at any time, where appropriate. The validity period of any pre-approval is 12 months, unless otherwise decided by the Audit & Risks Committee.

In order to implement this procedure, it is important to distinguish between:
- audit services that do not require the prior approval of the Audit & Risks Committee other than that required for the audit fee budget;
- non-audit services whose performance is required by law or regulations, which are authorized under a general procedure (general approval according to which once a year the Audit & Risks Committee approves all the services to be performed during the year as required by law or regulations). These services are pre-approved by the Audit & Risks Committee annually;
- non-audit services that are not prohibited, subject to prior approval based on the nature of the assignment. This prior approval based on the nature of the assignment is appropriate for services usually provided by the Statutory Auditors, for which an independence analysis has already been performed and which do not represent a risk to the independence of Statutory Auditors;
- non-audit services that are not prohibited, requiring approval on a case-by-case basis. The Audit & Risks Committee renders a decision after analyzing the risks in terms of independence and the measures taken by the Statutory Auditors to mitigate these risks. It documents its findings;
- assignments not permitted to be carried out by the Statutory Auditors or their network.

The services mentioned above are set out in the internal procedures of the Audit & Risks Committee and are available on the "Corporate Governance" page of the Company's website (www.valeo.com).

The Committee liaises mainly with General Management, the Finance Department, the Legal Department and the Ethics and Compliance Office, as well as with the Company's Statutory Auditors. The Committee may interview members of the Finance Department, the Legal Department and the Ethics and Compliance Office, as well as the Company's Statutory Auditors without the members of General Management or executive corporate officers being present, if it sees fit and has notified the Chairman of the Board and the Chief Executive Officer beforehand. The Committee may interview third parties if this is deemed useful for the performance of its duties.

The Committee may not address issues that fall outside the scope of its duties unless requested to do so.

Committee activity during the year

The Committee met six times in 2022 with an average attendance rate of 100% (see section 3.2.1 "Attendance rate at Board of Directors' meetings", pages 120 and 121, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Audit & Risks Committee in particular:

- reviewed the 2021 preliminary financial information and related press release;
- reviewed the approximate 2021 results, the 2022 preliminary budget and the 2022 final budget;
- examined the draft (i) parent company and consolidated financial statements for 2021 and (ii) interim consolidated financial statements for 2022;
- reviewed the half-year figures and results, and the forecasts and projections prepared for 2022;
- reviewed the 2022 financial management framework;
- reviewed the draft press releases containing financial information;
- reviewed the reports and analyzed the findings presented by the Statutory Auditors, including regarding internal control;
- reviewed the Statutory Auditors' audit approach for 2022;
- reviewed the management report/annual financial report for 2021 and the half-year financial report at June 30, 2022;
- reviewed the 2021 Group risk mapping;
- reviewed the impact and possible consequences on the business in respect of the 2022 financial year of (i) the Russia-Ukraine conflict (ii) the Covid-19 pandemic (iii) the shortage of semiconductors and (iv) the increase in the cost of raw materials and energy;
- reviewed the draft resolutions submitted to the Shareholders' Meeting of May 24, 2022 concerning the reappointment of the Statutory Auditors and the amendment of the articles of association to remove the alternate Statutory Auditor; reviewed the Board of Directors' draft report on these resolutions;
- analyzed information presented by the Group's Financing and Treasury Director on the Group's financial policy (including borrowings and investments, relations with rating agencies, and changes in commodity and currency risk and hedging);
- analyzed information presented by the Group Information Systems Director on the governance of and changes in information systems;
- analyzed information presented by the Internal Audit Director on (i) the summary of internal audit work performed in 2022 (in particular presentation of the budget, the findings of the audit examining non-financial risks, and the review of the activities of the fraud and investigation team), (ii) the audit plan for 2023 and (iii) the outcome of the internal control self-assessment campaign;
- analyzed information presented by the Cybersecurity Director about the measures taken to reinforce the Group's cybersecurity systems;
- analyzed information presented by the Chief Ethics, Compliance and Data Protection Officer on the Group's compliance policy, particularly as regards anti-corruption, economic sanctions, and compliance with (i) competition law, (ii) the General Data Protection Regulation (GDPR) and (iii) the "Sapin II Law", with particular attention paid to the sanctions related to the Russia-Ukraine conflict;
- analyzed information presented by the Head of Insurance on the Group's 2022 insurance program;
- analyzed information presented by the Tax Director on the Group's tax policy;
- analyzed information presented by the Group Accounting Director on the list of non-audit services performed by the Statutory Auditors;
- performed a preliminary analysis of the accounting impacts related to the takeover of VSeA.

The Committee's work complied with the objectives defined for it during the year. The financial statements were made available to the Committee sufficiently in advance and it had adequate time to review them. The Committee's work was facilitated by the presence of the Statutory Auditors, the Chief Financial Officer, the Internal Audit Director, the General Counsel and General Secretary and the Accounting Director at all of the Audit & Risks Committee's meetings. The Committee was also assisted by the work of the Internal Audit Department. The Statutory Auditors' presentations mainly covered the findings of their audit of the annual parent company and consolidated financial statements as well as their limited review of the interim financial statements. They did not highlight any difficulties in carrying out their duties.

The Committee did not have any reservations about the annual parent company and consolidated financial statements or the interim financial statements presented to it. Given the importance of CSR (including climate change) in the Group's strategy, and to strengthen the collaboration between the Committee and the Governance, Appointments & Corporate Social Responsibility Committee, the member in charge of CSR issues within the Governance, Appointments & Corporate Social Responsibility Committee will inform the Audit & Risks Committee, at least once a year, of the Committee's work relating to CSR, in particular with regards to the monitoring of the Group's key performance indicators in this field. This point was added to the internal procedures of these two Committees by decision of the Board of Directors on February 23, 2023.

Strategy Committee

Composition of the Committee

At December 31, 2022, the members of the Strategy Committee were:

- Patrick Sayer (Chair and independent director);
- Alexandre Dayon (independent director);
- Stéphanie Frachet, permanent representative of Bpifrance Participations (independent director);
- Gilles Michel (independent director);
- Thierry Moulonguet (independent director);
- Ulrike Steinhorst (independent director).

The changes in the Committee's composition (made or approved) during 2022 are set out in the table in section 3.2.1 "Composition of the Board of Directors at December 31, 2022 and changes (made or approved) during 2022", pages 117 to 118.

Committee roles and responsibilities

In accordance with its internal procedures, the Strategy Committee is responsible for submitting to the Board of Directors its opinions and recommendations on:

- the review of the Group's key strategies, market trend information, analyses of research activities, competition benchmarking and the resulting medium- and long-term outlook for the business;
- the analysis of the Group's development projects, particularly external growth transactions involving any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction;
- the review of development or expansion projects in a country where the Group does not operate and which represents a particular risk.

In agreement with the Chairman of the Board, the Committee may invite other directors to participate in its discussions.

The Committee conducts preliminary reviews and studies to facilitate the work of the Board of Directors, one of whose principal duties is to determine the strategy for Valeo's businesses and ensure that they are implemented effectively. In addition, each year the directors hold a seminar over several days to discuss, debate and exchange views on the Group's strategy.

Committee activity during the year

The Committee met three times in 2022 with an average attendance rate of 100% (see section 3.2.1 "Attendance rate at Board of Directors' meetings", pages 120 to 121, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Strategy Committee in particular:

- reviewed the acquisition of Siemens' 50% stake in the Valeo Siemens e-Automotive joint venture (including monitoring the acquisition and integration process within the Group);
- reviewed certain Group businesses;
- reviewed the Group's situation in certain regions;
- reviewed the changes in the automotive industry, the competitive environment and the Group's strategies;
- reviewed the summary of the post-roadshow presentation of the "Move-Up" strategic plan;
- examined the Group's situation due to the sanctions related to the Russia-Ukraine conflict;
- proposed the strategic issues to be discussed at the seminar.

Assessment of the Board of Directors' operating procedures

A process is carried out every year to assess the Board of Directors. The assessment is designed to help take stock of the Board of Directors' operating procedures, verify that the Board of Directors' discussions are properly organized and conducted, and assess the actual contribution of each director to the Board of Directors' work.

The assessment of the Board of Directors is carried out either based on a detailed questionnaire sent to each director (the responses are summarized internally), or based on a study carried out with the help of a specialized consulting firm.

The Board decided to carry out an assessment of the Board of Directors internally in 2022. The assessment was carried out at the end of 2022 and the beginning of 2023 by the Chairman of the Board of Directors, using a questionnaire given to all directors to obtain their insight into the operating procedures of the Board and their suggestions for improvement. The topics covered included the operation, structure, governance, composition and duties, Board meeting procedures, directors' access to information, the choice of matters addressed, the quality of debate, and the participation in and general running of the Board Committees.

The outcome of the assessment was reviewed by the Governance, Appointments & Corporate Social Responsibility Committee at its meeting held on February 20, 2023, and presented and discussed at the Board of Directors' meeting held on February 23, 2023.

The assessment revealed that the directors generally considered that the Board of Directors operated satisfactorily. The main areas of satisfaction include:

- the transparent, professional and effective way the managerial transition was implemented;
- exemplary governance, with, among other things:
  - the implementation of the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer since January 26, 2022,
  - a balanced composition of the Board of Directors with a diverse skill set and extensive experience,
  - an open and respectful Board of Directors with a genuine culture of dialogue and strong mutual listening and interaction skills, resulting in a collegial working style and a convergence of views on various matters;
- the quality of work performed by all the Committees, with good coordination between them and the Board, and the quality of the documents provided to these bodies;
- a more in-depth review of CSR issues by the Governance, Appointments & Corporate Social Responsibility Committee and the Board of Directors;
- the frequency, organization, duration and conduct of the Board of Directors meetings;
- the annual strategy seminar, which is considered a key event for the Board of Directors, as it provides genuine insight into Valeo's strategy and is an excellent opportunity for discussions and exchanges of views between the directors, the Executive Management team and the operational staff;
- the frequency and quality of the Board's non-executive sessions.

Based on the results of the assessment, a list of certain particular items that should be addressed by the Board of Directors was drawn up. The list primarily relates to the following areas:

- as part of the Board of Directors' ongoing reflections on the appropriate balance of its composition, continuing to enhance the diversity and mix of profiles among the Board members (background, nationality, skills);
- conducting a deeper analysis of specific operational and strategic issues;
- strengthening interactions between the Board of Directors and the heads of Business Groups and Functions;
- strengthening collaboration between the Governance, Appointments & Corporate Social Responsibility Committee and the Audit & Risks Committee, particularly on the measurement of key non-financial performance indicators. In this respect, it should be noted that the internal procedures of these Committees were amended on February 23, 2023 to provide that, at least once a year, the member in charge of CSR issues of the Governance, Appointments & Corporate Social Responsibility Committee will inform the Audit & Risks Committee of the Committee's work relating to CSR, in particular with regard to the monitoring of the Group's key performance indicators in this area.

3.2.3 Declarations concerning the Group's corporate officers

Conflicts of interest

In order to avoid any potential conflicts of interest, the Internal Procedures impose strict obligations on the members of the Board of Directors, unless overridden for any reason by the Board of Directors. According to the Internal Procedures:

- *"directors are required to inform the Lead Director and the Board of any conflicts of interest (whether actual or only potential) and must abstain from the discussions and vote on any matters discussed by the Board in which there could be a conflict of interest (whether actual or only potential)"* (Article 1.1(d));
- *"a director cannot accept any responsibilities that may present a conflict of interest (whether actual or only potential) with those he/she has accepted within the Company"* (Article 1.1(n));
- *"without prejudice to the authorization and control formalities provided for by law and the articles of association, the Company's directors are required to communicate to the Chairman, as soon as possible, any agreement entered into by the Company in which they have a direct or indirect interest. In particular, the directors must inform the Chairman of any agreement entered into by them or by a company they manage or in which they hold, directly or indirectly, a significant interest, and the Company or one of its subsidiaries, or which was entered into through an intermediary"* (Article 1.4).

Furthermore, in response to a request made each year by the Company, the directors are required to provide a list of all directorships and other positions held in any company in the past five years, and to respond to a questionnaire regarding the existence of any conflicts of interest.

At December 31, 2022, there are no conflicts of interest, as far as the Company is aware, between the duties of its corporate officers towards Valeo and their private interests and/or other duties.

There are business relationships between the Group and the Cathay Capital group, in which Bruno Bézard is a Managing Partner of Cathay Capital Private Equity. These business relationships are not significant and do not affect Bruno Bézard's independence (see section 3.2.1 "Director independence review", 122 to 124). In the interests of good governance, should the Board of Directors be required to make a decision about (i) the existing investments made by the Group and managed by the Cathay Capital group, or (ii) any direct investment in companies in which the funds managed by the Cathay Capital group have invested, Bruno Bézard will abstain from the discussions and voting on any such decisions. The business relationships between the Group and the Diot-Siaci group, in which Bruno Bézard is a director, were also reviewed. The review showed that they were not significant for either the Group or for the Diot-Siaci group.

At December 31, 2022, there was a business relationship between the Group and the BNP Paribas group, of which Jacques Aschenbroich is a director. These business relationships (i) are longstanding and existed prior to Jacques Aschenbroich's appointment as Chief Executive Officer of the Group on March 20, 2009 and (ii) are conducted on an arm's length basis. Furthermore, Jacques Aschenbroich does not hold any executive office within the BNP Paribas group. Should the Board of Directors make any decision about a commitment to BNP Paribas, it was decided that Jacques Aschenbroich would abstain from the discussions and vote on any such decision[5].

Lastly, business relationships between the Group and the groups or entities in which certain directors hold positions or directorships were also identified; they are not significant for the Group or for the other groups/companies identified (see section 3.2.1 "Director independence review", pages 122 to 124).

The Internal Procedures, including the rules on preventing conflicts of interest, are available on the "Corporate Governance" page of the Company's website (www.valeo.com).

(5) Jacques Aschenbroich stepped down as Chairman of the Board of Directors and director on December 31, 2022, in line with the commitments made in connection with his appointment as Chairman of the Board of Directors of Orange, as announced in a press release dated March 30, 2022.

Service contracts between the members of the Board of Directors and the Company or any of its subsidiaries

No service contracts have been entered into between the members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

Other declarations concerning members of the Board of Directors

In accordance with the provisions of the Internal Procedures, directors must inform the Chairman of the Board and the Chair of the Governance, Appointments & Corporate Social Responsibility Committee if they are solicited to hold a corporate office outside the Company, so as to enable said persons to consider the required course of action, where applicable in conjunction with the Board of Directors. In addition, the Internal Procedures stipulate that each executive corporate officer must seek the opinion of the Board of Directors before accepting a new corporate office in a listed company.

To the best of the Company's knowledge, at the date of this Universal Registration Document, there are no family ties between the members of the Board of Directors.

As far as the Company is aware and at the date of this Universal Registration Document, in the past five years no member of the Board of Directors has (i) been convicted of a fraudulent offense, (ii) been involved in any bankruptcies, receiverships or liquidations, (iii) been issued any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or (iv) been disqualified by a court of law from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

As far as the Company is aware, at the date of this Universal Registration Document, none of the members of the Board of Directors have agreed to any restrictions in respect of the disposal of their interests in the Company's share capital within a certain period of time, other than the restrictions imposed by the applicable laws and regulations, the Company's articles of association or pursuant to the Code of Conduct described in section 3.2.2 "Directors' rights and duties", pages 147 to 148.

As indicated in section 3.3.1 "Compensation policies for corporate officers", pages 166 to 182, the Chief Executive Officer is subject to holding obligations and, in accordance with the Company's articles of association and the Internal Procedures, directors (except for the directors representing employees) must hold at least 1,500 Company shares during their term of office.

As far as the Company is aware, at the date of this Universal Registration Document, no arrangement or agreement has been entered into with any of its main shareholders, or with any of its customers or suppliers, under which any of them has been appointed as director of Valeo or a member of its General Management.

3.2.4 Corporate Governance Code

In respect of the 2022 financial year, the Company referred to the AFEP-MEDEF Code, in its version of January 2020 applicable for the 2022 financial year, which is available on the MEDEF website (www.medef.com). In accordance with the AFEP-MEDEF Code, the High Committee on Corporate Governance ("**HCGE**") is responsible for overseeing its application. The application guide for the AFEP-MEDEF Code was amended twice, in March and June 2022.

The Company's practices comply with the recommendations set out in the AFEP-MEDEF Code, which requires specific disclosures regarding the application of its recommendations and explanations, where appropriate, of the reasons for which a company has not implemented certain recommendations. The items identified for the 2021 financial year were related to the specific situation of the Chairman and Chief Executive Officer and the Lead Director. They are not applicable in respect of the 2022 financial year following the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022. Nonetheless, the items described in the table below were identified in respect of the 2022 financial year.

Recommendations	Explanation
Directors' compensation (Article 21.1 of the AFEP-MEDEF Code) *"It should be recalled that the method of allocation of this compensation, the total amount of which is determined by the shareholders' meeting, is set by the Board of Directors. It should take account, in such ways as it shall determine, of the directors' actual attendance at meetings of the Board and committees, and the amount shall therefore consist primarily of a variable portion."*	The rules for allocating directors' compensation are based on the directors' attendance at Board of Directors' and Committee meetings, such that the variable portion has the heavier weighting. However, this result may not be achieved if the term of office began mid-year. In 2022, this was the case for one director for whom the variable portion amounted to 46% of the compensation awarded.

3.2.5 Authorizations granted regarding sureties, endorsements and guarantees governed by Article R.225-28 of the French Commercial Code

By decision dated January 26, 2022, the Board of Directors authorized the Chief Executive Officer, with the power to subdelegate, for a period of one year:

- to issue sureties, endorsements and guarantees in the Company's name up to a maximum amount of 40 million euros, and to maintain the sureties, endorsements and guarantees previously issued;
- to issue sureties, endorsements and guarantees in the Company's name to guarantee commitments made by controlled companies within the meaning of Article L.233-16, II of the French Commercial Code, with no maximum limit;
- to issue sureties, endorsements and guarantees in the Company's name to tax and customs authorities, with no maximum limit.

During the 2022 financial year, no further commitments of this type were given by Christophe Périllat in his capacity as the Company's Chief Executive Officer.

3.2.6 General Management of the Company and limitations on the powers of the Chief Executive Officer

General Management

The Chairman of the Board of Directors organizes and presides over the work carried out by the Board of Directors and presents a report on its activities to the Shareholders' Meeting. He ensures that the Company's governance functions effectively and that the directors are able to perform their duties. Furthermore, the Chief Executive Officer has the widest possible powers to act in any circumstances in the Company's name. He exercises these powers within the limits of the Company's corporate purpose and subject to the provisions of the law, the Company's articles of association and the Internal Procedures. He represents the Company in its relations with third parties.

From March 20, 2009 to February 18, 2016, the roles of Chairman of the Board of Directors and Chief Executive Officer were separate. During that period, Pascal Colombani was Chairman of the Board of Directors and Jacques Aschenbroich was Chief Executive Officer. On February 18, 2016, Pascal Colombani, having reached the age limit set out in the articles of association, stepped down from his position. On that same day, the Board of Directors, on the recommendation of the Appointments, Compensation & Governance Committee, unanimously decided to appoint Jacques Aschenbroich as Chairman of the Board of Directors (Jacques Aschenbroich did not take part in the vote), Jacques Aschenbroich thus becoming Chairman and Chief Executive Officer of Valeo following the Board of Directors' decision, on the same day, to combine the roles of Chairman of the Board of Directors and Chief Executive Officer.

The Board of Director's decision to combine the roles of Chairman of the Board of Directors and Chief Executive Officer had been accompanied by all the necessary guarantees to preserve the quality of the Group's governance, in particular (i) a large number of independent directors on the Board of Directors and its Committees, and (ii) an independent Lead Director (Georges Pauget and then Gilles Michel) with the broadest powers to carry out his role, as described in the Internal Procedures.

Within the context of Jacques Aschenbroich's reappointment as director at the Shareholders' Meeting held on May 23, 2019, the Board of Directors decided to implement the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer during the first two years of Jacques Aschenbroich's term of office as Chairman and Chief Executive Officer. During the second half of 2019, the Board of Directors of Valeo started working, under the guidance of the Governance, Appointments & Corporate Social Responsibility Committee, on a comprehensive process to decide on a succession plan for Jacques Aschenbroich.

In accordance with the succession plan unanimously approved by the Board of Directors at its meeting held on October 27, 2020 and announced publicly the same day, Jacques Aschenbroich was to serve as Chairman of the Board of Directors until the end of his current term of office as director, i.e., until May 2023, with specific missions aimed to ensure a smooth transition with Christophe Périllat, who succeeded him in his role as Chief Executive Officer of the Company on January 26, 2022 (see section 3.2.1 "Succession Plan", pages 127 and 128). However, Jacques Aschenbroich stepped down as Chairman of the Board of Directors of Valeo on December 31, 2022, in line with the commitments he made in the context of his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022. On December 8, 2022, the Board of Directors unanimously decided to appoint Gilles Michel, independent director, as Chairman of the Board of Directors, effective January 1, 2023. He also warmly thanked Jacques Aschenbroich for his exceptional track record during the 13 years he spent at the head of the Valeo Group and expressed his gratitude by appointing him Honorary Chairman[6].

Limitations on the powers of the Chief Executive Officer

The Internal Procedures include restrictions on the powers of the Chief Executive Officer. In accordance with the Internal Procedures, the Chief Executive Officer is required to obtain the prior approval of the Board of Directors for any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction.

(6) This title does not confer any rights of any kind, no powers, no compensation and no right to attend Board meetings.

3.2.7 Agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code already approved by the Shareholders' Meeting which continued to be implemented during the year

None.

3.2.8 Agreements governed by Article L.225-37-4, paragraph 2 of the French Commercial Code

None.

3.2.9 Procedure implemented pursuant to Article L.22-10-12 of the French Commercial Code

An internal Valeo charter on related party agreements (the "**Charter**") has been drawn up in accordance with AMF recommendation DOC-2012-05 as amended on April 29, 2021 and Article L.22-10-12 of the French Commercial Code. The Charter sets out the procedure for authorizing related party agreements and for reviewing agreements entered into in the ordinary course of business on an arm's length basis. It was adopted by the Board of Directors at its meeting held on January 23, 2020 and is available on Valeo's website. It may be amended at any time by decision of the Board of Directors, in particular to take into account any legislative or regulatory changes.

In accordance with the law, agreements entered into between the persons referred to in Article L.225-38 of the French Commercial Code (i.e., agreements entered into, whether directly or through an intermediary, between the Company and its Chief Executive Officer, a director or a shareholder holding more than 10% of the voting rights or, in the case of a shareholder corporation, the company that controls it within the meaning of Article L.233-3 of the code), which involve transactions carried out in the ordinary course of business on an arm's length basis, are not subject to prior authorization from the Board of Directors ("**Arm's Length Agreements**").

Under the procedure set out by the Charter, Valeo's Legal Department periodically, and at least once a year, sends the Governance, Appointments & Corporate Social Responsibility Committee for review a list and description of all Arm's Length Agreements entered into since the Governance, Appointments & Corporate Social Responsibility Committee's last review. Members of the Governance, Appointments & Corporate Social Responsibility Committee who are directly or indirectly involved in the agreement do not take part in the review.

The Governance, Appointments & Corporate Social Responsibility Committee makes sure that the agreements meet the conditions to qualify as an Arm's Length Agreement, i.e., they involve transactions carried out in the ordinary course of business on an arm's length basis.

The conclusions of the Governance, Appointments & Corporate Social Responsibility Committee's review are written up in a report.

The list and description of all agreements reviewed by the Governance, Appointments & Corporate Social Responsibility Committee and the conclusions of its review are then presented to the Board of Directors.

The Board of Director's role is to validate the Governance, Appointments & Corporate Social Responsibility Committee's review. It may either confirm that these agreements qualify as Arm's Length Agreements or consider that they should be subject to the procedure for related party agreements and, therefore, subject to the Board's ratification.

If the Governance, Appointments & Corporate Social Responsibility Committee considers that an agreement initially qualified as an Arm's Length Agreement falls within the scope of a related party agreement, it is subject to ratification by the Board of Directors. The person directly or indirectly involved in the related party agreement does not take part in the discussions or the vote.

3.2.10 Arrangements for attendance at Shareholders' Meetings

Shareholders' Meetings are convened and conduct business in accordance with the law and the Company's articles of association.

Articles 21 to 26 of Valeo's articles of association cover the provisions relating to Shareholders' Meetings and the exercise of voting rights. The articles of association are available online on Valeo's website, under "Financial & Legal documents": (https://www.valeo.com/en/financial-and-legal-documents).

Article 23 of the Company's articles of association provides that double voting rights are attached to all fully paid-up shares that have been registered in the name of the same holder for at least four years.

3.2.11 Information likely to have an impact in the event of a public tender offer

Share ownership and direct or indirect shareholdings in the Company brought to the Company's attention

The ownership of the Company's share capital is described in Chapter 6, section 6.4.1 "Ownership structure", page 469.

Direct or indirect shareholdings in the Company brought to the Company's attention are described in Chapter 6, section 6.4.2 "Direct or indirect shareholdings in the Company brought to the Company's attention", pages 469 to 471.

Restrictions on the exercise of voting rights

The Company's articles of association provide for a disclosure obligation imposed on any shareholder who acquires or sells a fraction equal to 2% of the share capital or voting rights of the Company or a multiple of this fraction, from the date when one of the thresholds is crossed. If a shareholder fails to comply with the disclosure obligation and one or more shareholders holding 2% of the voting rights submits a request, the voting rights exceeding the relevant threshold that should have been disclosed cannot be exercised at Shareholders' Meetings held within the two-year period from the date when the omission is remedied. The stated thresholds are calculated in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and with the AMF's General Regulations.

Powers of the Board of Directors

In accordance with the resolution passed by the shareholders at the Shareholders' Meeting held on May 24, 2022, the Board of Directors may not use the Company's share buyback program while a public tender offer for the Company's shares is in progress.

Furthermore, in accordance with the resolution passed at the Shareholders' Meeting held on May 26, 2021, the Board of Directors may not decide to issue shares or other securities with or without pre-emptive subscription rights while a public tender offer for the Company's shares is in progress. However, in accordance with the resolution passed at the Shareholders' Meeting held on May 26, 2021, free shares may be allotted during such periods.

Agreements entered into by the Company that would change or terminate if there were a change in control of the Company, with the exception of those agreements whose disclosure would seriously harm its interests (except in the event of a legal obligation to disclose)

As specified in Chapter 5, section 5.4.6, Note 9.1.2 "Gross debt" to the consolidated financial statements, 392 to 397, all of the bonds issued under the Euro Medium Term Note (EMTN) program include an option allowing bondholders to request early repayment or redemption of their bonds in the event of a change of control of Valeo that leads to (i) the bond's rating being withdrawn, or (ii) the bond's rating being downgraded to below investment grade, assuming it was previously rated in that category, or (iii) if the previous rating was below investment grade, a downgrade of one rating category (e.g., from Ba1 to Ba2).

The *Schuldschein* loans also include a change of control clause under which investors can request early repayment on an individual basis.

Most bank credit lines (such as the credit line with the European Investment Bank) include a similar provision in favor of the lenders.

Some of Valeo's customers have a clause in their general purchasing conditions allowing them to terminate their contract with Valeo in the event of a change in control.

3.2.12 Summary table of powers currently delegated by the Shareholders' Meeting to the Board of Directors with respect to raising new equity and the use made of such delegations during the year

Authorizations granted Date of Shareholders' Meeting (duration of authorization/ delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
1. AUTHORIZATION TO INCREASE CAPITAL WITH PRE-EMPTIVE RIGHTS			
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or one of its subsidiaries (A) Shareholders' Meeting held on May 26, 2021 – 17th resolution Expiring on July 26, 2023 (26 months)	70 million euros (A) + (C) + (D) + (E) + (F) + (G) + (H) combined share capital ceiling (the "Combined Share Capital Ceiling") = 131 million euros	1.5 billion euros (A) + (C) + (D) + (E) + (F) + (G) + (H) combined debt ceiling (the "Combined Debt Ceiling") = 1.5 billion euros	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (12th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to increase the share capital by capitalization of reserves, profits, additional paid-in capital or other amounts that may be capitalized (B) Shareholders' Meeting held on May 26, 2021 – 22nd resolution Expiring on July 26, 2023 (26 months)	30 million euros	N/A	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (16th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
2. AUTHORIZATION TO INCREASE CAPITAL WITHOUT PRE-EMPTIVE RIGHTS			
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or any of its subsidiaries by way of a public offer, other than an offer as defined in Article L.411-2 of the French Monetary and Financial Code (*Code monétaire et financier*) (delegation that can also be used as consideration for securities tendered to a public exchange offer initiated by the Company) (C) Shareholders' Meeting held on May 26, 2021 – 18th resolution Expiring on July 26, 2023 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (13th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or one of its subsidiaries by way of a private placement as defined in Article 411-2,1° of the French Monetary and Financial Code (D) Shareholders' Meeting held on May 26, 2021 – 19th resolution Expiring on July 26, 2023 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (14th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Authorization to set the issue price of securities, subject to a ceiling of 10% of the Company's capital per 12-month period (E) Shareholders' Meeting held on May 26, 2021 – 20th resolution Expiring on July 26, 2023 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of power to issue shares and/or securities giving immediate or future access to the Company's share capital to be used as consideration for contributions in kind granted to the Company (F) Shareholders' Meeting held on May 26, 2021 – 23rd resolution Expiring on July 26, 2023 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (17th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year

Authorizations granted Date of Shareholders' Meeting (duration of authorization/ delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital restricted to members of a savings plan (G) Shareholders' Meeting held on May 26, 2021 – 24th resolution Expiring on July 26, 2023 (26 months)	5 million euros Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (18th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Used during the year for the employee share issue (Shares4U) on November 17, 2022
3. AUTHORIZATION TO INCREASE CAPITAL WITH OR WITHOUT PRE-EMPTIVE RIGHTS			
Delegation of authority to increase the number of securities to be issued with or without pre-emptive rights under an overallotment option (H) Shareholders' Meeting held on May 26, 2021 – 21st resolution Expiring on July 26, 2023 (26 months)	The ceiling is set out in the applicable regulation (currently 15% of the initial issuance), not exceeding the ceiling applicable to the initial issuance, determined pursuant to resolution (A), resolution (C) or resolution (D) Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	The ceiling is determined pursuant to resolution (A), resolution (C) or resolution (D) Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (15th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
4. ALLOTMENT OF FREE SHARES			
Authorization to allot existing or new free shares to Group employees and corporate officers Shareholders' Meeting held on May 26, 2021 – 25th resolution Expiring on July 26, 2023 (26 months)	Maximum number of shares (existing or to be issued) to be allotted: 4,500,000 (with a sub-ceiling of 350,000 shares for executive corporate officers); these allotments may not exceed more than 10% of the share capital at the date of the Board of Directors' decision	N/A	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 23, 2019 (19th resolution) for the same purpose Used by the Board of Directors at its meeting held on March 23, 2022 (2,308,057 shares allotted)

The financial delegations referred to above expire in the 2023 financial year (July 26, 2023). The shareholders will therefore be asked to vote to renew these delegations at the Shareholders' Meeting of May 24, 2023.

3.3 Compensation of corporate officers

In accordance with Article L.22-10-8 of the French Commercial Code, the Shareholders' Meeting of May 24, 2023 will be asked to approve the components of the compensation policies for Valeo's corporate officers in respect of the 2023 financial year, i.e., (i) the Chairman of the Board of Directors (ii) the Chief Executive Officer and (iii) the directors, as determined by the Board of Directors on the recommendation of the Compensation Committee (fourteenth to sixteenth resolutions).

3.3.1 Compensation policies for corporate officers

General principles applicable to the compensation policies for corporate officers

Valeo's corporate officers' compensation package is determined by the Board of Directors on the recommendation of the Compensation Committee[7] and in compliance with the AFEP-MEDEF Code as applicable at the time of the decision[8].

Accordingly, for the preparation and determination of the compensation policy, Valeo takes into account the Company's general interest, the shareholders' interest, market practices and the performance of the executive corporate officers, as well as the other stakeholders in the Company.

Valeo assesses compensation as a whole, taking into account each component granted or paid to the corporate officers.

The compensation components are complementary and meet various objectives. The structure, allocation of the various components of compensation and the related amounts are subject to comparative studies. This enables Valeo to track and align its compensation policy with market practices.

The Board of Directors considers that the compensation policy for the corporate officers is in line with the corporate interest of the Company by contributing to the implementation of its strategy and long-term development and by taking into account the social and environmental impacts of its operations, thus ensuring its long-term future.

The compensation policy for the executive corporate officer includes conditions related to the Group's operational, financial and non-financial (including climate) performance, thus tying his compensation to the Group's performance and its short- and long-term value creation. When preparing, determining and reviewing the compensation policy for executive corporate officers, the Board of Directors particularly takes into account several indicators related to the Company's different stakeholders (including its employees), thus supporting its development model. Consequently, in order to encourage Valeo's long-term development, the compensation policy not only includes criteria related to Valeo's internal financial and operating performance, but also criteria related to its strategic vision and risk management — in particular controlling the aftermath of the Covid-19 crisis, the supply crisis for electronic components and raw materials and the impacts of inflation – as well as social and environmental responsibility (including climate issues), notably progress in the Gender Equity Index, the Group's safety performance, the gradual reduction in CO_2 emissions for each of Scopes 1, 2 and 3, and diversity within the Group's governing bodies.

The compensation policies in respect of the 2022 financial year summarized below are in line with Jacques Aschenbroich's succession plan and reflect the implementation of the decision to separate the roles of Chairman and Chief Executive Officer effective January 26, 2022 (see section 3.2.1 "Composition of the Board of Directors", "Succession plan", pages 127 and 128).

Overview of the compensation policies for the executive corporate officers in respect of the 2022 financial year

The compensation policies for the executive corporate officers set out the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of their total compensation and benefits packages. They were determined by the Board of Directors on the recommendation of the Compensation Committee and were then submitted to the Shareholders' Meeting for approval. This section describes the compensation policies for the Chairman and Chief Executive Officer, subsequently the Chairman of the Board of Directors, and for the Deputy Chief Executive Officer, subsequently the Chief Executive Officer, in respect of the 2022 financial year.

Overview of the compensation policy for Jacques Aschenbroich in respect of the financial year ending December 31, 2022 in his capacity as Chairman and Chief Executive Officer and subsequently Chairman of the Board of Directors, as from the separation of the roles on January 26, 2022

This section reiterates the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of Jacques Aschenbroich's total compensation and benefits package in respect of the financial year ending December 31, 2022 (the "**2022 Jacques Aschenbroich Compensation Policy**"), composed of (i) the compensation policy for Jacques Aschenbroich in his capacity as Chairman and Chief Executive Officer for the period from January 1 to 26, 2022 (the "**2022 Chairman and Chief Executive Officer Compensation Policy**"), and then (ii) the compensation policy applicable in his capacity as Chairman of the Board of Directors as from the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022 (the "**2022 Chairman of the Board of Directors Compensation Policy**").

(7) The Board of Directors bases its decisions on the recommendation of the Compensation Committee for all matters relating to compensation of corporate officers. The composition, operation and duties of the Compensation Committee are described in section 3.2.2 "Preparation and organization of the work of the Board of Directors". To ensure that the process for determining or revising the compensation policy is fully independent, the Compensation Committee and the Board of Directors comply with the rules on managing conflicts of interest set out in the applicable legal and regulatory provisions and in the Board of Directors' Internal Procedures, which are described in section 3.2 "Preparation and organization of the work of the Board of Directors". The corporate officers concerned do not take part in the vote on their own compensation policy.

(8) The AFEP-MEDEF Code as amended in December 2022 applies to shareholders' meetings held to approve the financial statements for financial periods beginning on or after January 1, 2023.

In accordance with the succession plan unanimously approved by the Board of Directors at its meeting held on October 27, 2020 and disclosed on the same day, Jacques Aschenbroich continued to serve as Chairman of the Board of Directors until December 31, 2022[9] with specific missions aiming to ensure a smooth transition with Christophe Périllat, who succeeded him in his role as Chief Executive Officer of the Company on January 26, 2022 (see section 3.2.1 "Composition of the Board of Directors", "Succession plan", pages 127 and 128).

Jacques Aschenbroich did not have an employment contract with the Valeo Group.

At its meeting held on March 24, 2021, on the recommendation of the Compensation Committee, the Board of Directors set the compensation policy of the Chairman of the Board of Directors, in anticipation of the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer planned for January 2022. This policy, which is described below, was presented at the May 26, 2021 Shareholders' Meeting, in anticipation of the separation of the roles of Chairman and Chief Executive Officer, and was approved by anticipation at a rate of 98.87%. In accordance with Article L.22-10-8 of the French Commercial Code, at its meeting held on February 24, 2022, the Board of Directors set, on the recommendation of the Compensation Committee, the same compensation policy for the Chairman of the Board of Directors for 2022, unchanged from the policy approved in 2021 by anticipation[10]. This policy was again approved at a rate of 93.87% at the Shareholders' Meeting of May 24, 2022.

Fixed compensation

As Chairman and Chief Executive Officer from January 1 to 26, 2022

The Chairman and Chief Executive Officer's annual (gross) fixed compensation has been set at 1,100,000 euros since May 23, 2019.

This compensation remained unchanged until Jacques Aschenbroich ceased to serve as Chairman and Chief Executive Officer as from the separation of the roles on January 26, 2022.

As Chairman of the Board of Directors as from the separation of the roles on January 26, 2022

The Chairman of the Board of Directors was entitled to an annual fixed compensation, excluding any other compensation element, in accordance with the recommendations of the AFEP-MEDEF Code.

At its meeting held on March 24, 2021, the Board of Directors decided, on the recommendation of the Compensation Committee, to set Jacques Aschenbroich's annual fixed compensation for his role as Chairman of the Board of Directors following the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer taking into consideration the following elements:

- Jacques Aschenbroich's experience, skills and career within Valeo;
- the range and scope of the specific missions that would be assigned to him as Chairman of the Board of Directors during the managerial transition period[11];
- the benchmark study of an external advisor (Willis Towers Watson) on the compensation of Chairmen of a Board of Directors who have specific missions and who previously held executive positions in the same company[12];
- the compensation awarded to Jacques Aschenbroich as Chairman of the Board of Directors was (i) temporary (until the end of his term of office as a director), (ii) expressly indexed to Jacques Aschenbroich's role during the transition period and did not constitute a reference point for persons holding the role of Chairman of the Board of Directors in the future, and (iii) related to the exceptional circumstances necessary for implementing the succession plan within Valeo, during this particularly complex period due to the Covid-19 and semiconductor crises, as well as to Jacques Aschenbroich's key role in ensuring that implementation;
- his contribution to a successful managerial transition.

On this basis, the Board of Directors set, at its meeting held on March 24, 2021, on the recommendation of the Compensation Committee, Jacques Aschenbroich's annual (gross) fixed compensation following the separation of the roles of Chairman of the Board of Directors and of Chief Executive Officer until the end of his term of office[13] at 800,000 euros.

Variable compensation

No variable compensation was provided for Jacques Aschenbroich either in his capacity as Chairman and Chief Executive Officer or in his capacity as Chairman of the Board of Directors.

---

(9) Jacques Aschenbroich stepped down as director and Chairman of the Board of Directors of Valeo on December 31, 2022, in line with the commitments he made upon his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

(10) Apart from a clarification added concerning the benefits in kind for which the Chairman of the Board of Directors was eligible (collective and mandatory health, death and disability insurance) – see "Benefits in kind" below.

(11) The specific missions entrusted to Jacques Aschenbroich as Chairman of the Board of Directors were carried out at the request of the Chief Executive Officer and were without prejudice to (x) the executive functions of the Chief Executive Officer, who will have sole responsibility for Valeo's management and operations and (y) the powers of the Board of Directors:

(i) contribution to General Management: consultation of the Chairman of the Board of Directors by the Chief Executive Officer (at his request), support and advice to the Chief Executive Officer on various subjects relating to Valeo (governance, strategy, significant transactions and projects);

(ii) relations with public authorities, institutions and business partners: representing Valeo (at the Chief Executive Officer's request) on a national and international scale with respect to public authorities, institutions and business partners (in particular, Chinese and other Asian customers), assisting the Chief Executive Officer (at his request) in the context of Valeo's relationship with its historical and strategic partners;

(iii) relationship with shareholders: monitoring, in coordination with the Chief Executive Officer, the quality of relations and dialogue with Valeo's shareholders;

(iv) corporate social responsibility: promoting Valeo's values, image and culture. Joint participation with the Chief Executive Officer, in actions carried out by Valeo, in particular in the field of corporate social responsibility, ethics and compliance.

(12) This panel is available on the Company's website (www.valeo.com), under "Corporate Governance".

(13) Jacques Aschenbroich stepped down as director and Chairman of the Board of Directors of Valeo on December 31, 2022, in line with the commitments he made upon his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

Long-term compensation policy – Allotment of performance shares

As Chairman and Chief Executive Officer from January 1 to 26, 2022

In view of the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022, no long-term compensation was provided for the Chairman and Chief Executive Officer in respect of the 2022 financial year.

As Chairman of the Board of Directors as from the separation of the roles on January 26, 2022

No long-term compensation was provided for Jacques Aschenbroich in his capacity as Chairman of the Board of Directors.

At the end of the holding period set out by the Board of Directors, the Chairman of the Board of Directors also had to 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 corresponded to 50% of the vested performance shares[14].

Pension plan

As Chairman and Chief Executive Officer from January 1 to 26, 2022

As the Chairman and Chief Executive Officer only served in that capacity for a very short period in 2022, the Board of Directors decided, at its meeting held on February 24, 2022, that he would not be eligible for supplementary pension benefits in respect of the 2022 financial year.

As Chairman of the Board of Directors as from the separation of the roles on January 26, 2022

The Chairman of the Board of Directors did not benefit from any additional rights under the Company's supplementary pension plan.

Benefits in kind

As Chairman and Chief Executive Officer from January 1 to 26, 2022

The Chairman and Chief Executive Officer was also entitled to benefits in kind which were set by the Board of Directors, at its meeting of April 9, 2009, when determining the executive corporate officer's overall compensation. He was therefore entitled to coverage under the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. Valeo also provided him with a company car and a driver.

As Chairman of the Board of Directors as from the separation of the roles on January 26, 2022

In his capacity as Chairman of the Board of Directors, Jacques Aschenbroich was entitled to coverage under the collective and mandatory health, death and disability insurance plan, and was provided with a company car and a driver.

Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, non-compete clause, directors' compensation, benefits of any kind under agreements with the Company or any Group company or options or any other long-term compensation component

In his capacity as Chairman and Chief Executive Officer and subsequently Chairman of the Board of Directors, Jacques Aschenbroich was not entitled to any multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits or non-compete clause.

In addition, he did not receive any compensation in his capacity as a director. Jacques Aschenbroich was not entitled to any compensation or other benefits as a result of agreements entered into with the Company or any Group company.

In addition, no stock purchase or subscription options or other long-term compensation components were allotted to him.

If a new Chairman of the Board of Directors is appointed, then in accordance with applicable laws and regulations, the compensation package for the new Chairman will be consistent with the present 2022 Chairman of the Board of Directors Compensation Policy, and the Board of Directors, on the recommendation of the Compensation Committee, will adjust the compensation components to account for the corporate officer's situation, and in particular his/her experience, skills, and range of past work and assignments, together with prevailing market practices for similar roles.

Overview of the compensation policy for Christophe Périllat in respect of the financial year ending December 31, 2022 in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles on January 26, 2022

Pursuant to the succession plan unanimously approved by the Board of Directors on October 27, 2020 and disclosed in a press release on the same date, Christophe Périllat succeeded Jacques Aschenbroich as Valeo's Chief Executive Officer on January 26, 2022.

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

(14) Since joining the Group as Chief Executive Officer on March 20, 2009 until the cessation of his duties on December 31, 2022, Jacques Aschenbroich has not sold any shares obtained by exercising stock purchase or subscription options allotted to him, nor sold any vested performance shares.

At its meeting held on March 24, 2021, the Board of Directors 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 approved by anticipation at a rate of 95.14%, at the Shareholders' Meeting of May 26, 2021. At its meeting held on February 24, 2022, on the recommendation of the Compensation Committee, the Board of Directors added performance criteria applicable to the Chief Executive Officer's variable compensation for 2022, which was once again submitted for approval at the May 24, 2022 Shareholders' Meeting and approved at a rate of 92.25%, it being specified that the compensation components which were approved by anticipation at the Shareholders' Meeting of 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) remained unchanged (the "**2022 Chief Executive Officer Compensation Policy**").

This section sets out the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of Christophe Périllat's total compensation and benefits package in respect of the financial year ending December 31, 2022 (the "**2022 Christophe Périllat Compensation Policy**"), 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.

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 annual (gross) fixed compensation of the Deputy Chief Executive Officer at 725,000 euros, 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 in respect of the financial year ending December 31, 2021[(15)] (the "**2021 Deputy Chief Executive Officer Compensation Policy**"), remains unchanged in the 2022 Deputy Chief Executive Officer Compensation Policy.

As Chief Executive Officer as from 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 annual (gross) fixed compensation of the Chief Executive Officer at 975,000 euros. This compensation, which was approved by anticipation at a rate of 95.14% at the Shareholders' Meeting held on May 26, 2021, remained unchanged in the 2022 Chief Executive Officer Compensation Policy, once again approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022.

Variable compensation

The variable portion of the compensation must be in line with the Chief Executive Officer's performance, as well as the Company's strategy and progress. It was therefore determined partly according to strict and ambitious quantifiable criteria based on the Group's financial, non-financial and operational performance, and partly on a qualitative basis. The quantifiable and qualitative objectives to be reached are set according to specific, strict and ambitious predetermined objectives. These criteria are determined each year by the Board of Directors, on the recommendation of the Compensation Committee.

As part of its review of the 2022 Christophe Périllat Compensation Policy, the Board of Directors, at its meeting 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_2 emissions ("CAP 50").

In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the annual fixed compensation, each criterion granting entitlement to a percentage of the annual fixed compensation.

The compensation policy for the Chief Executive Officer for the financial year ending December 31, 2022, set by the Board of Directors on March 24, 2021, on the recommendation of the Compensation Committee, in anticipation of the separation of roles[(16)], sets the maximum amount of the Chief Executive Officer's variable compensation at 120% of his annual fixed compensation, which corresponds to the same maximum amount as when he was Chief Operating Officer (*Directeur des Opérations*), Associate Chief Executive Officer (*Directeur Général Adjoint*) and Deputy Chief Executive Officer. This maximum amount remained unchanged in the 2022 Christophe Périllat Compensation Policy[(17)], it being specified that in view of the separation of the roles of Chairman and Chief Executive Officer that took place on January 26, 2022, the Board of Directors on the recommendation of the Compensation Committee, decided on February 24, 2022 that the annual fixed compensation for the Chief Executive Officer would be used as the reference compensation for Christophe Périllat's annual variable compensation for the whole financial year of 2022.

The maximum amount of annual variable compensation (120% of annual fixed compensation) is contingent on the achievement of ambitious objectives set by the Board of Directors, on the recommendation of the Compensation Committee.

For each quantifiable criterion, the variable portion will vary within a range of 0% to 100% of the maximum amount of annual fixed compensation obtainable under the relevant criterion.

(15) Approved at a rate of 96.13% at the Shareholders' Meeting of May 26, 2021, pursuant to the thirteenth resolution.

(16) Approved at a rate of 95.14% at the Shareholders' Meeting of May 26, 2021, pursuant to the fourteenth resolution.

(17) Approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022 pursuant to the thirteenth resolution.

The table below summarizes, 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[(1)(2)]

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%
TOTAL QUANTIFIABLE CRITERIA	**70%**

Qualitative criteria

Nature of the qualitative criteria	**Maximum amount of the variable portion as a % of the Chief Executive Officer's annual fixed compensation**
Strategic vision *This criterion is assessed, in particular, against the following elements:* • *quality of strategic and financial communication, in particular the impact of the February 10 and 25, 2022 investor meetings, and implementation of the roadmap;* • *quality of the roadmap's effects on the Group's businesses.*	14%
Risk management *This criterion is assessed, in particular, against the following elements:* • *compliance: measures implemented to ensure the strict enforcement of anti-corruption, anti-trust and personal data protection rules (GDPR);* • *risk management related to the Group's operational excellence (management of the production plant, "red launches");* • *management of inflation-related impacts;* • *quality of the supplies crisis management (electronic components and raw materials).*	12%
Corporate social responsibility *This criterion is assessed, in particular, against the following elements:* • *overall assessment of safety performances through the number of lost-time workplace accidents. Particular attention is paid to France in 2022 with respect to lost-time workplace accidents;* • *progression of the Gender Equity Index in 2022 to an average of 87 for the Group, and improvement of the index of the countries below 75.*	12%
CAP 50 *Gradual reduction of CO_2 emissions by at least 0.75 Mt per year.*	12%
TOTAL QUALITATIVE CRITERIA	**50%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**

(1) *Excluding regulatory and tax impacts and excluding the economic and financial consequences of the war in Ukraine.*
(2) *Including Valeo Siemens eAutomotive (VSeA).*

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[(18)], remain unchanged in the 2022 Christophe Périllat Compensation Policy[(19)] and are set out below.

The aim of allotting performance shares is not only to encourage Christophe Périllat to take a long-term approach to his duties, but also to retain him and align his interests with those of Valeo and its shareholders. Under the performance share plans, performance criteria must be met over a period of three consecutive years. Valeo applies strict and ambitious performance criteria considered as particularly representative of the Company's performance. Indeed, the proposed criteria are aimed at reflecting the Group's strategy, financial, non-financial and operational performance objectives, value creation for Valeo's shareholders measured using the external performance criterion, the Total Shareholder Return (TSR), and performance measurement.

(18) *Approved at a rate of 95.14% at the Shareholders' Meeting of May 26, 2021, pursuant to the fourteenth resolution.*
(19) *Approved at a rate of 92.25% by the Shareholders' Meeting of May 24, 2022, pursuant to the thirteenth resolution.*

The performance shares 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 rate 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 was measured against the CAC 40 index (10%) and against the Automotive Europe Panel[20] (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_2 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 sum of the maximum annual 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% 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 summarizes, in a synthetic way, the criteria and methods used to assess the performance shares selected as part of the 2022 Christophe Périllat Compensation Policy:

Criterion	Weight/Assessment
Internal performance criterion: ROCE rate[1] (30%)	Performance measured by two criteria (ROCE rate and EBITDA 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 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. • 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: EBITDA rate[1] (30%)	
External performance criterion: TSR (20%)	TSR recorded over a period of three years from January 1 of the allotment year 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 Automotive Europe Panel over the reference period: 100% (0% if lower or equal).
Corporate social responsibility: CO_2 emissions[2] (10%)	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: • If the level of CO_2 emissions recorded over the reference period is lower than or equal to the target rate established for the reference period: 100% (0% if greater).
Corporate social responsibility: the number of women within the Group's management committees (relating to the 300 most important Group management positions)[3] (10%)	• 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).

(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 unfavorable economic and financial consequences likely to result from the war in Ukraine.

(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 for 2050" of the 2020 Universal Registration Document. This 2030 objective (excluding VSeA) implies an annual reduction of -0.75 Mt CO_2 from 49.6 MtCO_2 at January 1, 2020 to 41.4 Mt CO_2 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_2 by December 31, 2024.

(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).

(20) This panel is available on the Company's website (www.valeo.com), under "Corporate Governance".

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 executive corporate officer until the vesting date. Entitlement to the performance shares will be lost in the event of (i) dismissal due to gross negligence or willful 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 *prorata temporis* basis of his presence as executive corporate 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.

Each time that it decides to allot performance shares, the Board of Directors ensures that performance share allotments, valued under IFRS, do not represent a disproportionate percentage of all compensation and performance shares allotted, that they have a limited impact in terms of dilution and that the allotments are made at the same times of the year. In accordance with applicable laws and Company practices, the Group's executive managers and employees will also be entitled to performance shares.

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.

Supplementary pension

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

As an employee of the Group, Christophe Périllat benefited 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 to the benefit 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 applicable to the supplementary pension plan are set out in the 2021 Deputy Chief Executive Officer Compensation Policy (see section "Overview of the 2021 compensation policy for Christophe Périllat in his capacity as Deputy Chief Executive Officer", "Supplementary pension", page 171 of Valeo's 2021 Universal Registration Document) and remained unchanged in the 2022 Deputy Chief Executive Officer Compensation Policy (see section "Compensation policy for Christophe Périllat for the financial year ending December 31, 2022 in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022", "Supplementary pension", pages 179 and 180 of Valeo's 2021 Universal Registration Document).

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

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).

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, approved at a rate of 95.14% at the Shareholders' Meeting held on May 26, 2021, 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 of rights under the defined benefit pension plan. This compensation component therefore remained unchanged in the 2022 Chief Executive Officer Compensation Policy[21] 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.

(21) Approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022 pursuant to the thirteenth resolution.

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 *prorata* basis down to zero.

This new scheme was chosen between 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 pensions 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%.

Employment contract

In accordance with the 2021 Deputy Chief Executive Officer Compensation Policy, Christophe Périllat's employment contract was suspended as of the date of his appointment as Deputy Chief Executive Officer. This suspension was maintained in the 2022 Deputy Chief Executive Officer Compensation Policy until Christophe Périllat was appointed as Chief Executive Officer on January 26, 2022, when his employment contract was terminated.

Benefits in kind

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

The Deputy Chief Executive Officer was also entitled to benefits in kind set by the Board of Directors. He was therefore entitled to coverage under the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. Valeo also provided him with a company car and a driver.

As Chief Executive Officer as from 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 of May 26, 2021, remained unchanged in the 2022 Chief Executive Officer Compensation Policy approved at a rate of 92.25% by the Shareholders' Meeting of May 24, 2022, under its thirteenth resolution.

The Chief Executive Officer is thus entitled to coverage under the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), 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.

The Chief Executive Officer's non-compete clause 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 at a rate of 95.14% at the Shareholders' Meeting held on May 26, 2021 remained unchanged in the 2022 Chief Executive Officer Compensation Policy, approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022, and are set out below.

Non-compete clause

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. The 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 installments 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 willful 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:

Total compensation paid as Chief Executive Officer and, as the case may be, as an employee during the two financial 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.

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

The principles and criteria relating to this compensation component were provided for in (i) the 2021 Deputy Chief Executive Officer Compensation Policy[22] and (ii) the Chief Executive Officer Compensation Policy for the financial year ending December 31, 2022 – as set by the Board of Directors on March 24, 2021, on the recommendation of the Compensation Committee, in anticipation of the separation of roles and approved at a rate of 95.14% at the Shareholders' Meeting of May 26, 2021 – and remained unchanged in the 2022 Christophe Périllat Compensation Policy approved at a rate of 92.25% by the Shareholders' Meeting of May 24, 2022, under its thirteenth resolution.

Therefore, in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer, Christophe Périllat does not receive any multi-annual variable compensation, compensation or benefits on appointment, or exceptional compensation.

Christophe Périllat does not receive any compensation in his capacity as a 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.

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

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the variable compensation of the Deputy Chief Executive Officer and the Chief Executive Officer for any given financial year will only be paid once the fixed, variable and exceptional components comprising the total compensation and benefits paid or awarded to the Deputy Chief Executive Officer and the Chief Executive Officer for that year have been approved by the shareholders at an Ordinary Shareholders' Meeting (*ex post* vote).

Lastly, after consulting the Compensation Committee and, if applicable, the other specialized Committees, the Board of Directors has 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 Christophe Périllat Compensation Policy. The events that could give rise to the use of this possibility were in particular any event beyond Valeo's control that could not 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.

Compensation policy for the Chairman of the Board of Directors in respect of the 2023 financial year

In the context of the succession of Jacques Aschenbroich in his capacity as Chairman of the Board and the appointment of Gilles Michel to his role, with effect from January 1, 2023 (see section 3.2.1 "Composition of the Board of Directors", "Succession plan", pages 127 and 128), at its meeting of December 8, 2022, the Board of Directors decided, on the recommendation of the Compensation Committee, to set the compensation policy of the Chairman of the Board of Directors for the 2023 financial year.

In accordance with Article L.22-10-8 of the French Commercial Code, the Shareholders' Meeting of May 24, 2023 will be called upon to approve the elements of the compensation policy for the Chairman of the Board of Directors for the 2023 financial year.

Fixed compensation

The Chairman of the Board of Directors' annual (gross) fixed compensation is set at 360,000 euros.

Such amount has been set by taking into account the situation of the concerned person, including his experience, as well as benchmark studies of a specialized external advisor on the compensation of non-executive chairmen in CAC Next 20 and SBF 120 companies (excluding luxury industry and banks).

Benefits in kind

The Chairman of the Board of Directors is entitled to coverage for medical expenses, the applicable death and disability plan and will be provided with a company car and a driver.

No other components of compensation

The Chairman of the Board of Directors will not receive (i) annual or multi-annual variable compensation or long-term compensation and (ii) compensation or benefits on appointment, exceptional compensation, termination benefits or non-compete compensation.

He will not receive any compensation in his capacity as director. He will not be entitled to any compensation or other benefits of any kind as a result of agreements entered into with the Company or any Group company.

He is not entitled to a supplementary pension plan.

For the avoidance of doubt, it is specified that the Chairman of the Board of Directors does not have an employment contract.

(22) Approved at a rate of 96.13% at the Shareholders' Meeting of May 26, 2021 pursuant to the thirteenth resolution.

Change in governance

In accordance with the applicable regulations, in the event of the appointment of a new Chairman of the Board of Directors during the financial year, the compensation structure of this new corporate officer would be in accordance with this compensation policy, which would be applied *prorata temporis,* and the Board of Directors, on the recommendation of the Compensation Committee, would adapt the various elements of compensation taking into account the situation of the person concerned, in particular his/her experience, competence, and the variety of missions entrusted to him or her, as well as market practices for similar roles.

Compensation policy of the Chief Executive Officer in respect of the 2023 financial year

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

At its meeting held on March 24, 2021, the Board of Directors, on the recommendation of the Compensation Committee, decided to set the compensation policy for the Chief Executive Officer for the year ending December 31, 2022, in anticipation of the separation of the roles of Chairman and Chief Executive Officer. This compensation policy was submitted by anticipation to the vote of the Shareholders' Meeting of May 26, 2021 and approved at a rate of 95.14%. It was supplemented by the Board of Directors on February 24, 2022, on the recommendation of the Compensation Committee, with the criteria included in the variable compensation for the financial year 2022, and again approved at a rate of 92.25% by the Shareholders' Meeting of May 24, 2022, it being specified that the elements of compensation which were presented by anticipation to the Shareholders Meeting of May 26, 2021 (the amount of the annual fixed compensation, the maximum amount of the annual variable compensation portion set at 120% of the annual fixed compensation, the elements of long-term compensation including its maximum amount of 200% of the annual fixed compensation, pension, non-compete and termination benefits as well as benefits in kind) remained unchanged (the "**2022 Chief Executive Officer Compensation Policy**"). At its meeting held on February 23, 2023, the Board of Directors, on the recommendation of the Compensation Committee, decided to set the compensation policy of the Chief Executive Officer for the 2023 financial year (the "**2023 Chief Executive Officer Compensation Policy**"), which remains unchanged from 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 elements of the 2023 Chief Executive Officer Compensation Policy.

Fixed compensation

The Chief Executive Officer's annual (gross) fixed compensation is set at 975,000 euros.

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

Variable compensation

The variable portion of the compensation must be in line with the Chief Executive Officer's performance, as well as the Company's strategy and progress. It was therefore determined partly according to strict and ambitious quantifiable criteria based on the Group's financial, non-financial and operational performance, and partly on a qualitative basis. The quantifiable and qualitative objectives to be reached are set according to specific predetermined objectives. These criteria are determined each year by the Board of Directors, on the recommendation of the Compensation Committee.

During its review of the 2023 Chief Executive Officer Compensation Policy, the Board of Directors at its meeting held on February 23, 2023, on the recommendation of the Compensation Committee, decided for the annual variable compensation, to keep unchanged the 2022 Chief Executive Officer Compensation Policy, subject to the fact that the Board of Directors, on the recommendation of the Compensation Committee, decided with regard to the quantifiable criteria to replace EBITDA by EBIT, consistent with the "Move Up" strategic plan (more closely monitored by the financial community).

Regarding the qualitative criteria for the Chief Executive Officer's annual variable compensation in respect of the 2023 financial year, they remain identical to those mentioned in the 2022 Chief Executive Officer Compensation Policy, with an adjustment to the qualitative sub-criteria (see table below) in order to better reflect the Group's current operational and non-financial performance objectives.

The quantifiable and qualitative criteria of the annual variable compensation provided for in the 2023 Chief Executive Officer Compensation Policy are therefore as follows:

- **four quantifiable criteria**: (i) EBIT, (ii) free cash flow, (iii) net income, and (iv) Group order intake.

  The targets for these criteria are set on the basis of Valeo's budget and the guidance published for the relevant financial year. The achievement of these criteria is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the relevant financial year.
- **four qualitative criteria**: (i) strategic vision, (ii) risk management, (iii) corporate social responsibility, and (iv) reduction in CO_2 emissions ("CAP 50" Carbon Neutrality Plan).

  The achievement of the qualitative criteria is assessed by the Board of Directors, on the recommendation of the Compensation Committee. In this respect, the Compensation Committee relies on the elements of assessment transmitted by the management, it being specified, however, that for the reduction of CO_2 emissions, the objective set is in line with those set in the CAP 50 plan roadmap.

In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the annual fixed compensation, each criterion granting entitlement to a percentage of the annual fixed compensation.

The maximum amount of the Chief Executive Officer's variable compensation portion is 120% of his annual (gross) fixed compensation, which corresponds to the same maximum level as when he was Chief Operating Officer (*Directeur des Opérations*), Associate Chief Executive Officer (*Directeur Général Adjoint*) and Deputy Chief Executive Officer (*Directeur Général Délégué*).

The maximum amount of annual variable compensation (120% of annual (gross) fixed compensation) is contingent on the achievement of ambitious, measurable objectives and set by the Board of Directors, on the recommendation of the Compensation Committee.

For each quantifiable criterion, the variable portion ranges from 0% to 100% of the maximum amount of annual fixed compensation obtainable under the relevant criterion.

The following table summarizes, in a synthetic way, the quantifiable and qualitative criteria, the percentage of the annual (gross) 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 compensation**
EBIT	18%
Free cash flow	18%
Net income	16%
Group order intake	18%
TOTAL QUANTIFIABLE CRITERIA	**70%**
Qualitative criteria	
Nature of qualitative criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed compensation**
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 organization of the compliance department with redefinition of the roles and responsibilities of compliance champions; (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.

Long-term compensation policy – Allotment of performance shares

The aim of allotting performance shares is not only to encourage the Chief Executive Officer to take a long-term approach to his duties, but also encourage his retention and align his interests with those of Valeo and its shareholders. Under the performance share plans, performance criteria must be met over a period of three consecutive years. Valeo applies strict and ambitious performance criteria considered as particularly representative of the Company's performance. Indeed, the proposed criteria are aimed at reflecting the Group's strategy, financial, non-financial and operational performance objectives, value creation for Valeo's shareholders measured using the external performance criterion, the Total Shareholder Return (TSR), and performance measurement.

In the context of the review of the 2023 Chief Executive Officer Compensation Policy, the Board of Directors at its meeting 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 specializing in compensation issues, that the current structure of the performance conditions applied by the Company is in line with market practices and trends. The Board of Directors, on the recommendation of the Compensation Committee, has therefore decided to maintain the structure of the performance plans, subject to adjustments to better reflect the objectives of the "Move Up" strategic plan and to reinforce the incentive and retention objective of the long-term compensation. Thus, the Board of Directors, on the recommendation of the Compensation Committee, decided (i) in line with the adjustment of the quantifiable criterion of the 2023 Chief Executive Officer's annual variable compensation to replace the EBITDA rate with the EBIT rate, consistent with the "Move Up" strategic plan (more closely monitored by the financial community), (ii) to modify the weighting of the level of achievement of the internal performance criteria in order to reinforce the attractiveness of the scheme 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 performance shares depend on performance, measured against the following criteria:

i. two internal performance criteria, namely the EBIT rate as well as the return on capital employed rate (ROCE). The internal performance criteria represent no more than 60% of the allocated shares (30% for each criterion).

   The targets for these criteria are set on the basis of the guidance published for the year in question (see table below). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the financial year in question;

ii. an external performance criterion, Valeo's TSR, which will be measured against the CAC 40 index (10%) and against the Europe Automotive Equipment Suppliers Panel[23] (10%). Thus, the external performance criterion represents no more than 20% of the allocated shares.

   The achievement of the objectives of this criterion is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the assessment elements provided by the management;

iii. two corporate social responsibility (CSR)-related criteria: an environmental criterion relating to the level of CO_2 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 objectives of these criteria are set on the basis of the Group's roadmaps for carbon neutrality (CAP 50 plan) and gender diversity in the various management committees within the Group (see table below). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the elements of assessment provided by the management.

The maximum amount of performance shares allotted to the Chief Executive Officer, valued under IFRS, must not exceed 200% of the Chief Executive Officer's annual (gross) fixed compensation (i.e., 91% of the sum of the Chief Executive Officer's maximum annual fixed and variable compensation), which corresponds to the same amount as the amount applicable when he was Chief Operating Officer (*Directeur des Opérations*), Associate Chief Executive Officer (*Directeur Général Adjoint*) and Deputy Chief Executive Officer (*Directeur Général Délégué*). This cap of 200% of annual (gross) fixed compensation corresponds to a maximum amount, and the Board of Directors reserves the right to award a lower percentage depending on Valeo's performance.

(23) 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 from 2023 onwards. The panel used by the Board of Directors is not intended to change, except if 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.

The table below summarizes in a synthetic way the criteria and methods used to assess the performance shares 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 Europe Automotive Equipment Suppliers Panel over the reference period: 100% (0% if lower or equal).
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 to 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 Valeo's 2020 Universal Registration Document. This 2030 objective implies an annual reduction of -0.75 Mt CO_2 from 49.6 Mt CO_2 at January 1, 2020 to 41.4 Mt CO_2 at 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 45.10 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.*

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 his term of office has not expired on the vesting date. Entitlement to the performance shares will be lost in the event of (i) dismissal due to gross negligence or willful misconduct or (ii) dismissal for reasons attributable to the Chief Executive Officer's performance, before the expiry 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 allotted to the Chief Executive Officer before the expiry of the vesting period will be maintained on a *prorata temporis* basis of his presence as an executive corporate 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, death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

Each time that it decides to allot performance shares, the Board of Directors ensures that performance share allotments, valued under IFRS, do not represent a disproportionate percentage of all compensation and performance shares allotted, that they have a limited impact in terms of dilution and that the allotments are made at the same times of the year. In accordance with applicable laws and Company practices, the Group's executive managers and employees will also be entitled to performance shares.

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 will correspond to 50% of the vested performance shares.

Supplementary pension

Upon the appointment of Christophe Périllat as Chief Executive Officer on January 26, 2022, his employment contract was terminated. The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the New Plan from January 1, 2020 up until his employment contract was terminated (i.e., as of the date of his appointment as Chief Executive Officer, on January 26, 2022).

In this context, the Board of Directors decided to provide the Chief Executive Officer with a defined contribution pension plan, to replace the accrual of rights under the defined benefit plans. This compensation component remains unchanged in the 2023 Chief Executive Officer Compensation Policy.

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 no longer guarantees a certain level of pension but pays an annual contribution.

Under this 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 totals 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 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 *prorata* basis down to zero.

This new scheme was chosen between 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 pensions 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%.

Benefits in kind

The principles and criteria relating to benefits in kind remain unchanged in the 2023 Chief Executive Officer Compensation Policy.

The Chief Executive Officer is entitled to coverage under the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. Valeo also provides him with a company car and a driver.

Non-compete clause and termination benefits

The principles and criteria relating to the non-compete clause and termination benefits remained unchanged in the 2023 Chief Executive Officer Compensation Policy.

Non-compete clause

In order to protect the Company's interests, a non-compete clause binding the Chief Executive Officer was 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. The clause would 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 executive corporate officer and, as the case may be, as an employee for the 36 months preceding the month of departure). If the clause were to be implemented by the Company, the consideration would be paid in equal monthly installments over the entire period to which the non-compete clause would apply.

If the Company triggers the non-compete clause, the amount owed would be taken into account to determine his termination benefits, as described below. As a result, the maximum amounts likely to be paid to the Chief Executive Officer in the form of a non-compete compensation and/or termination benefits would be equal to twice the annual compensation (fixed and variable), in accordance with the recommendations 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 in control or strategy, the Chief Executive Officer shall be entitled, at the initiative of the Company and with the approval of the Board of Directors, except on the grounds of willful misconduct in the performance of his duties, to termination benefits paid by the Company a maximum amount of his total compensation as executive corporate officer and, as the case may be, as an employee, during the two years preceding the end of his term of office as Chief Executive Officer.

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

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

x

average (in %) of the results achieved for the annual variable compensation as executive corporate officer and, as the case may be, as an employee, applicable to the three financial years preceding the departure.

Furthermore, the amount effectively 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.

No other components of compensation

The principles detailed below regarding the absence of other compensation components remain unchanged in the 2023 Chief Executive Officer Compensation Policy.

The Chief Executive Officer will not receive any multi-annual variable compensation, compensation or benefits on appointment, or exceptional compensation.

Christophe Périllat does not receive any compensation in his capacity as a 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.

In addition, no stock purchase or subscription options or other long-term compensation component other than performance shares will be allotted to him in the 2023 financial year.

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

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the variable compensation of the Chief Executive Officer for any given financial year will only be paid once the fixed, variable and exceptional components comprising the total compensation and benefits paid or awarded to the Chief Executive Officer for that year have been approved by the shareholders at an Ordinary Shareholders' Meeting (*ex post* vote).

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. In particular, the events that could give rise to the use of this possibility are 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 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.

Change in governance

In accordance with applicable regulations, in the event of the appointment of a new Chief Executive Officer during the financial year, the compensation components, principles and criteria set out in this compensation policy will also apply to him *prorata temporis*. The Board of Directors, on the recommendation of the Compensation Committee, will then determine, by adapting to the situation of the new Chief Executive Officer, the objectives, performance levels, parameters, structure and maximum percentages in relation to his annual fixed compensation, which may not be higher than those of the current Chief Executive Officer.

Compensation policy for directors in respect of the 2023 financial year

Non-executive corporate officers receive compensation (previously known as attendance fees) for their presence at Board of Directors' and Committee meetings.

In accordance with the French Commercial Code, the articles of association, the Board's Internal Procedures and the internal procedures of the Compensation Committee, the Board of Directors has authority to decide how this compensation should be allocated. The Compensation Committee makes recommendations to the Board of Directors on the rules for allocating directors' compensation and the individual amounts to be paid to each director, taking into account the actual number of Board and Committee meetings attended. The variable portion linked to attendance must, other than in exceptional circumstances, have a heavier weighting than the fixed portion (see the exception in 2022, for which an explanation is provided in the table concerning the application of the AFEP-MEDEF Code in section 3.2.4 "Corporate Governance Code", page 160).

When determining the rules for allocating directors' compensation, the Board of Directors considers the corporate interest and the Company's long-term future by taking into account market practices and encouraging director attendance at meetings. The heavier weighting of the variable portion of directors' compensation, which is based on attendance at meetings, therefore contributes to the objectives of the compensation policy.

In accordance with the requirements of Article L.22-10-8 of the French Commercial Code, this compensation policy will be submitted for approval at the Shareholders' Meeting of May 24, 2023.

Following the Shareholders' Meeting of May 26, 2016 (eleventh resolution), the budget for directors' compensation was set at 1,100,000 euros for 2016 and subsequent years until a new decision of the Shareholders' Meeting, compared to 700,000 euros for 2014 and 2015 as approved at the Shareholders' Meeting of May 21, 2014. During the previous financial years (2018, 2019, 2021 and 2022), the Compensation Committee carried out comparative studies on the basis used for allocating directors' compensation in CAC 40, Next 80 and SBF 120 companies. These studies confirmed that the amounts budgeted for the compensation of Valeo's directors was appropriate (although slightly below the average of the study sample), and the Board of Directors decided, on the recommendation of the Compensation Committee, not to ask the shareholders to increase this amount.

The basis for allocating directors' compensation is as follows[24]:

- each director receives:
  - fixed portion: 25,000 euros/year,
  - variable portion: 3,000 euros/meeting attended;
- each director who is a member (but not Chair) of a Board Committee also receives:
  - fixed portion: 0 euro/year,
  - variable portion: 3,000 euros/meeting attended;
- the director who is also Chair of the Audit & Risks Committee also receives:
  - fixed portion: 15,000 euros/year,
  - variable portion: 3,000 euros/meeting attended;
- each director who is also Chair of a Board Committee (other than the Audit & Risks Committee) also receives:
  - fixed portion: 12,000 euros/year,
  - variable portion: 3,000 euros/meeting attended.

These payments are not capped, but if the budget is exceeded in any one year, the following formula is applied:

$$\frac{\text{Compensation allotted to an individual director}}{\text{Total compensation allotted to all directors}} \times 1{,}100{,}000 \text{ euros}$$

Compensation is paid every six months, according to the following rules:

- payment of the fixed portion (where applicable, *prorata* to the period of the year during which the director held office, as described below);
- payment of the variable portion based on the number of meetings that the director actually attended during the relevant period.

The Board of Directors may also, on the recommendation of the Compensation Committee, allocate exceptional compensation to directors for assignments or mandates entrusted to the directors.

Board members (including the Chairman of the Board of Directors) may be reimbursed, for reasonable travel and accommodation expenses, as well as any other expenses incurred in the interest of the Company, and in particular in connection with their participation in Board meetings, upon presentation of receipts.

On February 12, 2009, on the recommendation of the Appointments, Compensation & Governance Committee, the Board of Directors decided that no directors' compensation would be paid to corporate officers in respect of any offices held in the Group (other than those within Valeo). The Chairman and the Chief Executive Officer do not receive any compensation for any offices held in the Group (including in their capacity as directors of the Company).

When a Lead Director is appointed, the compensation for this role shall be equal to the fixed portion and variable portion that they receive in their capacity as a director for a given year, in accordance with the Board of Directors' decision of October 21, 2015.

In addition, in view of the importance of CSR matters for Valeo, and therefore the key role played by the Board member in charge of CSR issues, on October 28, 2021, on the recommendation of the Compensation Committee, the Board of Directors decided to amend the allocation rules for directors' compensation as from the 2022 financial year by providing for annual fixed compensation of 6,000 euros per year to be allocated to the director in charge of CSR issues.

Apart from the executive corporate officers and the Chairman of the Board, no Board member was paid any other compensation or benefits during the financial year other than directors' compensation.

(24) As an exception to these rules, since the Appointments, Compensation & Governance Committee was split into two separate committees at the Board of Directors' meeting held on January 26, 2017 (the Governance, Appointments & Corporate Social Responsibility Committee and the Compensation Committee), directors who sit on both Committees do not receive double compensation unless decided otherwise by the Board of Directors on the recommendation of the Compensation Committee. Given the current composition of these Committees, this rule has been maintained since then (see section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 147 to 159).

Apart from the executive corporate officer, the members of the Board of Directors (i) do not receive any free shares or performance shares during the financial year and (ii) do not hold any free shares or performance shares.

It is however specified that the directors representing employees have an employment contract and as such receive a salary and benefit from free share allocations, in the same way as the other employees of the Group.

In accordance with the applicable regulations, if a new director is appointed during the year, the compensation components and principles provided for in this compensation policy will apply to the new appointee on a *prorata temporis* basis. The fixed compensation will therefore be calculated *prorata* to the length of time the director holds office during the year and the variable portion is based on the number of Board and Committee meetings attended during the period. These same *prorata temporis* calculation principles also apply in the event of a director's departure during the year.

3.3.2 Compensation of corporate officers in respect of the 2022 financial year

Compensation for Jacques Aschenbroich in respect of the 2022 financial year, in his capacity as Chairman and Chief Executive Officer and subsequently Chairman of the Board of Directors, as from the separation of the roles on January 26, 2022

The compensation paid or allocated by Valeo in respect of the 2022 financial year to Jacques Aschenbroich as Chairman and Chief Executive Officer for the period from January 1 to 26, 2022, and then as Chairman of the Board of Directors as of January 26, 2022, in application of the 2022 Jacques Aschenbroich Compensation Policy, is presented below. An overview of certain components of compensation in prior years is also provided.

Compensation in respect of the 2022 financial year

In accordance with Article L.22-10-34, II of the French Commercial Code, the Shareholders' Meeting must approve the fixed, variable and exceptional components comprising the total compensation and benefits package paid during or awarded in respect of the 2022 financial year to (i) the Chairman and Chief Executive Officer for the period from January 1 to 26, 2022 and (ii) the Chairman of the Board of Directors for the period from January 26 to December 31, 2022.

The compensation paid during or awarded in respect of the 2022 financial year, as described below, is in line with the 2022 Jacques Aschenbroich Compensation Policy approved at a rate of 93.87% at the Shareholders' Meeting of May 24, 2022 (twelfth resolution)[25].

Fixed compensation

In accordance with the 2022 Jacques Aschenbroich Compensation Policy[26], the annual (gross) fixed compensation paid to him in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors, was 825,000 euros, broken down as follows:

- annual (gross) fixed compensation of 1,100,000 euros in his capacity as Chairman and Chief Executive Officer, paid to Jacques Aschenbroich on a *prorata temporis* basis for the period from January 1 to 26, 2022 (i.e., an amount equal to 91,667 euros);
- annual (gross) fixed compensation of 800,000 euros in his capacity as Chairman of the Board of Directors, paid to Jacques Aschenbroich on a *prorata temporis* basis for the period from January 26 to December 31, 2022 (i.e., an amount equal to 733,333 euros)[27].

This represents 100% of the total compensation awarded to Jacques Aschenbroich in respect of the 2022 financial year.

Variable compensation

In accordance with the 2022 Jacques Aschenbroich Compensation Policy, Jacques Aschenbroich did not receive any annual variable compensation in respect of the 2022 financial year in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors.

Long-term compensation policy – Allotment of performance shares

Given the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022 and in accordance with the 2022 Jacques Aschenbroich Compensation Policy, Jacques Aschenbroich did not receive any long-term compensation (performance shares or other) during the 2022 financial year in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors.

(25) The 2022 Jacques Aschenbroich Compensation Policy includes (i) the 2022 Chairman and Chief Executive Officer Compensation Policy and (ii) the 2022 Chairman of the Board of Directors Compensation Policy. This policy was approved in anticipation at a rate of 98.87% at the Shareholders' Meeting of May 26, 2021 and remained unchanged in 2022, with the addition of a clarification on the benefits in kind to which the Chairman of the Board of Directors (collective and mandatory health, death and disability plan) is entitled.

(26) See this section, "Fixed compensation", page 167.

(27) This compensation took into account the variety and scope of the specific missions entrusted to him during the managerial transition period. These specific missions were requested by the Chief Executive Officer and were without prejudice to (x) the executive functions of the Chief Executive Officer, who has sole responsibility for Valeo's management and operations, and (y) the powers of the Board of Directors:

(i) contribution to General Management: consultation of the Chairman of the Board of Directors by the Chief Executive Officer (at his request), support and advice to the Chief Executive Officer on various subjects relating to Valeo (governance, strategy, significant transactions and projects);

(ii) relations with public authorities, institutions and business partners: representing Valeo (at the Chief Executive Officer's request) on a national and international scale with respect to public authorities, institutions and business partners (in particular, Chinese and other Asian customers), assisting the Chief Executive Officer (at his request) in the context of Valeo's relationship with its historical and strategic partners;

(iii) relationship with shareholders: monitoring, in coordination with the Chief Executive Officer, the quality of relations and dialogue with Valeo's shareholders;

(iv) corporate social responsibility: promoting Valeo's values, image and culture. Joint participation with the Chief Executive Officer, in actions carried out by Valeo, in particular in the field of corporate social responsibility, ethics and compliance.

It is recalled that since joining the Group on March 20, 2009, until the cessation of his duties on December 31, 2022, Jacques Aschenbroich did not sell any shares obtained by exercising stock purchase options allotted to him, nor sell any vested performance shares.

Supplementary pension

In accordance with the 2022 Jacques Aschenbroich Compensation Policy, Jacques Aschenbroich did not benefit from any supplementary pension or additional rights in the Company's supplementary pension plan in 2022 in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors.

Following the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022, on February 1, 2022, Jacques Aschenbroich claimed his statutory pension and his rights under the Article 39 defined benefit plan of which he was a member in his capacity as Chairman and Chief Executive Officer.

Benefits in kind

In accordance with the 2022 Jacques Aschenbroich Compensation Policy[28], Jacques Aschenbroich received benefits in kind in respect of the 2022 financial year in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors (unemployment insurance for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), collective and mandatory health, death and disability plan, life insurance covering death, disability or the consequences of any accidents during business travel, and a company car with driver, inasmuch as the unemployment insurance and life insurance ceased as from the separation of roles on January 26, 2022). These benefits amounted to 10,036 euros (of which 913 euros in his capacity as Chairman and Chief Executive Officer and 9,123 euros in his capacity as Chairman of the Board of Directors).

These benefits in kind represented less than 1.20% of the total compensation awarded to Jacques Aschenbroich in 2022.

No other components of compensation

In accordance with the 2022 Jacques Aschenbroich Compensation Policy[29], in respect of the 2022 financial year in his capacity as Chairman and Chief Executive Officer and then as Chairman of the Board of Directors, Jacques Aschenbroich did not receive any multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, non-compete compensation or termination benefits, directors' compensation or benefits of any kind under agreements entered into with the Company or any Group company.

Jacques Aschenbroich did not have an employment contract with the Valeo Group.

Compensation for Christophe Périllat in respect of the 2022 financial year, in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles on January 26, 2022

The compensation paid or allocated by Valeo in respect of the 2022 financial year to Christophe Périllat as Deputy Chief Executive Officer for the period from January 1 to 26, 2022 and then as Chief Executive Officer as from the separation of roles on January 26, 2022, in application of the 2022 Christophe Périllat Compensation Policy, is presented below.

Compensation in respect of the 2022 financial year

In accordance with Article L.22-10-34 II of the French Commercial Code, the Shareholders' Meeting must approve the fixed, variable and exceptional components comprising the total compensation and benefits package paid during or awarded in respect of the 2022 financial year to (i) the Deputy Chief Executive Officer from January 1 to 26, 2022 and (ii) the Chief Executive Officer from January 26 to December 31, 2022. In addition, in accordance with the legal provisions, payment of the variable compensation awarded in respect of the 2022 financial year is subject to approval at the Shareholders' Meeting of May 24, 2023.

The compensation paid during or awarded in respect of the 2022 financial year, as described below, is in line with the 2022 Christophe Périllat Compensation Policy approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022 (thirteenth resolution)[30]. This policy includes conditions designed to encourage the Company's long-term development and performance.

Fixed compensation

In accordance with the 2022 Christophe Périllat Compensation Policy[31], the annual (gross) fixed compensation paid to Christophe Périllat in 2022 in his capacity as Deputy Chief Executive Officer and then Chief Executive Officer was 958,199 euros broken down as follows:

- annual (gross) fixed compensation of 725,000 euros in his capacity as Deputy Chief Executive Officer, paid on a *prorata temporis* basis for the period from January 1 to 26, 2022, (i.e., an amount equal to 48,723 euros);
- annual (gross) fixed compensation of 975,000 euros in his capacity as Chief Executive Officer, paid to Christophe Périllat on a *prorata temporis* basis for the period from January 26 to December 31, 2022 (i.e., an amount equal to 909,476 euros).

This represents 48.51% of the total compensation (fixed and variable) awarded to Christophe Périllat in respect of the 2022 financial year.

(28) See section "Benefits in kind", page 168.

(29) See section "Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, non-compete clause, 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", page 168.

(30) The 2022 Christophe Périllat Compensation Policy includes (i) the 2022 Deputy Chief Executive Officer Compensation Policy and (ii) the 2022 Chief Executive Officer Compensation Policy. This policy was approved in anticipation at a rate of 98.87% at the Shareholders' Meeting of May 26, 2021 and remained unchanged in 2022, with the addition of a clarification on the benefits in kind to which the Chairman of the Board of Directors (collective and mandatory health, death and disability plan) is entitled.

(31) See section "Fixed compensation", page 169.

Variable compensation

At its meeting held on February 23, 2023, the Board of Directors assessed, on the recommendation of the Compensation Committee, the degree of achievement of the quantifiable and qualitative criteria of Christophe Périllat's annual variable compensation and set the amount in accordance with the method described in the 2022 Chief Executive Officer Compensation Policy (see paragraph "Variable Compensation" of this section, pages 169 to 170).

It is recalled that the components of the 2022 Chief Executive Officer Compensation Policy for the have been set by the Board of Directors by anticipation at its meeting held on March 24, 2021, on the recommendation of the Compensation Committee[32]. These components were supplemented by the Board of Directors on February 24, 2022, on the recommendation of the Compensation Committee, by the variable compensation components for the 2022 financial year[33]. Given the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022, the Board of Directors, at its meeting of February 24, 2022 and on the recommendation of the Compensation Committee, decided to apply the annual (gross) fixed compensation provided for the Chief Executive Officer as the reference fixed compensation for the purpose of calculating Christophe Périllat's annual variable compensation for the whole of 2022 financial year.

Qualitative criteria

In order to assess the degree of achievement of each of the qualitative criteria set for 2022, which are described in the table below, at its February 23, 2023 meeting, the Board of Directors carried out, on the recommendation of the Compensation Committee, a detailed analysis of the degree of achievement for each of the criteria (see notes under the table below).

Based on this analysis, the Board of Directors noted, on the recommendation of the Compensation Committee, that the achievement rate for the qualitative criteria is 47% (out of maximum percentage of 50%) of the annual (gross) fixed compensation due to the Chief Executive Officer in respect of the 2022 financial year.

Quantifiable criteria

The quantifiable criteria of Christophe Périllat's annual variable compensation have been set by the Board of Directors, on the recommendation of the Compensation Committee, based on Valeo's budget for 2022 and the guidance published in February 2022.

After analysis of the results obtained, the Board of Directors noted, on the recommendation of the Compensation Committee, a rate of achievement for the quantifiable criteria of 57.3% (out of a maximum percentage of 70%) of the annual (gross) fixed compensation due to the Chief Executive Officer in respect of the 2022 financial year.

Therefore, the rate of achievement of the 2022 qualitative and quantifiable criteria is 104.3% of the annual (gross) fixed compensation due to the Chief Executive Officer in respect of the 2022 financial year, i.e., 1,016,925 euros, out of a maximum percentage of 120% of fixed compensation that the variable compensation may represent for a full financial year, i.e., 87% in relation to the maximum allowed by the 2022 Chief Executive Officer Compensation Policy.

The variable compensation therefore represents 51.49% of the total amount of (fixed and variable) compensation due to Christophe Périllat in 2022.

The following table summarizes, in a synthetic way, the applicable quantifiable and qualitative criteria, the degree of achievement of each quantifiable criterion, the entitlement relating to each of these criteria in terms of percentage of the annual fixed compensation, and the maximum variable compensation for the 2022 financial year: The specific predetermined targets underlying the quantifiable criteria remained unchanged in the 2022 financial year.

Quantifiable criteria[1][2]

Nature of quantifiable criterion	Maximum variable portion as a % of annual fixed compensation	Maximum variable portion obtained as a % of annual fixed compensation[3]	Percentage of achievement versus maximum
EBITDA	18%	8.1%[4]	44.7%
Free cash flow	18%	15.2%[5]	84.3%
Net income	16%	16%[6]	100%
Group order intake	18%	18%[7]	100%
TOTAL QUANTIFIABLE CRITERIA	**70%**	**57.3%**	**81.86%**

(32) Approved at a rate of 95.14% at the Shareholders' Meeting of May 26, 2021, pursuant to the fourteenth resolution.
(33) Approved at a rate of 92.25% at the Shareholders' Meeting of May 24, 2022, pursuant to the thirteenth resolution.

Qualitative criteria

Nature of qualitative criterion	Maximum variable portion as a % of annual fixed compensation	Maximum variable portion obtained as a % of annual fixed compensation	Percentage of achievement versus maximum
Strategic vision *This criterion is assessed, in particular, against the following elements:* • *quality of strategic and financial communication, in particular the impact of the February 10 and 25, 2022 investor meetings, and implementation of the roadmap;* • *quality of the roadmap for the Group's businesses.*	14%	14%(8)	100%
Risk management *This criterion is assessed, in particular, against the following elements:* • *compliance: measures implemented to ensure the strict enforcement of anti-corruption, anti-trust and personal data protection rules (GDPR);* • *risk management related to the Group's operational excellence (management of the production plant, "red launches");* • *management of inflation-related impacts;* • *quality of the supplies crisis management (electronic components and raw materials).*	12%	12%(9)	100%
Corporate social responsibility *CSR is assessed in particular against the following elements:* • *overall assessment of safety performance through the number of lost-time workplace accidents. Particular attention will be paid to France in 2022 with respect to lost-time workplace accidents;* • *progression of the Gender Equity Index in 2022 to an average of 87 and improvement of the Index of the countries below 75.*	12%	9%(10)	75%
CAP 50 *Gradual reduction of CO_2 emissions by at least 0.75 Mt per year.*	12%	12%(11)	100%
TOTAL QUALITATIVE CRITERIA	**50%**	**47%**	**94%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**	**104.3%**	**86.92%**

(1) Excluding regulatory and tax impacts and excluding the economic and financial consequences of the war in Ukraine.
(2) Including Valeo Siemens eAutomotive (VSeA).
(3) It is understood that for each quantifiable criterion, the variable portion ranges from 0% to 100% of the maximum annual fixed compensation that may be obtained for that criterion.
(4) 2022 EBITDA margin of 12.0% of the turnover.
(5) 2022 free cash flow generation of 388 million euros.
(6) 2022 net income of 230 million euros. In assessing the achievement of the target for this criterion, net income has been restated, in application of the 2022 Chief Executive Officer Compensation Policy, for the impairment charges related to Valeo's assets in Russia recorded in 2022. This restatement had an impact of 25% on the degree of achievement of this criterion.
(7) 2022 order intake of 32.6 billion euros.
(8) The elements considered include (subject to undisclosed information for confidentiality reasons): (i) announcement of the "Move Up" plan on February 25, 2022, implementation of the plan in 2022 in accordance with the methods and objectives presented and quality of the "Move Up" plan praised by the market; (ii) quality of financial communication recognized; (iii) no profit warning in 2022, contrary to most peers, and achievement of targets; (iv) from a stock market performance perspective, since the low point of March 8, 2022, achievement of the fourth best performance among peers (+19%); (v) successful strategic takeover of Valeo Siemens eAutomotive (VSeA), presented on February 10, 2022, with integration from July 2022, strengthening Valeo's leading position in the fast-growing electrification market; (vi) quality of technology roadmaps (assessed by order intake and share of innovation in order intake) with, in 2022, a strong alignment of the Group's product offering with market needs (record order intake of 32.6 billion euros; share of innovation in order intake above 62%, improving compared to 2021).
(9) The elements considered include: (i) further strengthening of the compliance policy in 2022, including (a) deployment and full implementation in 2022 of the action plan on corruption risks in all regions and entities of the Group, (b) deployment of annual training on antitrust risks (general risks and new forms of competition), implementation of a self-assessment tool for risks associated with participation in events and an update of the antitrust program and (c) deployment of training and tools on personal data protection mainly for human resources and research & development; (ii) reduction in the number of "red launches" in 2022 compared to 2021 (-11%); (iii) satisfactory plant performance, enabling Valeo to maintain its guidance; (iv) limitation of the net impact of inflation in line with announced targets (200 million euros announced, 203 million euros achieved) without impact on order intake; (v) end of 2022, closing of the 8th consecutive quarter without creating any customer line stoppages.
(10) The elements considered include (subject to undisclosed information for confidentiality reasons): (i) the improvement in employee safety with, for the 4th consecutive year, a reduction in the lost-time accident frequency rate (Global and France), with the application of a discount in view of the category 1 accidents within the Group; (ii) result of the Gender Equity Index of 87.9, above the objective of 87, and significant increase in the results of some countries that were below 75 in 2021.
(11) Target of 47.35 Mt CO_2 (excluding VSeA) by December 31, 2022, set in line with the CAP 50 plan, achieved.

Long-term compensation policy – Allotment of performance shares

In accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the total number of free shares allotted may not represent more than 10% of the Company's share capital on the date of the Board of Directors' decision. The maximum amount provided for in the twenty-fifth resolution of the Shareholders' Meeting of May 26, 2021, which is effective for a period of 26 months, is 4,500,000 shares (i.e., about 1.86% of the share capital at December 31, 2020), and the total number of shares that may be allotted to the executive corporate officers may not exceed 350,000 shares (i.e., representing around 0.14% of the share capital at December 31, 2020).

In accordance with the 2022 Chief Executive Officer Compensation Policy, the Board of Directors at its meeting held on March 23, 2022, on the recommendation of the Compensation Committee, decided to allot 100,154 performance shares to Christophe Périllat for 2022, pursuant to the twenty-fifth resolution of the abovementioned Shareholders' Meeting of May 26, 2021. Due to the extreme volatility of the financial markets and the sharp drop in the stock price of the automotive sector companies in Europe, including Valeo, since the beginning of the Russo-Ukrainian conflict, the amount of the allotment granted to the Chief Executive Officer (IFRS valuation) was calculated with a discount of 26% as compared to the maximum permitted under the 2022 Chief Executive Officer Compensation Policy (200% of annual (gross) fixed compensation). This discount corresponds to the ratio between the average share price for the last 20 days generally used by Valeo and the average share price over the last 60 days prior to the allotment of performance shares. Based on the share price on the date of the Board of Directors' meeting (average of 20 days, IFRS valuation), this corresponds to 100,154 shares, valued under IFRS at 14.46 euros, i.e., 74% as compared to the maximum permitted under the 2022 Chief Executive Officer Compensation Policy.

Ceilings, criteria and conditions for this allotment are described in the 2022 Chief Executive Officer Compensation Policy (see paragraph "Long-term compensation policy – Allotment of performance shares" of this section, pages 170 to 172).

The final awards of the shares allotted are subject to the achievement of objectives for each internal performance criterion set at the beginning of the year based on the guidance at the Group[34] level it being specified that the assessment of performance criteria is binary (achieved/not achieved).

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Code of Conduct, Christophe Périllat is not permitted to use hedging transactions to reduce his risk. He has signed a formal commitment to that effect. No hedging instruments have been used with respect to his performance shares.

Supplementary pension

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

As an employee of the Group, Christophe Périllat benefited 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 (the "**Closed Plan**"). Thus, in accordance with the new legal provisions, a new commitment was made to the benefit of Christophe Périllat, as an employee of the Group, which continued during his term of office as Deputy Chief Executive Officer during which his employment contract was suspended. This new plan (the "**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 as the Closed Plan. The main characteristics of the New Plan are described in section 3.3.1 "Overview of the compensation policy for Christophe Périllat in respect of the financial year ending December 31, 2022 in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles on January 26, 2022", pages 168 to 174. Under the New Plan, the rights of the beneficiary 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 the beneficiary within Valeo at the time of his retirement.

At December 31, 2022, Christophe Périllat's entitlements under these plans in his capacity as an employee of the Group totaled 759,054 euros, representing a total yearly pension allowance of 31,256 euros.

Christophe Périllat's supplementary pension plan was financed annually through the payment of premiums to the service provider in charge of administering the annuities.

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

Upon the appointment of Christophe Périllat as Chief Executive Officer, his employment contract was terminated. The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the New Plan from January 1, 2020 up until his employment contract was terminated (i.e., as of the date of his appointment as Chief Executive Officer).

In accordance with the 2022 Chief Executive Officer Compensation Policy, the Chief Executive Officer benefits from an optional defined contribution pension plan, governed by the provisions of Article 82 of the French General Tax Code, as an alternative to the acquisition of rights under defined benefit pension plans (see paragraph "Supplementary pension" in section 3.3.1, pages 172 to 173 for a description of the main terms of this plan).

The amount paid by the Company in respect of supplementary pension benefits for Christophe Périllat as Chief Executive Officer 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 amount of payments to be made is subject to a performance condition.

At its meeting held on February 23, 2023, the Board of Directors, on the recommendation of the Compensation Committee, examined and set the rate of achievement of the performance condition in respect of the 2022 financial year. The performance condition is considered to be satisfied if the variable portion of the Chief Executive Officer's compensation, which will be paid in Y+1 in respect of the financial year Y, reaches 70% of the (gross) fixed compensation due in respect of the financial year Y. In the event that the variable portion does not reach 70% of the fixed compensation, the gross annual amount paid will calculated on a *prorata* basis down to zero. Given the amount of the annual variable compensation awarded in respect of the 2022 financial year and to be paid in 2023, the Board of Directors acknowledged that this condition had been fully satisfied.

(34) It is recalled that for 2022, the guidance was 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 did not take into account the unfavorable economic and financial consequences likely to result from the war in Ukraine.

In respect of 2022, the amount that will be paid in 2023 to the insurance company into an individual account in the name of Christophe Périllat in his capacity as Chief Executive Officer, representing 20% (10% for 2022, plus 10% to take into account the loss of defined benefit pension plans and the accrued rights at the end of 2019) of the fixed and variable annual compensation received from January 26 to December 31, 2022, amounts to a total of 312,178 euros. The amount paid to Christophe Périllat in 2023 amounts to a total of 312,178 euros, intended to take into account the social security contributions and income tax payable on the payments made to the insurance company and on the aforementioned payment.

Benefits in kind

In accordance with the 2022 Christophe Périllat Compensation Policy[35], in his capacity as Deputy Chief Executive Officer and then as Chief Executive Officer, Christophe Périllat received benefits in kind in respect of the 2022 financial year (unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), collective and mandatory health, death and disability plan, life insurance covering death, disability or the consequences of any accidents occurring during business travel, and a company car with driver) in an amount of 26,288 euros (of which 1,767 euros in his capacity as Deputy Chief Executive Officer and 24,521 euros in his capacity as Chief Executive Officer).

These benefits in kind represent about 1.30% of the total compensation awarded to Christophe Périllat in 2022.

No other components of compensation

In accordance with the 2022 Christophe Périllat Compensation Policy[36], in respect of the 2022 financial year, Christophe Périllat did not receive any multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, directors' compensation or benefits of any kind under agreements with the Company or any Group company. Nor did he receive any stock purchase or subscription options or any other form of long-term compensation except for performance shares.

In accordance with the recommendations of the AFEP-MEDEF Code, when Christophe Périllat became Chief Executive Officer, his employment contract – which had been suspended since his appointment as Deputy Chief Executive Officer on May 26, 2021 – was terminated.

Compensation ratios and annual changes in compensation, Valeo's performance and five-year ratios

In accordance with Article L.22-10-9, I 6° and 7° of the French Commercial Code, the following table shows:

- the ratios between the compensation of the executive corporate officers and on the one hand the average compensation of employees other than the corporate officers on a full-time equivalent basis and on the other hand the median compensation of employees other than the corporate officers on a full-time equivalent basis;
- the annual change in the compensation of the executive corporate officers, the Company's performance, the average compensation of employees other than the corporate officers on a full-time equivalent basis, as well as the ratios referred to above over the last five financial years.

The ratios below have been calculated:

- for the executive corporate officers, based on the fixed and variable short-term compensation paid and the performance shares allotted (IFRS valuation) from 2018 to 2022[37] as well as benefits in kind;
- for employees (full-time equivalent), based on the fixed and variable short-term compensation, free share awards and performance shares allotted (IFRS valuation) from 2018 to 2022, profit-sharing and incentive payments, and all components of total gross compensation. The scope includes 100% of employees of the Group's French companies. In accordance with the AFEP guidelines revised in February 2021, employees included in the scope are those with an employment contract who have been present on an uninterrupted basis over a period of two years.

(35) See this section, "Benefits in Kind", page 173.

(36) See this section, "Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, directors' compensation, benefits of any kind under agreements with the Company or any Group company or options or any other long-term compensation component", page 174.

(37) It being specified that as regards the 2020 and 2021 allotment to the Chairman and Chief Executive Officer, the maximum number of performance shares taken into consideration has been adjusted prorata to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer.

	2018	2019	2020	2021	2022
Compensation of the Chairman and Chief Executive Officer (until January 26, 2022)	4,904,128	3,430,142(1)	3,229,673(2)	3,096,822(3)	1,488,828(4)
Year-on-year change	*-8.38%*	*-30.06%*	*-5.84%*	*-4.11%*	-(5)
Compensation of the Chairman of the Board of Directors (since January 26, 2022)	-	-	-	-	742,674
Year-on-year change	-	-	-	-	-
Cumulative compensation of Jacques Aschenbroich as Chairman and Chief Executive Officer and as Chairman of the Board of Directors (2022 financial year)	-	-	-	-	2,231,502
Year-on-year change	-	-	-	-	-
Compensation of the Deputy Chief Executive Officer (until January 26, 2022)(6)	-	-	-	1,756,080	440,840
Year-on-year change	-	-	-	-	-(5)
Compensation of the Chief Executive Officer (since January 26, 2022)	-	-	-	-	2,382,441
Year-on-year change	-	-	-	-	-
Cumulative compensation of Christophe Périllat as Deputy Chief Executive Officer and as Chief Executive Officer (2022 financial year)	-	-	-	-	2,823,281
Year-on-year change	-	-	-	-	-
Average compensation of employees	52,622	52,532	47,015(7)	53,462	56,837
Year-on-year change	*1.01%*	*-0.17%*	*-10.50%*	*13.71%*	*6.31%*
Median compensation of employees	39,094	39,744	35,232(7)	39,062	41,535
Year-on-year change	*1.32%*	*1.66%*	*-11.35%*	*10.87%*	*6.33%*
RATIO TO AVERAGE COMPENSATION					
Chairman and Chief Executive Officer (until January 26, 2022)	93.20	65.30	68.69	57.93	26.19
Year-on-year change	*-9.29%*	*29.94%*	*5.19%*	*-15.67%*	-(5)
Chairman of the Board of Directors (since January 26, 2022)	-	-	-	-	13.07
Year-on-year change	-	-	-	-	-
Jacques Aschenbroich (2022 financial year)	-	-	-	-	39.26
Year-on-year change	-	-	-	-	-
Deputy Chief Executive Officer (until January 26, 2022)(6)	-	-	-	32.85	7.76
Year-on-year change	-	-	-	-	-(5)
Chief Executive Officer (since January 26, 2022)	-	-	-	-	41.92
Year-on-year change	-	-	-	-	-
Christophe Périllat (2022 financial year)	-	-	-	-	49.67
Year-on-year change	-	-	-	-	-
RATIO TO MEDIAN COMPENSATION					
Chairman and Chief Executive Officer (until January 26, 2022)	125.45	86.31	91.67	79.28	35.85
Year-on-year change	*-9.57%*	*-31.20%*	*6.21%*	*-13.52%*	-(5)
Chairman of the Board of Directors (since January 26, 2022)	-	-	-	-	17.88
Year-on-year change	-	-	-	-	-
Jacques Aschenbroich (2022 financial year)	-	-	-	-	53.73
Year-on-year change	-	-	-	-	-
Deputy Chief Executive Officer (until January 26, 2022)(6)	-	-	-	44.96	10.61
Year-on-year change	-	-	-	-	-(5)
Chief Executive Officer (since January 26, 2022)	-	-	-	-	57.36
Year-on-year change	-	-	-	-	-
Christophe Périllat (2022 financial year)	-	-	-	-	67.97
Year-on-year change	-	-	-	-	-
Group performance(8)					
Year-on-year change	1.5 pts	6 pts	3 pts	0 pts	3 pts

(1) This amount takes into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%).

(2) This amount includes Jacques Aschenbroich's donation of 25% of his fixed compensation for the duration of the Covid-19-related shutdown to support solidarity actions relating to Covid-19, the application of the prorata temporis rule to shares allotted in the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer, and the one-sixth reduction of the shares allotted under the 2020 plan (pro rated) for the portion represented by the internal performance criteria (80%).

(3) This amount includes the application of the prorata temporis rule to shares allotted in the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer.

(4) In accordance with the methodology used, this amount includes the annual variable compensation awarded to the Chairman and Chief Executive Officer in respect of the 2021 financial year and paid in the 2022 financial year.

(5) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns only the position held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).

(6) As from his appointment as Deputy Chief Executive Officer on May 26, 2021.

(7) In 2020, the fall in the average and median compensation of employees was due to cost variabilization measures taken to deal with the Covid-19 crisis (short-time working, unpaid leave, salary freeze for senior executives).

(8) The Group's performance is measured by comparing OE sales growth on a like-for-like basis, i.e., at constant exchange rates and scope, with global automotive production growth (5 points after restatement for the consolidation of Valeo Siemens eAutomotive). For information purposes, for the 2022 financial year the OEM/production performance excluding the regional mix was also 3 points (5 points after restatement for the consolidation of Valeo Siemens eAutomotive).

Explanations for the changes in the ratios for compensation are given below:

- the executive corporate officers' compensation reflects the variable compensation due in respect of the previous year and paid during the reference year;
- in 2020, the fall in the average and median compensation of employees was due to cost variabilization measures taken to deal with the Covid-19 crisis (short-time working, unpaid leave, salary freeze for senior executives);
- in 2022, the ratios reflect the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022.

The ratios presented below were calculated based on performance shares allotted and valued under IFRS, in accordance with French Ordinance No. 2019-1234 of November 27, 2019.

It should also be noted that, due to the challenging performance criteria, none of the performance shares allotted to Jacques Aschenbroich under the 2016, 2017 and 2018 performance share plans definitively vested. The table below shows the ratios calculated based on the fixed and variable short-term compensation paid in the stated years and the performance shares that were delivered in the same periods.

	2018	2019	2020	2021	2022
RATIO TO AVERAGE COMPENSATION					
Chairman and Chief Executive Officer (until January 26, 2022)	75.57(1)	30.76(2)	46.31(3)	41.26(4)	40.87(5)
Year-on-year change	*-12.99%*	*-59.30%*	*50.55%*	*-10.91%*	-(6)
Chairman of the Board of Directors (since January 26, 2022)	-	-	-	-	13.07(7)
Year-on-year change	-	-	-	-	-
Jacques Aschenbroich (2022 financial year)	-	-	-	-	53.94
Year-on-year change	-	-	-	-	-
Deputy Chief Executive Officer (until January 26, 2022)(8)	-	-	-	8.44(9)	7.76(10)
Year-on-year change	-	-	-	-	-(6)
Chief Executive Officer (since January 26, 2022)	-	-	-	-	16.44(10)
Year-on-year change	-	-	-	-	-
Christophe Périllat (2022 financial year)	-	-	-	-	24.19
Year-on-year change	-	-	-	-	-
RATIO TO MEDIAN COMPENSATION					
Chairman and Chief Executive Officer (until January 26, 2022)	101.72(1)	40.65(2)	61.80(3)	56.47(4)	55.93(5)
Year-on-year change	*-13.25%*	*-60.04%*	*52.03%*	*-8.62%*	-(6)
Chairman of the Board of Directors (since January 26, 2022)	-	-	-	-	17.88(7)
Year-on-year change	-	-	-	-	-
Jacques Aschenbroich (2022 financial year)	-	-	-	-	73.81
Year-on-year change	-	-	-	-	-
Deputy Chief Executive Officer (until January 26, 2022)(8)	-	-	-	11.55(9)	10.61(10)
Year-on-year change	-	-	-	-	-(6)
Chief Executive Officer (since January 26, 2022)	-	-	-	-	22.49(10)
Year-on-year change	-	-	-	-	-
Christophe Périllat (2022 financial year)	-	-	-	-	33.11
Year-on-year change	-	-	-	-	-

(1) 30,696 performance shares allotted to Jacques Aschenbroich under the 2015 plan vested in 2018 (value of the share on the vesting date).
(2) None of the performance shares allotted to Jacques Aschenbroich under the 2016 plan vested in 2019.
(3) None of the performance shares allotted to Jacques Aschenbroich under the 2017 plan vested in 2020.
(4) None of the performance shares allotted to Jacques Aschenbroich under the 2018 plan vested in 2021.
(5) 43,561 performance shares allotted to Jacques Aschenbroich as executive corporate officer under the 2019 plan vested in 2022 (value of the share on the vesting date). The number of shares takes into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%).
(6) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns only the position held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).
(7) None of the performance shares allotted to Jacques Aschenbroich as Chairman of the Board of Directors vested.
(8) As from his appointment as Deputy Chief Executive Officer on May 26, 2021.
(9) None of the performance shares allotted to Christophe Périllat as an executive corporate officer vested in 2021.
(10) None of the performance shares allotted to Christophe Périllat as executive corporate officer vested in 2022.

Historical information

Annual variable compensation

Five-year summary of annual variable compensation awarded to the Chairman and Chief Executive Officer until the separation of roles on January 26, 2022

(% of fixed compensation)	2018		2019		2020		2021		2022[1]	
	Achieved	Capped	Achieved	Capped	Achieved	Capped	Achieved	Capped	Achieved	Capped
Quantifiable criteria	0%	115%	57.5%	115%	46%	115%	75.26%	115%	-	-
Qualitative criteria	53%	55%	47.5%	55%	53%	55%	51.67%	55%	-	-
VARIABLE COMPENSATION	**53%**	**170%**	**105%**	**170%**	**99%**	**170%**	**126.93%**	**170%**	**-**	**-**

(1) *In accordance with the 2022 Jacques Aschenbroich Compensation Policy, he did not receive any annual variable compensation in respect of 2022 as Chairman and Chief Executive Officer.*

Five-year summary of the annual variable compensation awarded to the Deputy Chief Executive Officer and then the Chief Executive Officer after the separation of roles on January 26, 2022

(% of fixed compensation)	2018		2019		2020		2021[1]		2022[2]	
	Achieved	Capped	Achieved	Capped	Achieved	Capped	Achieved[1]	Capped	Achieved	Capped
Quantifiable criteria	-	-	-	-	-	-	52.18%	80%	57.3%	70%
Qualitative criteria	-	-	-	-	-	-	37.67%	40%	47%	50%
VARIABLE COMPENSATION	**-**	**-**	**-**	**-**	**-**	**-**	**89.85%**	**120%**	**104.3%**	**120%**

(1) *The amount of fixed and variable compensation awarded to the Deputy Chief Executive Officer in respect of the 2021 financial year has been calculated prorata to the period of time he served in that capacity.*
(2) *The variable compensation provided for the Chief Executive Officer is applied to Christophe Périllat for the whole of the 2022 financial year.*

Long-term compensation

The history of performance shares allotted is summarized in the tables presented in the paragraph "Compensation paid to the executive corporate officers over the last two years" of this section, on pages 191 to 199. It is recalled, as necessary, that no stock purchase options have been allocated since March 27, 2012.

The Code of Conduct states that the executive corporate officers must not use hedging transactions to reduce their risk, it being specified that no hedging instruments have been used with respect to their performance shares. There are also restrictions on trading in the Company's shares (including selling free shares) during black-out periods (see section 3.2.2 "Directors' rights and duties", pages 147 to 148).

At the end of the holding period set by the Board of Directors, the executive corporate officers must also hold a significant number of vested performance shares in the form of registered shares until the end of their terms of office. This holding obligation will correspond to 50% of the vested performance shares[38].

(38) *Throughout his entire term of office since joining the Group on March 20, 2009, Jacques Aschenbroich has not sold any shares obtained by exercising stock purchase or subscription options allotted to him, nor sold any vested performance shares.*

Evolution of the compensation of the executive corporate officers over the last two financial years

The following tables show the compensation paid and awarded and the performance shares allotted to Jacques Aschenbroich and Christophe Périllat over the last two financial years, in their capacity as executive corporate officers.

Summary of compensation, stock purchase options and performance shares allotted to the executive corporate officers (AMF Table No. 1)

(in €)	2021	2022(1)
Jacques Aschenbroich Chairman and Chief Executive Officer (until January 26, 2022)		
Compensation awarded for the financial year (*prorata* to the term served) *(broken down in AMF Table No. 2)*	2,512,833	92,580(2)
Value of multi-annual variable compensation granted during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*(3)	2,672,987(4)	-
TOTAL	**5,185,820(5)**	**92,580**
Jacques Aschenbroich Chairman of the Board of Directors since January 26, 2022.		
Compensation awarded for the financial year (*prorata* to the period served as Deputy Chief Executive Officer) *(broken down in AMF Table No. 2)*	-	742,456(6)
Value of multi-annual variable compensation granted during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*	-	-
TOTAL	**-**	**742,456**

(1) The total compensation and benefits package paid or awarded to the Chairman and Chief Executive Officer, subsequently the Chairman of the Board of Directors under his 2022 compensation policies will be submitted to the vote of the Shareholders' Meeting of May 24, 2023 called to approve the financial statements for the financial year ending December 31, 2022 (ex post votes).

(2) This amount corresponds to the annual (gross) fixed compensation of 1,100,000 euros allocated to Jacques Aschenbroich as Chairman and Chief Executive Officer, calculated on a prorata temporis basis for the period from January 1 to 26, 2022, plus the benefits in kind allocated to him as Chairman and Chief Executive Officer during the relevant period.

(3) All performance shares allotted to the Chairman and Chief Executive Officer are subject to presence conditions, the achievement of performance criteria, and holding obligations. The performance criteria linked to the performance shares allotted to the Chairman and Chief Executive Officer during the 2021 financial year are described in section 3.3.1 "Long-term compensation – Allotment of performance shares" of Valeo's 2021 Universal Registration Document, pages 163 to 165.

(4) This amount, which corresponds to 118,536 performance shares valued under IFRS, reflects the Board of Directors' decision of May 26, 2021 to apply a 10% discount on the maximum amount per grant authorized in the 2021 Chairman and Chief Executive Officer Compensation Policy. After application of the prorata temporis rule for the period during which Jacques Aschenbroich was Chairman and Chief Executive Officer (i.e., until January 26, 2022), this number has been reduced to 42,218 performance shares, which corresponds to 952,016 euros after restatement of the valuation.

(5) Total compensation in respect of 2021 amounted to 3,464,849 euros after the reduction in the number of performance shares in application of the prorata temporis rule as referred to in footnote (4) above.

(6) This amount corresponds to the annual (gross) fixed compensation of 800,000 euros allocated to Jacques Aschenbroich as Chairman of the Board of Directors, calculated on a prorata temporis basis for the period from January 26 to December 31, 2022, plus the benefits in kind allocated to him as Chairman of the Board of Directors during the relevant period.

(in €)	2021	2022[(1)]
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022		
Compensation awarded for the financial year (*prorata* to the period served as Deputy Chief Executive Officer) *(broken down in AMF Table No. 2)*	835,625	50,490[(2)]
Value of multi-annual variable compensation granted during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*[(3)]	1,304,991[(4)]	-
TOTAL	**2,140,616**	**50,490**
Christophe Périllat Chief Executive Officer since January 26, 2022		
Compensation awarded for the financial year (*prorata* to the period served as Deputy Chief Executive Officer) *(broken down in AMF Table No. 2)*	-	1,950,922[(5)]
Value of multi-annual variable compensation granted during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year (broken down in AMF Table No. 6)[(6)]	-	1,448,227[(7)]
TOTAL	**-**	**3,399,149**

*(1) The total compensation and benefits package paid or awarded to the Deputy Chief Executive Officer, subsequently the Chief Executive Officer, under his 2022 compensation policies will be submitted to the vote of the Shareholders' Meeting of May 24, 2023 called to approve the financial statements for the financial year ending December 31, 2022 (*ex post* votes). Payment of the Chief Executive Officer's variable compensation is contingent on its approval by the shareholders.*

(2) This amount corresponds to the annual (gross) fixed compensation of 725,000 euros allocated to Christophe Périllat as Deputy Chief Executive Officer, calculated on a prorata temporis basis for the period from January 1 to 26, 2022, plus the benefits in kind allocated to him as Deputy Chief Executive Officer during the relevant period.

(3) All performance shares allotted to the Deputy Chief Executive Officer are subject to a presence condition, the achievement of performance criteria, and holding obligations. The performance criteria linked to the performance shares allotted to the Deputy Chief Executive Officer in 2021 are described in section 3.3.1 "Long-term compensation – Allotment of performance shares" of Valeo's 2020 Universal Registration Document, page 168.

(4) This amount, which corresponds to 57,871 performance shares valued under IFRS, reflects the Board of Directors' decision of May 26, 2021 to apply a 10% discount on the maximum amount per grant authorized in the 2021 Deputy Chief Executive Officer Compensation Policy.

(5) This amount corresponds to (i) the annual (gross) fixed compensation of 975,000 euros allocated to Christophe Périllat as Chief Executive Officer, calculated on a prorata temporis basis for the period from January 26 to December 31, 2022, (ii) the annual variable compensation awarded to him as Chief Executive Officer in respect of the 2022 financial year and (iii) the benefits in kind allocated him as Chief Executive Officer.

(6) All performance shares allotted to the Chief Executive Officer are subject to presence conditions, the achievement of performance criteria, and holding obligations. The performance criteria linked to the performance shares allotted to the Chief Executive Officer in 2022 are described in paragraphs "Long-term compensation – Allotment of performance shares" of this section, pages 170 to 172 and in paragraphs "Long-term compensation – Allotment of performance shares" of section 3.3.1 of Valeo's 2021 Universal Registration Document, pages 177 to 179.

(7) This amount, which corresponds to 100,154 performance shares valued under IFRS, reflects the Board of Directors' decision of March 23, 2022 to apply a 26% discount on the maximum amount per grant authorized in the 2022 Chief Executive Officer Compensation Policy.

Summary of the compensation of the executive corporate officers (AMF Table No. 2)

(in €)	2021 Amount awarded	2021 Amount paid	2022[(1)] Amount awarded	2022[(1)] Amount paid
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors since January 26, 2022				
Fixed compensation	1,100,000	1,100,000	825,000[(2)]	825,000[(2)]
Annual variable compensation	1,396,230	1,089,000[(3)]	-	1,396,230[(4)]
Multi-annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' compensation	-	-	-	-
Benefits in kind	16,603	16,603	10,036[(5)]	10,036[(5)]
TOTAL	**2,512,833**	**2,205,603**	**835,036**	**2,231,266**

(1) The total compensation and benefits package paid or awarded to Jacques Aschenbroich as Chairman and Chief Executive Officer from January 1 to 26, 2022 and then as Chairman of the Board of Directors since January 26, 2022 will be submitted to the vote of the Shareholders' Meeting of May 24, 2023 called to approve the financial statements for the financial year ending December 31, 2022 (ex-post votes).

(2) Amount of fixed compensation paid in 2022 corresponding to the sum of (i) the annual (gross) fixed compensation of 1,100,000 euros allocated to the Chairman and Chief Executive Officer, calculated on a prorata temporis basis for the period from January 1 to 26, 2022, i.e., 91,667 euros, and (ii) the annual (gross) fixed compensation of 800,000 euros allocated to the Chairman of the Board of Directors, calculated on a prorata temporis basis for the period from January 26 to December 31, 2022, i.e., 733,333 euros.

(3) Amount of variable compensation as Chairman and Chief Executive Officer in respect of 2020 and paid in 2021.

(4) Amount of the variable compensation as Chairman and Chief Executive Officer in respect of 2021 and paid in 2022.

*(5) Company car with driver and annual contribution to (i) the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), collective and mandatory health, death and disability plan and life insurance as Chairman and Chief Executive Officer until January 26, 2022 (913 euros) then to (ii) the collective and mandatory health, death and disability plan as Chairman of the Board of Directors from January 26 to December 31, 2022 (9,123 euros).*

(in €)	2021[(2)] Amount awarded	2021[(2)] Amount paid	2022[(3)] Amount awarded	2022[(3)] Amount paid
Christophe Périllat[(1)] Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022				
Fixed compensation	434,425	434,425	958,199[(4)]	958,199[(4)]
Annual variable compensation	390,331	-	1,016,925[(5)]	390,331[(6)]
Multi-annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' compensation	-	-	-	-
Benefits in kind	10,869	10,869	26,288[(7)]	26,288[(7)]
TOTAL	**835,625**	**445,294**	**2,001,412**	**1,374,818**

(1) The table shows the amounts allocated and paid in respect of 2021 and 2022 financial years to Christophe Périllat as Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022 and as Chief Executive Officer since that date, excluding amounts allocated and paid in respect of his status as an employee prior to his appointment as executive corporate officer.

(2) The amount of compensation due to the Deputy Chief Executive Officer in respect of the 2021 financial year has been calculated prorata to the period of time he served in that capacity.

(3) The total compensation and benefits package paid or awarded to Christophe Périllat as Deputy Chief Executive Officer from January 1 to 26, 2022 and then as Chief Executive Officer since January 26, 2022 will be submitted to the vote at the Shareholders' Meeting of May 24, 2023 called to approve the financial statements for the financial year ending December 31, 2022 (ex-post votes). Payment of the annual variable compensation is contingent on its approval by the shareholders.

(4) Amount of fixed compensation for 2022 corresponding to the sum of (i) the annual (gross) fixed compensation of 725,000 euros allocated to the Deputy Chief Executive Officer, calculated on a prorata temporis basis for the period from January 1 to 26, 2022, i.e., 48,723 euros and (ii) the annual (gross) fixed compensation of 975,000 euros allocated to the Chief Executive Officer, calculated on a prorata temporis basis for the period from January 26 to December 31, 2022, i.e., 909,476 euros.

(5) Amount of variable compensation provided for the Chief Executive Officer applied to Christophe Périllat for the whole of the 2022 financial year.

(6) Amount of variable compensation as Deputy Chief Executive Officer awarded in respect of the 2021 financial year and paid in the 2022 financial year.

*(7) Company car with driver and annual contribution to the unemployment insurance fund for company managers (*Garantie Sociale des Chefs et Dirigeants d'entreprise*), annual contribution to the health, death and disability plan and life insurance (of which 1,767 euros as Deputy Chief Executive Officer from January 1 to 26, 2022 and 24,521 euros as Chief Executive Officer from January 26 to December 31, 2022).*

Stock purchase options allotted to the executive corporate officers during the financial year by Valeo or any Group company (AMF Table No. 4)

	Plan no. and date	Type of option (purchase)	Value of options according to the method used for consolidated financial statements	Number of options allotted during the financial year	Exercise price	Exercise period	Performance criteria
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors since January 26, 2022	None	-	-	-	-	-	-
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022	None	-	-	-	-	-	-

Stock purchase options exercised by the executive corporate officers during the financial year (AMF Table No. 5)

	Plan no. and date	Number of options exercised during the financial year	Exercise price
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors since January 26, 2022	None	-	-
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022	None	-	-

Performance shares allotted to the executive corporate officers during the financial year by Valeo or any Group company (AMF Table No. 6)

	Plan no. and date	Number of shares allotted during the financial year	Value of shares according to the method used for consolidated financial statements	Vesting date	Shares available as at	Performance criteria
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors since January 26, 2022	None	-	-	-	-	-
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022	03/23/2022	100,154(1)	14.46(2)	03/23/2025	03/23/2027(3)	(4)

(1) Allotment in respect of the duties of Chief Executive Officer.

(2) In accordance with the 2022 Chief Executive Officer Compensation Policy, the Board of Directors, at its meeting held on March 23, 2022, on the recommendation of the Compensation Committee, decided to allot 100,154 performance shares to Christophe Périllat for 2022, pursuant to the twenty-fifth resolution of the Shareholders' Meeting of May 26, 2021. Due to the extreme volatility of the financial markets and the sharp drop in the stock price of the automotive sector companies in Europe, including Valeo, since the beginning of the Russo-Ukrainian conflict, the amount of the allotment granted to the Chief Executive Officer (IFRS valuation) was calculated with a discount of 26% as compared to the maximum permitted under the compensation policy (200% of annual fixed compensation). This discount corresponds to the ratio between the average share price for the last 20 days generally used by Valeo and the average share price over the last 60 days prior to the allotment of performance shares. Based on the share price on the date of the Board of Directors' meeting (average of 20 days, IFRS valuation), this corresponds to 100,154 shares, valued under IFRS at 14.46 euros, i.e., 74% as compared to the maximum permitted under the 2022 Chief Executive Officer Compensation Policy.

(3) Obligation to hold at least 50% of the vested shares as registered shares until the end of his term of office.

(4) All performance shares allotted to the Chief Executive Officer are subject to a presence condition, the achievement of performance criteria, and a holding obligation (see above). The performance criteria linked to the performance shares allotted to the Chief Executive Officer during the 2022 financial year are described in this section, paragraph "Long-term compensation – Allotment of performance shares", page 186.

Performance share allotments that became available for trading for the executive corporate officers during the financial year (AMF Table No. 7)

The table below shows the performance shares allotted to the executive directors (*ex officio*) that became available during the financial year.

	Plan no. and date	Number of shares that became available for trading during the financial year	Vesting requirements
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors since January 26, 2022	05/23/2019	43,561(1)	(2)
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022	-	-	-

(1) The Board of Directors, on the recommendation of the Compensation Committee, had allotted 87,122 shares to Jacques Aschenbroich and on March 24, 2021, due to the Covid-19 crisis, decided to (i) adjust the assessment of the internal performance criteria for the 2020 financial year and (ii) apply a reduction of one-sixth of the performance shares allotted under the 2019 and 2020 plans for the portion represented by internal performance criteria (i.e., 80%). The number of shares that vested takes this reduction into account.

(2) Given the demanding target rate inherent in the performance criteria, (i) the achievement rate for the internal performance criteria is 50% for the ROA rate and 100% for operating margin (each representing 40% of the shares allocated) and (ii) the achievement rate for the external performance criterion (Valeo's TSR) over the 3-year period of the 2019 plan is zero (representing 20% of the shares allocated).

History of allotments of stock purchase options including to the executive corporate officers – Information concerning stock purchase options (at December 31, 2022) (AMF Table No. 8)

The table showing the history of stock purchase option allotments, including those to the corporate officers, is set out in section 3.3.2 of the 2020 Universal Registration Document, page 189.

It is recalled that the last stock purchase option plan in effect expired on March 26, 2020. Valeo has not been authorized to grant stock options by the Shareholders' Meeting since August 5, 2014.

History of allotments of free shares – Information concerning free shares allotted (at December 31, 2022) (AMF Table No. 10)

The table below shows a history of free share allotments[(1)].

	2012 plan	2013 plan	2014 plan	2015 plan
DATE OF SHAREHOLDERS' MEETING	**06/08/2011**	**06/04/2012**	**06/04/2012**	**05/21/2014**
Date of Board of Directors' meeting	03/27/2012	03/27/2013	03/27/2014	03/26/2015
Total number of free shares allotted	639,420	1,421,442	970,440	957,027
Number of shares conditionally allotted to Jacques Aschenbroich[(2)]	34,200	76,902	31,515	30,696
Number of shares conditionally allotted to Christophe Périllat in his capacity as Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022[(6)]	-	-	-	-
Number of shares conditionally allotted to Christophe Périllat in his capacity as Chief Executive Officer since January 26, 2022[(7)]	-	-	-	-
Number of shares conditionally allotted to Christophe Périllat in his capacity as Chief Operating Officer then Associate Chief Executive Officer under plans still in effect at Dec. 31, 2022[(8)]	-	-	-	-
Performance criteria – rate of achievement				
Chairman and Chief Executive Officer until January 26, 2022	100%	100%	100%	100%
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	-	-
Chief Executive Officer since January 26, 2022	-	-	-	-
Other	100%	100%	100%	100%

(1) *The figures in the table have been adjusted for the three-for-one stock split approved by the Shareholders' Meeting of May 26, 2016 (nineteenth resolution) and implemented by the Board of Directors on the same date. To protect the interests of the beneficiaries of free shares during the vesting period, at its meeting held on May 26, 2016, the Board of Directors decided to adjust the number of free shares (including performance shares) allotted but not yet vested by multiplying it by three.*

(2) *All performance shares allotted to Jacques Aschenbroich are contingent on the achievement of performance criteria. The performance criteria linked to the performance shares allotted to Jacques Aschenbroich during the 2020 and 2021 financial years are described in section 3.3.2 "Long-term compensation – Allotment of performance shares" of Valeo's 2020 Universal Registration Document, page 182.*

(3) *This amount does not take into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%). However, the number of shares allotted to Jacques Aschenbroich under the 2019 plan that have now vested includes this reduction. See footnote on page (22) below.*

(4) *It being specified that this number of shares was reduced due to (i) the application of the prorata temporis rule based on the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer, and (ii) the one-sixth reduction of the shares allotted under the 2020 plan for the portion represented by the internal performance criteria (80%) and amounted to 77,683.*

(5) *It being specified that this number of shares has been reduced prorata temporis to the period during which Jacques Aschenbroich served as Chairman and Chief Executive Officer and amounted to 42,218.*

(6) *All performance shares allotted to Christophe Périllat are contingent on the achievement of performance criteria. The performance criteria applicable to the performance shares allotted to Christophe Périllat in the 2021 financial year are described in the paragraph "Long-term compensation – Allotment of performance shares" of Valeo's 2021 Universal Registration Document, pages 190 and 191.*

(7) *All performance shares allotted to Christophe Périllat are contingent on the achievement of performance criteria. The performance criteria applicable to the performance shares allotted to Christophe Périllat in the 2022 financial year are described in the paragraph "Long-term compensation – Allotment of performance shares" of this section, page 186.*

2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan
05/26/2016	**05/26/2016**	**05/26/2016**	**05/23/2019**	**05/23/2019**	**05/26/2021**	**05/26/2021**
05/26/2016	03/22/2017	03/22/2018	05/23/2019	03/24/2020	05/26/2021	03/23/2022
1,267,022	1,012,043	1,234,623	1,699,281	2,342,306	2,070,829	2,308,057
70,974	51,030	55,026	87,122(3)	130,000(4)	118,536(5)	-
-	-	-	-	-	57,871	-
-	-	-	-	-	-	100,154
-	-	27,810	56,223	83,997	-	-
0%(9)	0%(10)	0%(11)	60%(12)	80%(13)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
0%(9)	100%	100%	60% – 87.5%(14)	80% – 100%(15)		

(8) *All performance shares allotted to Christophe Périllat in his capacity as Chief Operating Officer and then Associate Chief Executive Officer are contingent on the achievement of performance criteria.*

(9) *Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to achieve these criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of the WLTP, a slowdown in the Chinese market, a rise in raw materials prices and, more generally, the turbulence in the financial markets.*

(10) *Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices.*

(11) *Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices, and in 2020 caused by the Covid-19 crisis.*

(12) *Given the demanding target rate inherent in the performance criteria, (i) the achievement rate for the internal performance criteria is 50% for the ROA rate and 100% for operating margin (each representing 40% of the shares allocated) and (ii) the achievement rate for the external performance criterion (Valeo's TSR) over the 3-year period of the 2019 plan is zero (representing 20% of the shares allocated).*

(13) *Given the demanding target rate inherent in the performance criteria, (i) the achievement rate for the internal performance criteria is 100% for the ROA rate and the operating margin (each representing 40% of the shares allocated) and (ii) the achievement rate for the external performance criterion (Valeo's TSR) over the 3-year period of the 2020 plan is zero (representing 20% of the shares allocated).*

(14) *60% for the Operations Committee, 75% for the Liaison Committee and 87.5% for the other senior executives.*

(15) *80% for the Operations Committee, 100% for the Liaison Committee and 100% for the other senior executives.*

	2012 plan	2013 plan	2014 plan	2015 plan
VESTING DATE OF SHARES				
Chairman and Chief Executive Officer (until January 26, 2022), Operations Committee Deputy Chief Executive Officer under the 2021 Plan and Chief Executive Officer under the 2022 Plan	France: 03/27/2015 Other countries: 03/27/2017	France: 03/27/2016 Other countries: 03/27/2018	France: 03/27/2017 Other countries: 03/27/2019	France: 03/26/2018 Other countries: 03/26/2020
Liaison Committee and main direct reports of the Liaison Committee members	France: 03/27/2015 Other countries: 03/27/2017	France: 03/27/2016 Other countries: 03/27/2018	France: 03/27/2017 Other countries: 03/27/2019	France: 03/26/2018 Other countries: 03/26/2020
High-potential managers	-	-	-	France: 03/26/2018 Other countries: 03/26/2020
All employees	France: 03/27/2015	France/ Spain/Italy: 06/30/2016 Other countries: 03/27/2018	France/ Spain/Italy: 06/30/2017 Other countries: 06/30/2019	France/ Spain/Italy: 06/30/2018 Other countries: 06/30/2020
Employee share ownership plans	-	-	-	-
SHARES AVAILABLE AS AT				
Chairman and Chief Executive Officer, Deputy Chief Executive Officer (under the 2021 Plan) and Chief Executive Officer (under the 2022 Plan) Operations Committee	03/27/2017	03/27/2018	03/27/2019	03/27/2020
Liaison Committee and main direct reports of the Liaison Committee members	03/27/2017	03/27/2018	03/27/2019	03/27/2020
High-potential managers	-	-	-	03/27/2020
All employees	France: 03/27/2017	France/Other countries: 03/27/2018 Spain/Italy: 03/27/2019	France/Other countries: 03/27/2019 Spain/Italy: 03/27/2020	France/Other countries: 03/27/2020 Spain/Italy: 03/27/2021
Employee share ownership plans	-	-	-	-
Total number of shares vested	560,883	1,210,350	722,364	734,013
Of which total number of shares vested for Jacques Aschenbroich	34,200	76,902	31,515	30,696
Of which total number of shares vested for Christophe Périllat in his capacity as Chief Operating Officer	-	-	-	-
Total number of shares canceled or forfeited (aggregate)	78,537	211,092	248,076	223,014
Allotted free shares remaining at year-end	0	0	0	0

(16) The Chairman and Chief Executive Officer.

(17) For members of the Operations Committee as well as members of the Liaison Committee and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e., 2017, 2019 and 2020 instead of 2017, 2018 and 2019). The vesting period is four years instead of three. No holding period.

(18) For members of the Operations Committee (including Christophe Périllat as Chief Operating Officer) as well as members of the Liaison Committee and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e., 2019, 2020 and 2021 instead of 2018, 2019 and 2020). The vesting period is four years instead of three. No holding period.

2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020[16] 03/22/2021[17] Other countries: 03/22/2021[17]	France: 03/22/2021[16] 03/22/2022[18] Other countries: 03/22/2022[18]	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2021[17] Other countries: 03/22/2021[17]	France: 03/22/2022[18] Other countries: 03/22/2022[18]	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020 Other countries: 03/22/2022	France: 03/22/2021 Other countries: 03/22/2023	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025
France: 06/30/2019 Other countries: 06/30/2021	France: 06/30/2020 Other countries: 06/30/2022	France: 06/30/2021 Other countries: 06/30/2023	France/ Other countries: 06/30/2022	France/ Other countries: 06/30/2023	France/Other countries: 06/30/2024	France/Other countries: 06/30/2025
Spain/Italy: 11/15/2019 Belgium: 11/15/2021 Other countries: 06/30/2021	Spain/Italy: 07/27/2020 Belgium/Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2021 Other countries: 06/30/2023	Italy/Spain: 06/27/2022 Other countries: 06/30/2024	Italy/Spain: 11/16/2023 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2024 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2025 Belgium: 11/17/2027 Other countries: 06/30/2027
05/26/2021	03/22/2022[16] [19]	03/22/2023[16] [19]	05/23/2024[16] [19]	03/24/2025[16] [19]	05/26/2026[20] [19]	03/23/2027[21] [19]
05/26/2021	[19]	[19]	[19]	[19]	[19]	[19]
05/26/2021	03/22/2022	03/22/2023	[19]	[19]	[19]	[19]
France/Other countries: 05/26/2021	France/Other countries: 03/22/2022	France/Other countries: 03/22/2023	[19]	[19]	[19]	[19]
Italy/Spain: 11/15/2022 Belgium: 11/15/2021 Other countries: 06/30/2021	Italy/Spain: 07/27/2023 Belgium/Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2024 Other countries: 06/30/2023	Italy/Spain: 06/27/2025 Other countries: 06/30/2024	Italy/Spain: 11/16/2026 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2027 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2028 Belgium: 11/17/2027 Other countries: 06/30/2027
274,341	579,305	520,325	942,386	4,655	4,127	0
0	0	0	43,561[22]	62,147[23]	-	-
-	-	27,810	33,734	67,198	-	-
642,060	193,267	216,552	408,969	187,723	90,314	40,093
0	0	226,016	255,868	1,939,748	1,777,307	2,267,964

(19) No holding period.
(20) The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.
(21) The Chief Executive Officer.
(22) This number of shares was reduced to take into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%).
(23) The number of shares indicated takes into account (i) the one-sixth reduction in the number of performance shares initially allocated under the 2020 plan for the portion represented by the internal performance criteria (i.e., 80%), decided by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee, and (ii) the reduction in the number of shares allocated on a prorata temporis basis for the period during which Jacques Aschenbroich was both Chairman and Chief Executive Officer.

EMPLOYMENT CONTRACT, SUPPLEMENTARY PENSION PLANS AND BENEFITS (AMF TABLE NO. 11)

	Employment contract	Supplementary pension plans	Compensation or benefits owed or likely to be owed on termination or change of position	Compensation relating to a non-compete clause
Jacques Aschenbroich Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors from January 26, 2022 to December 31, 2022 First appointed as a director: 03/20/2009 First appointed as Chief Executive Officer: 03/20/2009 First appointed as Chairman and Chief Executive Officer 02/18/2016 Last renewal of the current term of office as a director: 05/23/2019 Separation of roles as of 01/26/2022: end of term of office as Chief Executive Officer End of terms of office (director and Chairman of the Board of Directors): 12/31/2022(4)	No	No(1)	No(2)	No(3)
Christophe Périllat Deputy Chief Executive Officer until January 26, 2022, then Chief Executive Officer since this date	As Chief Executive Officer: no, since January 26, 2022.	As Chief Executive Officer: yes A description of this supplementary pension plan is provided in the paragraph "Supplementary pension" of this section, pages 186 and 187.(5)	As Chief Executive Officer: yes For a description of this benefit, see paragraph "Termination benefits" of this section, pages 173 and 174.	As Chief Executive Officer: yes For a description of this benefit, see paragraph "Non-compete clause" of this section, page 173.
First appointed as a director: 05/26/2021 Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022 First appointed as Chief Executive Officer: Board meeting of 01/26/2022 End of current term of office as a director: Shareholders' Meeting called to approve the 2024 financial statements	As Deputy Chief Executive Officer: yes. Christophe Périllat's employment contract was suspended during his term of office as Deputy Chief Executive Officer and was terminated as of the date of his appointment as Chief Executive Officer on January 26, 2022. His employment contract was terminated upon his appointment as Chief Executive Officer.	As Deputy Chief Executive Officer: yes, under the employment contract. A description of this supplementary pension is provided in the paragraph "Supplementary pension" of this section, page 186.	As Deputy Chief Executive Officer: yes, under the employment contract. A description of this compensation is provided in the paragraph "Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, non-compete clause, directors' compensation, benefits of any kind under agreements with the Company or any Group company or options or any other long-term compensation component" of this section, page 174.	As Deputy Chief Executive Officer: yes, under the employment contract. A description of this compensation is provided in the paragraph "Other compensation components – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, non-compete clause, directors' compensation, benefits of any kind under agreements with the Company or any Group company or options or any other long-term compensation component" of this section, page 174.

(1) Following the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022, on February 1, 2022 Jacques Aschenbroich claimed his statutory pension and his rights under the Article 39 defined benefit plan of which he was a member in his capacity as Chairman and Chief Executive Officer.

(2) Following the appointment of Jacques Aschenbroich as Chairman of the Board of Directors by decision of the Board of Directors on February 18, 2016, Jacques Aschenbroich thus becoming Chairman and Chief Executive Officer of Valeo following the Board of Directors' decision, on the same day, to combine the roles of Chairman of the Board of Directors and Chief Executive Officer, Jacques Aschenbroich notified the Board of Directors of his decision to waive, as from his appointment on February 18, 2016, his right to termination benefits and this decision was duly noted by the Board of Directors.

(3) Given the recommendations of the AFEP-MEDEF Code on non-compete agreements, Jacques Aschenbroich announced his decision to waive his right to non-compete compensation. In order to comply with the AFEP-MEDEF Code, the Board of Directors formally noted this decision at its meeting held on February 21, 2019 and consequently decided to amend the non-compete agreement accordingly.

(4) Jacques Aschenbroich stepped down as Chairman of the Board of Directors of Valeo on December 31, 2022, in line with the commitments he made upon his appointment as Chairman of the Board of Directors of Orange and as announced in a press release dated March 30, 2022.

(5) The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the New Plan from January 1, 2020 up until his employment contract was terminated. In accordance with the 2022 Chief Executive Officer Compensation Policy, Christophe Périllat, in his capacity as Chief Executive Officer, benefits from an optional defined contribution pension plan, which replaces the acquisition of rights under the defined benefit pension plans.

Directors' compensation in respect of the 2022 financial year

The amount of compensation paid to each director in the 2022 financial year is outlined in the table below.

(Gross) compensation paid to Board members amounted to 964,381.22 euros in 2022[39], compared with 1,057,500 euros in 2021. The compensation was distributed as follows:

SUMMARY OF DIRECTORS' COMPENSATION PROVIDED FOR IN ARTICLES L. 22-10-14 AND L. 225-45 OF THE FRENCH COMMERCIAL CODE AND OTHER COMPENSATION RECEIVED BY THE CORPORATE OFFICERS (AMF TABLE NO. 3)

	Compensation				Other compensation (fixed, variable or exceptional compensation, benefits in kind)	
(in €)	2021	Fixed portion 2022	Variable portion 2022	Ratio between the 2022 fixed and variable portions	2021	2022
EXECUTIVE CORPORATE OFFICERS						
Jacques Aschenbroich	-	-	-	-	2,512,833	835,036
Christophe Périllat	-	-	-	-	835,625	2,001,412
NON-EXECUTIVE CORPORATE OFFICERS						
Julie Avrane[1]	76,000	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
Bruno Bézard	76,000	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
Bpifrance Participations[2]	88,000	25,000	57,000	fixed portion: 30% variable portion: 70%	-	-
Éric Chauvirey[3]	47,602.21	-	-	-	-	-
Alexandre Dayon[4]	-	10,733.70	9,000	fixed portion: 54% variable portion: 46%	-	-
C. Maury Devine[5]	73,000	14,266.30	27,000	fixed portion: 35% variable portion: 65%	-	-
Mari-Noëlle Jégo-Laveissière	73,000	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
Gilles Michel[6]	137,000	41,381.22	57,000	fixed portion: 42% variable portion: 58%	-	-
Thierry Moulonguet	94,000	40,000	57,000	fixed portion: 41% variable portion: 59%	-	-
Olivier Piou[7]	48,500	-	-	-	-	-
Éric Poton[8]	22,397.79	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
Patrick Sayer	91,000	37,000	51,000	fixed portion: 42% variable portion: 58%	-	-
Ulrike Steinhorst[9]	79,000	31,000	57,000	fixed portion: 35% variable portion: 65%	-	-
Grzegorz Szelag	61,000	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
Véronique Weill	91,000	25,000	60,000	fixed portion: 29% variable portion: 71%	-	-
TOTAL	**1,057,500**	**349,381.22**	**615,000**			

(1) Julie Avrane is the permanent representative of Fonds Stratégique de Participations.
(2) Represented by Stéphanie Frachet until December 31, 2022.
(3) The term of office of Éric Chauvirey ended on June 30, 2021.
(4) Co-optation of Alexandre Dayon by the Board of Directors on July 26, 2022.
(5) Resignation with effect on July 26, 2022.
(6) Gilles Michel's duties as Lead Director ended on January 26, 2022.
(7) Olivier Piou's term of office ended on June 30, 2021.
(8) Designation of Éric Poton by the Group Works Council on June 18, 2021, with effect on June 30, 2021.
(9) Appointment of Ulrike Steinhorst as head of CSR matters by the GACSR on October 27, 2020.

(39) The compensation allocated to Alexandre Dayon upon his appointment as director in 2022, i.e., 19,733.70 euros, was paid at the beginning of 2023.

3.3.3 Overall compensation of other Group senior executives

The Group's other senior executives correspond to the members of the Operations Committee, which at December 31, 2022 was made up of 14 members including the Chief Executive Officer. The total gross amount paid directly and indirectly to the members of the Operations Committee (excluding the executive corporate officers) was 10,857,784 euros in 2022 (compared with 10,547,813 euros in 2021), of which a fixed portion of 6,572,265 euros, a variable portion of 4,151,236 euros, and benefits in kind of 134,283 euros.

At its meeting held on March 23, 2022, the Board of Directors, on the recommendation of the Compensation Committee, decided to allot free shares or performance shares to employees and corporate officers under the conditions provided for in the applicable legal provisions and pursuant to the twenty-fifth resolution of the Shareholders' Meeting of May 26, 2021, including:

- 471,597 performance shares to the Operations Committee members (excluding Christophe Périllat);
- 177,840 performance shares to the Liaison Committee members (other than the Operations Committee members);
- 786,902 free shares/performance shares to the main direct reports of the Liaison Committee members;
- 771,564 free shares (maximum), not subject to performance criteria, including (i) 632,000 free shares allotted (a) among all the Group's employees in France and in countries not participating in the Shares4U employee share ownership plan, and (b) share allotments for the international contribution under the Shares4U employee share ownership plan, under the terms and conditions of allotment set out in the various plan regulations, and (ii) 139,564 free shares (exceptional allotment) to high-potential managers.

The main characteristics of the performance shares allotted to the members of the Operations Committee and the Liaison Committee, as well as the main direct reports of the Liaison Committee members, are as follows:

- the performance shares allotted to the members of the Operations Committee (excluding Christophe Périllat) and the Liaison Committee are subject to the same performance criteria, target rates and performance assessment methods as the performance shares allotted by the Board of Directors on the same date to the Chief Executive Officer (see section 3.3.1 "Overview of the compensation policy for Christophe Périllat in respect of the financial year ending December 31, 2022 in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles on January 26, 2022", pages 168 to 174);
- 50% of the performance shares allotted to the main reports of the Liaison Committee members and other Group managers are contingent on (i) the achievement of the following three criteria as assessed over the three years of the vesting period: EBITDA rate and ROCE rate (20% per criterion) and corporate social responsibility (10% for this criterion). The target rates and procedures used to measure the achievement rates for these criteria are the same as those used for the performance shares allotted on the same day by the Board of Directors to (i) the Chief Executive Officer (see section 3.3.1 "Overview of the compensation policy for Christophe Périllat in respect of the 2022 financial year in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022", pages 168 to 174), and (ii) the members of the Operations Committee and Liaison Committee;
- the performance shares will vest after a three-year vesting period; there is no minimum holding period for the shares obtained;
- free shares granted to high-potential executives are not subject to any performance criteria;
- all performance shares will be allotted provided, in particular, that (i) the beneficiary's employment contract or corporate office is still valid, and (ii) the share vesting date does not fall during the notice period following the beneficiary's resignation, dismissal or contract termination, unless provided otherwise (such as in the case of death, total and permanent disability, retirement, early retirement, the sale of the beneficiary's entity, or the Board of Directors' discretionary decision). Furthermore, the Board of Directors reserves the right to maintain the entitlement to the performance shares in specific cases determined by it;
- in accordance with the Group's Code of Conduct, the Chief Executive Officer, the members of the Operations Committee and the Liaison Committee shall not engage in hedging transactions over Valeo securities (including performance and/or free shares).

The free shares or performance shares allotted to employees and corporate officers (including the executive corporate officer) in the 2022 financial year had a limited dilutive impact and represented 0.95% of the Company's share capital at December 31, 2022. All of the free shares and performance shares allotted since 2010 to employees and corporate officers (including to the executive corporate officer in respect of the 2022 financial year) represented 7.43% of the Company's share capital at December 31, 2022.

Further to the Board of Directors' decision on July 20, 2017, this supplementary pension plan covering the Group's senior executives, which came into effect on January 1, 2010, was closed to new members on July 1, 2017. A new "Article 83" defined contribution supplementary pension plan was introduced on January 1, 2019 and is open to all employees in France whose compensation is more than four times the social security ceiling. In accordance with French Ordinance No. 2019-697 of July 3, 2019, the 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. Since January 1, 2020, members of the previous defined benefit pension plan have been covered by a new defined benefit plan governed by Article L. 137-11-2 of the French Social Security Code.

3.3.4 Information about the performance shares

The performance share allotment policy is described in section 3.3.1 "Overview of the compensation policy for Jacques Aschenbroich in respect of the 2022 financial year in his capacity as Chairman and Chief Executive Officer and subsequently Chairman of the Board of Directors, as from the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022", pages 166 to 168 with respect to allotments made to Jacques Aschenbroich, in section 3.3.1 "Overview of the compensation policy for Christophe Périllat in respect of the financial year ending December 31, 2022 in his capacity as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the separation of the roles on January 26, 2022", pages 168 to 174 with respect to allotments made to Christophe Périllat, and in section 3.3.3 "Overall compensation of other Group senior executives", page 202 with respect to allotments made to other beneficiaries.

Stock options and free shares are also detailed in Chapter 6, section 6.6.2 "Other securities giving access to the share capital – Stock purchase option and free share plans", pages 476 to 478.

Stock purchase options allotted and exercised in the 2022 financial year (AMF Table No. 9)

Stock purchase options allotted to the ten employees receiving the greatest number of options and options exercised by the ten employees exercising the greatest number of options, excluding corporate officers	Number of options allotted/exercised	Weighted average strike price	Expiration date	Date of Board of Directors' meeting
Options allotted during the financial year by Valeo and/or other Group companies to the ten employees of the issuer or other Group companies receiving the greatest number of options	-	-	-	-
Options held on Valeo and/or other Group companies, and exercised during the financial year by the ten employees of the issuer or other Group companies with the greatest number of options exercised	-	-	-	-

Performance shares allotted during the 2022 financial year

Performance shares allotted to the ten employees receiving the greatest number of performance shares, excluding corporate officers	Number of performance shares allotted	Date of Board of Directors' meeting
Performance shares allotted by Valeo to the ten employees of Valeo or related entities, as defined in Article L.225-197-2 of the French Commercial Code, who received the greatest number of such shares(1)	421,742	03/23/2022

(1) Valued at 15.66 euros under IFRS.

Pensions and other post-employment benefits and related provisions

At December 31, 2022, the total amount of provisions set aside by Valeo or its subsidiaries for the payment of pensions or other post-employment benefits to members of the Board of Directors and other senior executives of the Group came to 11 million euros, as opposed to 15 million euros at December 31, 2021.

At December 31, 2022, the total amount of provisions set aside and the total amounts paid by Valeo or its subsidiaries for these benefits to former Board members or other senior executives of the Group came to, respectively, 2 million euros (versus 2 million euros at December 31, 2021) and 108,742 euros (versus 107,233 euros at December 31, 2021).

4

SUSTAINABLE DEVELOPMENT

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

Interview with Christophe Périllat

Christophe Périllat
CHIEF EXECUTIVE OFFICER

You took over as Valeo's Chief Executive Officer in January 2022. How do you view Valeo's maturity in terms of sustainable development?

C.P. Becoming Chief Executive Officer of Valeo is both a great honor and an immense responsibility. The automotive industry is currently undergoing the biggest transformation in its history. Valeo anticipated today's transformation as early as 2009, having grasped that reducing greenhouse gas emissions would be a key growth driver. We have structured our product portfolio to meet the major mobility challenges, in particular the quest for safer, low-carbon mobility. Valeo is at the epicenter of the four megatrends shaping sustainable mobility: vehicle electrification, driving assistance – or ADAS – lighting everywhere and reinvention of the interior experience.

We are innovating day after day to achieve low-carbon mobility with affordable technologies. Valeo's goal is to work toward sustainable mobility for as many people as possible. Valeo derives 91% of its original equipment sales from products contributing to cleaner and safer mobility.

Since its creation 13 years ago, Valeo's Sustainable Development Department has worked tirelessly to improve our performance and transparency on environmental, human resources and social issues, enabling it to become one of the best automotive suppliers in terms of non-financial performance. In 2022, Valeo was awarded an A score by CDP (Carbon Disclosure Project), a distinction that recognizes our leadership in terms of transparent reporting and climate change action. Valeo also received the highest rating among its automotive supplier peers from non-financial rating agencies MSCI (AAA), Sustainalytics, S&P and Iss-oekom.

This work is in keeping with our adherence to the ten principles of the United Nations Global Compact since 2005. Our support for this initiative remains whole, and we continue to contribute to the United Nations Sustainable Development Goals.

What were the highlights of 2022 in terms of sustainable development?

C.P. 2022 was shaped by a number of major events for Valeo.

First, there was a major acquisition for Valeo with the integration of 100% of Valeo Siemens eAutomotive, a leader in high-voltage electrification, into its Powertrain Systems Business Group. This transaction strengthens Valeo's position as a major player in electrification with a full range of low- and high-voltage electric powertrain solutions covering all uses and needs.

We also continued to successfully roll out our CAP 50 Carbon Neutrality Plan, to the point of exceeding our targets by reducing our emissions by 4.4 MtCO_2eq. compared with 2019, a reduction of nearly 9%.

Under this plan, Valeo has set major intermediate targets for 2025 and 2030, with the aim of reducing all our emissions by almost half by the 2030 milestone. This demands a huge transformation of our operations, our value chain and our products, one that involves mobilizing and training all our employees, but which also requires a commitment from us beyond the scope of our plants and products. Decarbonization is a priority that must be shared with our entire ecosystem and the automotive industry as a whole, including our suppliers. That's why we aim to support them in their carbon transition, leading to the emergence of new products, materials and solutions. To further onboard our suppliers in this transition, in 2022, Valeo formed a partnership with CDP (Carbon Disclosure Project), using the CDP Supply Chain assessment to measure its suppliers' carbon performance. The program targets suppliers representing more than 80% of annual manufacturing spend and will be repeated each year.

Also in 2022, we confirmed our commitment to non-financial transparency by publishing our first climate report, which is available on our website. The report presents Valeo's current vision of climate change risks and opportunities, in line with the recommendations of the TCFD.

Lastly, we strengthened our ties with stakeholders by attending COP 27 – our first ever COP summit. At the event, we presented low-cost electrification solutions for developing countries. Because while mobility must indeed be decarbonized, it must also be affordable, otherwise we will not achieve our greenhouse gas emissions reduction targets.

Valeo also presented its low-carbon strategy to the International Transport Forum at the OECD. It was an opportunity to explain the importance of cooperation between public and private sector players to accelerate the mobility of tomorrow.

What are the Group's priorities in terms of sustainability for 2023 and beyond?

C.P. Our industry is responsible for 18% of CO_2 emissions worldwide. We have a major responsibility in this respect and I feel very strongly that our positioning as an automotive supplier makes us part of the solution.

Electrification is now a reality, but its gradual development poses other challenges for our industry. In keeping with our goal of achieving excellence in the area of sustainable development, I wanted us to anticipate future trends and challenges. That's why we are addressing the issue of carbon in a much broader way than simply vehicle use, and we plan to involve our plants, suppliers and partners. Our Carbon Neutrality Plan assigns eco-design, recyclability and material impact reduction objectives to all of our main production platforms.

We will continue our efforts to meet the challenges that lie ahead and deliver on our decarbonization goals in line with our SBTi commitments.

But the challenges we face stretch far beyond carbon.

Valeo is keen to reinforce its commitment to the circular economy, notably by giving consideration to its impact on biodiversity. In 2022, we launched a circular economy policy known as the "4Rs approach", encompassing robust design, remanufacturing, repair and recycling. It applies on all of our plants. This approach sums up the Group's commitment to making its operations and value chain more circular, and the results are already tangible. They include the qualification of 70% recycled polycarbonates and 100% recycled polypropylenes and more than 1 million products remanufactured in 2022. Remanufacturing and repair operations are to be accelerated over the coming decade, with the aim of doubling volumes of parts featuring materials from the circular economy.

Because our employees are an essential asset for the Group, we are pressing ahead with our commitment to safety, skills development and job quality. 2022 saw improvements in health and safety, diversity and training indicators, as reflected in the increase in the proportion of managers and professionals – compared to technicians and operators – from 30% to 37% of the headcount between 2020 and 2022. This trend highlights how the transformation of our operations is leading to a more skilled workforce.

In addition to this shift in on our own human resources, we are committed to helping our host communities prepare for the future as well. As a key partner in the regions where we operate, Valeo must continue to drive its entire ecosystem's commitment to sustainable development. Our aim is to further develop our relationships with local stakeholders, through our partnerships with universities, schools and technical training centers, to help the schoolchildren, apprentices and students of today become responsible citizens of tomorrow. In addition to measures aimed at better aligning our suppliers with "societal" sustainability standards, particularly in terms of respect for human rights, we intend to contribute to and shape the pool of skills that will best serve the low-carbon, smart mobility ecosystem. All of these initiatives accurately reflect the meaning Valeo wishes to give to its work to promote the sustainable development of society.

4.1 Valeo and sustainable development: governance, challenges and policies

Valeo publishes its non-financial information statement in its Universal Registration Document, and also presents the key points relating to its commitment to the circular economy (see section 4.5.3 "Environmental commitment", page 292), in accordance with the applicable European and French frameworks[(1)]. For the transparency and clarity of the non-financial information published annually, Valeo has opted to keep an overview of its sustainable development policy in its 2022 Universal Registration Document.

Valeo also reports on the progress of its duty of care plan (see section 4.4 of this chapter, pages 285 to 287), in accordance with French legal requirements[(2)].

4.1.1 Sustainable development governance

Sustainable development organization

The sustainable development policy spans all of the Group's functions and networks, and is designed to dovetail with Valeo's business objectives and policies.

The Sustainable Development and External Affairs Department lays down policies and plays the role of pilot and coordinator for the Group's various departments. It ensures the appropriate level of interface between the Group and external stakeholders in order to satisfy their growing requirements. The Human Resources, Health, Safety and Environment (HSE), Ethics, Compliance and Data Protection, Risk and Insurance, Research and Development departments and the Operational departments (Purchasing, Quality and Industrial) all contribute to Valeo's sustainable development policy.

To support the management of risks related to sustainable development challenges (known as non-financial risks), the Sustainable Development Department performs dedicated mapping and reviews it annually, in conjunction with the Risk Management Department (see section 4.1.2 "Sustainable development challenges and non-financial risks", page 209).

Since 2020, the Sustainable Development Department has also been in charge of the governance structure established for the launch, implementation and monitoring of Valeo's Carbon Neutrality Plan for 2050. This steering committee brings together all the aforementioned departments and networks under the supervision of the Chief Executive Officer. Its aim is to set annual objectives for the various contributing networks and to oversee the implementation of Valeo's Carbon Neutrality Plan (see section 4.1.3, "Valeo's Carbon Neutrality Plan for 2025", page 214).

A committee of the Board of Directors in charge of sustainable development and corporate social responsibility

The Governance, Appointments & Corporate Social Responsibility Committee has been given the following responsibilities in particular:

- reviewing the main thrusts of the Group's corporate social responsibility policy;
- identifying corporate social responsibility objectives and challenges;
- verifying the achievement of previously defined objectives;
- overseeing the gradual and increasing implementation of the corporate social responsibility policy, and assessing the Group's contribution to sustainable development;
- in conjunction with the Audit & Risks Committee, gaining an understanding of the risks and issues involved in corporate social responsibility, and obtaining information about the resources the Group can call on to pursue its strategy in this area.

The Governance, Appointments & Corporate Social Responsibility Committee carefully reviews the Group's corporate social responsibility and safety policy, as well as the non-discrimination and diversity policy. In this context, Board member Ulrike Steinhorst was appointed to take charge of CSR matters on October 27, 2020.

Issues are presented to the Committee several times a year, at meetings attended by the Group Senior Vice-President, Sustainable Development and External Affairs; the Group Vice-President, Health, Safety and Environment, the Chief Ethics, Compliance and Data Protection Officer and the Chief Human Resources Officer, for employee-related issues.

(1) *Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.*
(2) *Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.*

These discussions are an opportunity to:

- validate the main lines of action regarding:
  - the rollout of the Carbon Neutrality Plan,
  - the assessment of risks and opportunities related to climate change,
  - health and safety at work, development of human capital, labor relations and corporate social responsibility, development of a healthy work environment, ethics, diversity and respect for individual and collective rights;
- review achievements during the year relating to:
  - reduction of greenhouse gas emissions within the framework of the Carbon Neutrality Plan,
  - selection and monitoring of non-financial risks,
  - the Group's response to customer demands concerning sustainable development,
  - the deployment of sustainable development principles in the purchasing policy,
  - prevention initiatives in the fight against fraud and corruption, and the establishment and rollout of the Whistleblowing System,
  - integration and solidarity initiatives with the communities of the cities and regions where Valeo operates,
  - Valeo's sustainable development practices and performance assessments by non-financial analysis agencies,
  - non-financial reporting (Universal Registration Document, Climate Report);
- assess the short- and medium-term priority actions on all of the issues reviewed.

Corporate social responsibility and sustainable development objectives and performance indicators are summarized in the performance charts provided in section 4.2 of this chapter, "Non-financial performance objectives and indicators", page 228.

4.1.2 Sustainable development challenges and non-financial risks

Since 2016, Valeo has performed a materiality analysis to identify its main sustainable development challenges and to reinforce its work among stakeholders (see section 4.5.1 "A commitment to sustainable development based on strong relationships with stakeholders", page 288).

Additionally, in compliance with the French and European legal framework, Valeo maps its non-financial risks. This mapping is subject to an annual review and serves to support the management of sustainable development policies within the Group's various networks. It allows priority actions to be targeted.

Materiality matrix plotting the Group's sustainable development challenges

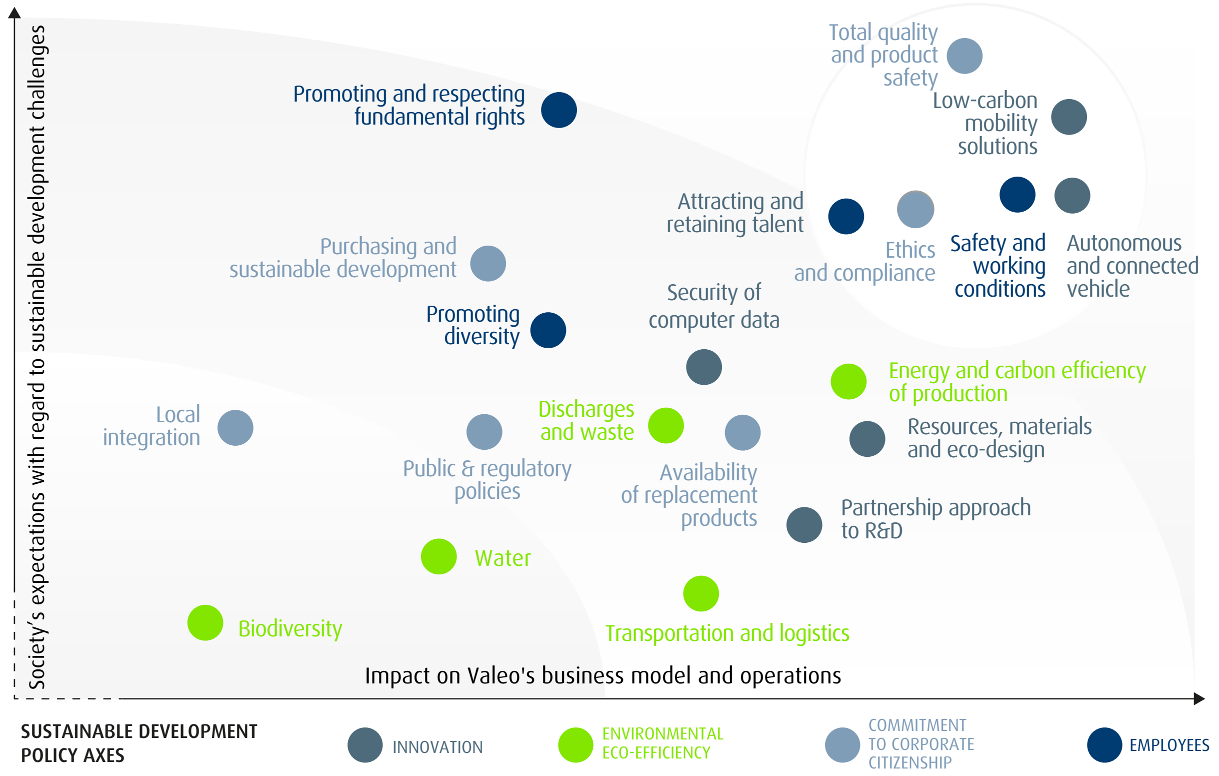
The materiality analysis serves to compare Valeo's internal ambitions in respect of sustainable development with its stakeholders' expectations. The analysis is based on:

- a series of interviews with Valeo's various departments (Industrial, Purchasing, Health, Safety and Environment (HSE), Research and Development, Human Resources, Sales and Business Development) and country management teams;
- a documentary review (non-financial questionnaires, survey results, etc.);
- specific requests from the Group's stakeholders in respect of sustainable development (automakers, civil society, specialist press, non-financial analysts, etc.) and interviews with them.

The materiality matrix is built on the following four axes: **innovation, environmental eco-efficiency, employees and commitment to corporate citizenship.** A total of 20 challenges have been identified (see below).

The matrix was first rolled out in 2016. Subsequently, three challenges were updated in 2017 ("Promoting and respecting fundamental rights", "Attracting and retaining talent" and "Promoting diversity"). The challenges in the matrix remained unchanged in 2022.

MATERIALITY MATRIX PLOTTING THE GROUP'S SUSTAINABLE DEVELOPMENT CHALLENGES



The matrix serves to compare, for the challenges identified, the expectations of stakeholders and their impact on the Group's activity, in order to:

- enable partners to better comprehend their interactions with Valeo;
- give Research and Development (R&D), environmental, labor-related and social data sharper focus on key issues of significance for the Group and its stakeholders;
- reinforce the relevance and quality of information put forward by the Group.

Non-financial risks

Valeo analyzes its non-financial risks, in compliance with the French legal framework, to improve the transparency of its non-financial reporting. The analysis of non-financial risks is the joint work of the Risk Management and Sustainable Development and External Affairs departments.

For 2022, Valeo has identified eleven main risks, which are presented in section 4.3.3 "Valeo's non-financial risks", pages 236 to 273. In addition to the annual review of non-financial risks, Valeo has conducted regular analysis of risks and opportunities related to the consequences of climate change since 2020, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The process was conducted jointly by the Risk Management and Sustainable Development teams, involving a number of internal contributors, and a presentation was given to the Group's Risks Committee in 2021. It was also published in Valeo's first climate report in 2022, which is available on the company's website (https://www.valeo.com/en/corporate-documents/).

Recognition of Valeo's commitment to sustainable development

Valeo has for several years seen its non-financial performance acknowledged by the main rating agencies in this area, reflecting the successful cross-functional deployment of sustainable development efforts and related communications that respect the principles of transparency, discipline and relevance.

Organization	Rating
CDP Climate Change	**A**
CDP SER (Supplier Engagement Rating)	**A**
MSCI ESG Rating	**AAA,** Industry leader, ranked No. 1 among automotive suppliers
ISS-oekom	**B-, prime,** Industry leader, ranked No. 1 among automotive suppliers, excluding tire manufacturers
S&P Global Corporate Sustainability Assessment (CSA)	**72/100**
Sustainalytics	**10.6 Low Risk,** ESG Industry and Region Top Rated
Moody's (formerly Vigeo Eiris)	**66/100** (advanced)

In 2022, Valeo maintained its position as one of the highest rated automotive suppliers by non-financial rating agencies MSCI (AAA), CDP Climate Change (A) and Sustainalytics (Low Risk), and the S&P Global Corporate Sustainability Assessment (score of 72/100).

In 2022, **Valeo was awarded an A score for climate change by CDP**, reflecting the transparency and relevance of Valeo's action plans to reduce greenhouse gas emissions. Under the CDP Supplier Engagement Rating program, Valeo was awarded the highest possible score (A) in 2022 for the transparency and quality of its disclosures relating to corporate governance and Scope 3 emissions.

In 2022, **MSCI** once again awarded Valeo the highest score possible (AAA) under its evaluation system. This places Valeo at the very top of the ranking in the group of automotive equipment manufacturers. The score reflects an excellent assessment of the transparency of information and clear positioning in terms of work to control the risks identified in the sector.

S&P Global Corporate Sustainability Assessment (CSA) assessed Valeo's various sustainable development actions (governance, environment, social) and awarded it a very satisfying score of 72/100, ranking the Group among the best in its sector. This confirms the relevance of Valeo's cross-functional approach to sustainable development.

In 2022, Valeo obtained one of the best ESG risk management assessments in the Auto Components category (Low Risk) from rating agency **Sustainalytics**. This outcome validates the risk management policies and tools implemented by Valeo for several years.

In addition to these ratings assigned by rating agencies, Valeo featured in several non-financial indices, in particular:

- CAC40 ESG;
- CAC SBT 1.5°;
- Euronext Vigeo Europe 120;
- FTSE4Good Index Series;
- MSCI ESG Leaders Index Series;
- Solactive Europe Corporate Social Responsibility Index;
- STOXX® Global ESG Leaders.

Valeo and the United Nations Sustainable Development Goals

The Group's sustainable development initiatives are in line with the United Nations Sustainable Development Goals (SDGs), which include eradicating poverty, promoting development and protecting the planet.

Depending on the countries in which Valeo operates, the Group undertakes to contribute to the following SDGs and targets:

	Targets	Commitments and targets	2022 results
4 QUALITY EDUCATION	Target 4.3 "By 2030, ensure equal access for all women and men to affordable quality technical, vocational or tertiary education, including university"	Training of its teams at all levels of the organization (see section 4.3.3 "Risk related to attracting talent", page 259).	91,649 employees (90.0% of the total headcount) took at least one training course during the year.
	Target 4.4 "By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship"	Continuous education and access to quality technical training for all, allowing it to support the professional ambitions of each Valeo employee (see section 4.3.3 "Risk related to attracting talent", page 259).	More than 418,586 hours of "Technical and Scientific" training were provided at Valeo.
5 GENDER EQUALITY	Target 5.1 "End all forms of discrimination against women and girls everywhere"	Implementation of an extensive program to promote gender diversity, dating back to 2011. Awareness-raising and support initiatives for women at work are carried out, notably to promote the use of adapted work schedules and workstations (see section 4.5.4 "Respecting and promoting diversity, equity and inclusion", page 298).	The gender equity index was 87.9/100[(1)].
	Target 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life"	Promotion of women in manager and professional positions, and to positions of operational and executive responsibility. Valeo has set itself the goal of having 32% women on its management committees by 2030 (see section 4.5.4 "Respecting and promoting diversity, equity and inclusion", page 298).	The proportion of women on the management committees was 20.7%.
8 DECENT WORK AND ECONOMIC GROWTH	Target 8.7 "Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms"	Comprehensive program to promote respect for fundamental rights, protect against forced labor, and prohibit child labor, based notably on the Valeo Code of Ethics, which prohibits such practices and behaviors. Valeo requires all its suppliers to adhere to the Valeo Business Partner Code of Conduct, which includes provisions for the elimination of forced labor (see section 4.3.3 "Risk related to fundamental rights", page 271).	93.7% of the registered headcount operates under a collective agreement (see section 4.3.3, "Risk related to fundamental rights", page 271).

(1) The gender equity index covers all sites worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.

	Targets	Commitments and targets	Earnings
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Target 9.5 "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of Research and Development workers per 1 million people and public and private research and development spending"	Valeo is a major industrial and technological player in the automotive and mobility sectors. Thanks to its global footprint, the Group is continuing its development efforts in the area of production, technology and training in various countries (see section 4.5.2 "A comprehensive and partnership-based approach to Research, Innovation and Development (R&I&D)", page 289).	Valeo has filed more than 1,608 patents, and invested 10.4% of its sales in Research and Development.
11 SUSTAINABLE CITIES AND COMMUNITIES	Target 11.2 "By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons"	Development of cleaner, safer and smarter mobility solutions.	60% of Valeo's sales contributed directly or indirectly to reducing GHG emissions, and 47% to safer mobility (16% of sales contributed to both reduction of GHG emissions and to safer mobility).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Target 12.2 "By 2030, achieve sustainable management and efficient use of natural resources"	Eco-design approach for its products and reduced its production-related consumption of water and energy (see section 4.5.3 "Environmental commitment", page 292). This approach is aimed at reducing the consumption of raw materials (metal, plastic, etc.) and replacing materials impacting the carbon footprint of the end-product (vehicle) with greener substitutes (see section 4.3.3 "Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments", page 238).	Between 2021 and 2022, Valeo reduced its water consumption by 5% in absolute terms. In 2022, Valeo's water consumption as a proportion of sales totaled 186 cu.m. per million euros. Valeo stopped using chlorinated solvents in 2020.
	Target 12.5 "By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse"	Reduction of landfilled and non-recycled waste generation (see section 4.3.3 "Risk associated with accidental pollution of water and/or soil", page 247).	Valeo reduced its waste production as a proportion of sales by 6% compared with 2021, and by 7 kt in absolute terms compared with 2021.
13 CLIMATE ACTION	Target 13.1 "Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries"	Valeo is committed to carbon neutrality by 2050 and aims to achieve 45% of this objective by 2030 (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050", page 214). The Group also aims to have 40% of its sites certified for energy management (ISO 50001) by 2025 (see section 4.1.4 "Environmental policy", paragraph "ISO 14001, ISO 45001 and ISO 50001 certification", page 222).	Valeo has reduced its GHG emissions (Scopes 1, 2 and 3 including gains linked to the use of Valeo technologies)(1) by 16% compared with 2019. This achievement is in line with the annual target set for 2022. 40% of the Group's sites already had ISO 50001 certification in 2022.

(1) *See sustainable development glossary, page 317.*

4.1.3 Valeo's Carbon Neutrality Plan for 2050

A commitment to carbon neutrality by 2050 and an objective of reducing emissions by 45% by 2030

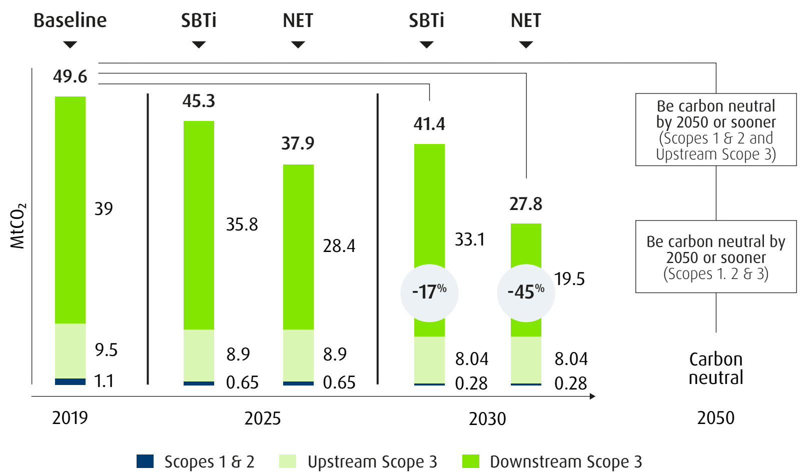
On February 4, 2021, Valeo, with the aim of reaffirming its strategic positioning in terms of products that contribute to the reduction of greenhouse gas emissions, presented a Carbon Neutrality Plan for 2050 covering its entire value chain – including suppliers, operating activities and the end use of products sold by the Group (direct and indirect emissions, i.e., Scopes 1, 2 and 3 emissions) – with the goal of reducing its emissions in absolute terms by 45% in 2030 compared with 2019.

Valeo is committed to:

- being carbon neutral by 2050 in all of its operating activities and across its supply chain worldwide (Scopes 1 & 2 and upstream Scope 3), and achieving 100% carbon neutrality in Europe (Scopes 1, 2 and 3, including the end use of its products);
- completing a plan by 2030 to reduce the emissions related to its operating activities (Scopes 1 and 2) by 75%, and those related to its supply chain and the end use of its products (Scope 3) by 15% compared with 2019. Taking into account the GHG emissions avoided thanks to its technologies that contribute to cleaner mobility, the net reduction in emissions related to the use of its products will result in a 45% reduction in emissions in absolute terms compared with 2019.

Valeo's Carbon Neutrality Plan takes 2019 as the baseline year, a choice deemed more appropriate given the disruptions caused by Covid-19 in 2020 (decline in activity, etc.).

A dual objective for 2030



Valeo has set itself two Scope 3 objectives for 2030:

- a 15% reduction in emissions aligned with the Science Based Targets (SBTi) initiative;
- a 50% emissions reduction target, incorporating the impact of the benefits generated by Valeo's solutions in terms of reducing GHG emissions, also referred to as the "net" target (downstream Scope 3 – see section 4.3.3 "GHG emissions related to the use of Valeo products (Scope 3)", page 239).

Valeo wanted to align its 2030 GHG emissions reduction target with the international target-setting framework of the Science-Based Targets initiative (SBTi). The objectives set are in line with the reduction needed to cap global warming at 1.5°C, the highest level of ambition of the Science Based Targets initiative (SBTi), in keeping with the Paris climate agreement (COP 21).

Due to the complexity of inter-sectoral harmonization, the methodology developed by the Science Based Targets initiative (SBTi) does not currently allow for emissions avoided by the products sold by companies to be taken into account. However, this does not call into question their positive contribution. Accordingly, the GHG emissions reduction commitment submitted by Valeo to the SBTi does not include the carbon benefits of the use of its technologies (downstream Scope 3).

As a player in critical electrification technologies for the decarbonization of mobility (48V and high-voltage electric motors, thermal management of vehicles, etc.), Valeo's aim was to incorporate the impact of the benefits of electrification provided by Valeo's solutions in terms of reducing GHG emissions (downstream Scope 3 – see section 4.3.3 "GHG emissions related to the use of Valeo products (Scope 3)", page 239) in its carbon neutrality objective. Valeo refers to this as a "net" target.

In the interests of transparency, Valeo plans to publish its progress with regard to its Carbon Neutrality Plan each year, specifying the results obtained in terms of reducing emissions in accordance with both the SBTi approach and Valeo's "net" target (including the benefits linked to the use of its products).

Outcomes in 2022 and priorities for 2023

The table below sets out the objectives set for each of the approaches adopted by Valeo and the outcomes obtained in 2022. The annual targets were constructed by annualizing the two targets on a straight-line basis to 2030 (from the 2019 baseline[(3)]).

	ktCO$_2$eq.	2019	2020	2021	2022
Emissions target established as part of the SBTi commitment	Scope 1	196	171	193	191
	Scope 2 (including renewable energy purchases)[(4)]	966	460	582	517
	Upstream Scope 3 (purchased goods and services, and transportation and distribution)[(5)]	9,479	8,521	8,617	8,697
	Downstream Scope 3 (use of sold products)	39,000	30,800	36,845	35,814
	Total emissions (Scopes 1, 2 and 3)	49,640	39,952	46,237	45,220
	Annual GHG emissions target Scopes 1, 2 & 3	49,640	48,883	48,143	47,397
	Achievement of the annual target		✔	✔	✔

Emissions target incorporating gains from Valeo technologies	Total emissions, including gains (Scopes 1, 2 and 3)	49,640	40,479	45,006	41,495
	Annual GHG emissions target including gains (Scopes 1, 2 & 3)	49,640	47,640	45,658	43,695
	Achievement of the annual target		✔	✔	✔

These figures reflect the rollout of the first measures set out in the action plans:

- the first results of energy performance projects at certain key Group sites;
- efforts to secure renewable energy capacities;
- the first measures relating to upstream Scope 3, both with suppliers and internally at Valeo;
- continued progress regarding Valeo's electrification roadmap.

Between 2021 and 2030, Valeo will have invested more than 400 million euros in reducing GHG emissions related to its operating activities (Scopes 1 and 2). These investments will be used to upgrade the Group's sites to enable the current 100 most carbon-intensive facilities to obtain ISO 50001 (energy management) certification and become high-energy efficiency sites by 2030. Upgrades will include the development of eco-friendly buildings, the widespread use of LED lighting and the integration of heat recovery systems. This program has been implemented and the 2025 objective achieved: 40% of Valeo plants had ISO 50001 certification in 2022.

In conjunction with these energy performance projects, the proportion of low-carbon energy in the Group's overall energy consumption will increase from 5.5% in 2019 to 80% by 2030, with a threshold of 50% by 2025. Plants' initiatives to achieve this objective are described in section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments".

To date, Valeo has secured low-carbon energy supply covering 40% of its requirements until 2030. 2023 will be devoted to further work to secure the Group's low-carbon energy supply and rolling out self-generated renewable energy wherever possible.

Valeo has also set the same GHG emissions objectives for its suppliers. To help reduce upstream Scope 3 emissions, in 2022 Valeo deployed a vast plan aimed at measuring the emissions of all its product platforms through life cycle assessments. This work has permitted the implementation of emissions reductions measures, such as the use of low-emission materials, weight reduction and supporting suppliers in improving their carbon performance. In 2023, Valeo will continue to conduct life cycle assessments for all of its products.

(3) Except 2019, which does not include the purchase of renewable energy.

(4) Scope 2 CO_2 emissions data for 2019 do not include the purchase of renewable energy for the purposes of Valeo's Carbon Neutrality Plan, 2019 being the baseline year.

(5) Scope 3 downstream emissions calculated in respect of the SBTi commitment relate solely to the material, transportation and logistics categories.

To reduce GHG emissions related to the end use of products, Valeo will continue to expand its range of technologies that contribute to low-carbon mobility, in particular solutions for vehicle electrification, a field in which the Group is currently world leader. The Group is also continuing its efforts to use lighter materials and alternative technologies to reduce product weight and improve energy performance.

Lastly, Valeo has calculated the benefit for the planet from its electrification technologies. By 2030, they will help to avoid 19.5 million metric tons of GHG emissions annually (see section 4.3.3 "Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments", page 238).

To monitor the plan, Valeo has set annualized GHG emissions reduction objectives (for each department concerned), backed by action plans for the internal networks contributing to them (Industrial, HSE, Purchasing, Transport and Logistics, R&D, Marketing and Sales). The achievement of these objectives is presented to the General Management at quarterly reviews, and from 2021 will be one of the criteria for the variable compensation of more than 1,500 senior executives.

Data on the plan's progress will continue to be reported each year in the Universal Registration Document and in Valeo's responses to the Carbon Disclosure Project (CDP) non-financial questionnaire. Since 2021, GHG emissions data on all the items covered by the Carbon Neutrality Plan have been included in the annual review of non-financial data carried out by the independent third-party (ITP), in accordance with the French law on the disclosure of non-financial information by corporations (see section 4.8 "Independent third party's report on the consolidated non-financial information statement", page 318).

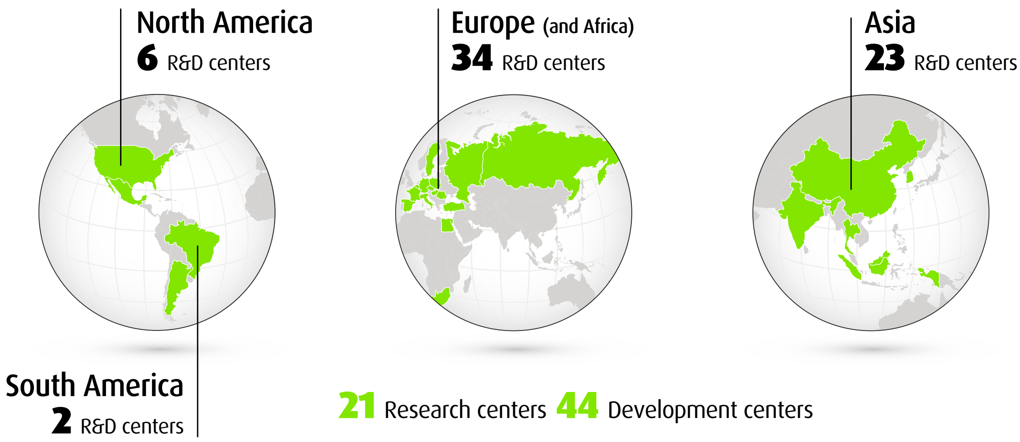
4.1.4 Sustainable development policies

At Valeo, sustainable development is built on four key axes – innovation, environmental eco-efficiency, employees and commitment to corporate citizenship – plus a range of associated policies.

Research and Development policy for safer, low-carbon mobility

A global Research and Development organization based on a platform structure and a global network of expertise and skills

GLOBAL RESEARCH AND DEVELOPMENT MAPPING IN 2022



Valeo's R&D is functionally and operationally structured around 21 research centers (fundamental research and advanced engineering) and 44 development centers (customer project launch teams). This organization is supported by the Group's significant gross Research and Development expenditure of 2,077 million euros in 2022, representing 10.4% of its sales.

Its research centers include Valeo.ai, an artificial intelligence center founded by Valeo in Paris in 2017, which combines academic research with industrial developments.

To be closer to new mobility technology players, Valeo also has dedicated research centers including the San Mateo site in California, which opened in 2016, and the Beijing center, which opened in 2021.

In 2022, Valeo's Research and Development teams managed a combined total of 2,976 projects, compared with 3,172 in 2021, a direct result of the global health crisis, the slowdown in activity on certain projects, as well as the constantly increasing average size of projects.

In addition to this functional organization, Valeo has structured its product organization into 81 technological platforms. They allow products to be developed very quickly using a range of standard technological building blocks, both hardware and software. These solutions promote the reuse of these building blocks for faster, more efficient and more robust development. The result is that a single product can take several forms for multiple uses. The aim is to be able to serve several customers with the same platform, based on a high level of standardization – up to 85% for certain technologies.

The 81 "platforms" break down as follows:

- 21 relate to powertrain systems (electric motors, inverters, charging systems, actuators, complete powertrains, transmission systems);
- 22 relate to thermal systems (exchangers, compressors, heaters, battery coolers, fans, actuators, air conditioning and thermal management systems);
- 13 relate to visibility systems (lighting modules, electronic controllers, wiper systems and sensor cleaning systems);
- 25 relate to driving assistance (ADAS) and interior experience systems (cameras, radars, ultrasonic systems, LiDAR systems, interior detection systems, human-machine interfaces and the various software functions allowing the different degrees of assisted to autonomous driving).

These technological platforms provide Valeo with a competitive edge by imposing high barriers to entry, and allow the Group to sharply increase its average content per vehicle and deepen its resilience in a rapidly changing environment.

Lastly, at the global level, Valeo relies on a large network of researchers, engineers and technicians working in Research and Development, representing 17,245 people worldwide at the end of 2022, a significant proportion of whom are located in France (3,107).

Its global reach also builds on its own network of Experts, which has three levels: Expert, Senior Expert and Master Expert. It has a total of 1,377 Experts (products and production processes), an increase of 65% compared with the 835 registered when the network was created in 2014. It issues them with "research warrants" for periods of three years. They are tasked with defining best practices that will be incorporated into design standards and explaining them to newcomers. They are a driving force within the team, and are expected to spread their expertise throughout the network (see section 4.3.3 of this chapter, "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", pages 262 to 266).

Solutions for safer, low-carbon mobility

Mobility is undergoing profound change due to the combined impact of measures to combat climate change, the rise of connectivity and digitalization, and new generational aspirations.

In its Move Up strategic plan, Valeo confirms its focus on cleaner, safer and smarter mobility through work in four main areas:

Electrification for all. In 2022, Valeo finalized its full acquisition of the former Valeo Siemens eAutomotive joint venture to create the independent world leader in electric powertrains working synergistically with its own low voltage activities (12V and 48V). Development has started on smart heat pumps to improve comfort and efficiency.

A cooperation contract has been signed with TotalEnergies for a highly innovative battery cooling system for electric vehicles. Cooperation with Renault has also been announced, with the aim of developing the new generation of electric motors not using rare earth elements. Lastly, a cooperation agreement has been signed with the CEA in the field of high-power semiconductors.

At the same time, in light mobility, more than 20 customer contracts have been signed for Valeo Cyclee™, the automatic electric bicycle assistance system. Cooperation is now underway with Atul and Honda in India to produce electric rickshaws fitted with Valeo engines and Honda exchangeable batteries.

Acceleration of ADAS. Valeo has now manufactured more than 100 million parking cameras and 10 million front cameras for level 2 ADAS.

Valeo's technological leadership in the development of driving assistance systems was illustrated by the announcement of a project to develop BMW's new generation of automated parking systems as well as by orders for high-performance control units, sensors and driving assistance software for the automaker's new "Neue Klasse" platform.

Similarly, Mercedes obtained approval for the first level 3 autonomous car thanks to Valeo's LiDAR, technology that the Group is the only automotive supplier in the world to produce in large volumes. Honda even recognized Valeo with a Supplier Award for the same technology.

Lastly, Stellantis was the first automaker to order the third generation LiDAR – which it presented at the Paris Motor Show (*Mondial de l'Auto*) – for its upcoming platforms.

Lighting everywhere. In addition to developing the latest generations of smart lighting systems, such as MatrixBeam™ and Monolithic™, Valeo has helped revolutionize vehicle exterior design by signing two agreements with Ningbo Swell and SRG for the production of illuminated front grilles and panels. As electric vehicles need less front grille surface area, front panels are becoming a differentiating factor for car brands, and signature front lighting can play a key role by adding a touch of modernity and quality.

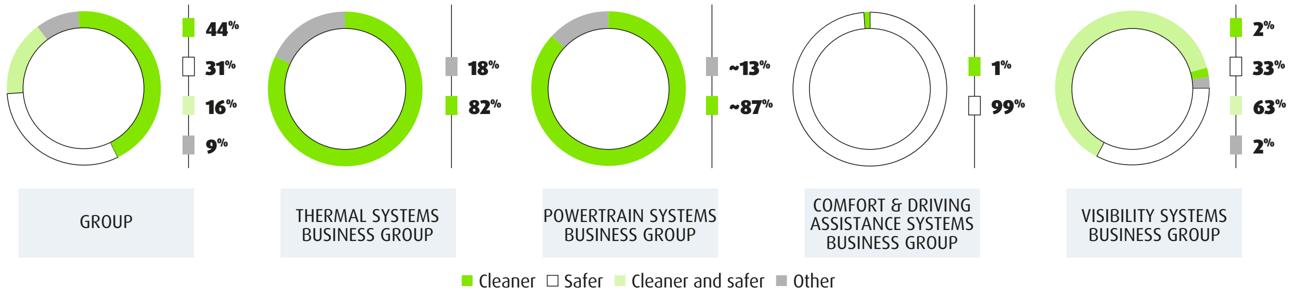
Interior experience. Vehicle driving has been greatly simplified by ADAS functions, opening the door to new travel experiences. Valeo has developed a comprehensive range of head-up display systems and presence, attention and drowsiness detectors. It has also taken a significant step in the field of interior lighting by signing a partnership with Motherson.

Value creation focused on greenhouse gas emissions reduction and safer mobility

Valeo has long specialized in designing systems that help reduce GHG emissions. In 2022, products that directly or indirectly contribute to reducing GHG emissions accordingly accounted for more than 60% of Valeo's original equipment sales[6]. Products contributing to safer mobility accounted for 47% of sales (see below for details by Business Group).

(6) *Including Valeo Siemens eAutomotive.*

GREENER AND SAFER MOBILITY IS CENTRAL TO VALEO'S STRATEGY



It is generally estimated that:

- one in every three vehicles worldwide is equipped with a Valeo electric machine;
- nearly five in every ten vehicles produced worldwide in 2023 will be fitted with Valeo's mild hybrid electrical systems (up to 48V);
- two out of three vehicles equipped with high-voltage electrical systems launched by European automakers between 2019 and 2022 will be equipped with Valeo solutions;
- one in four vehicles produced worldwide is fitted with a Valeo ADAS.

More details on the contribution of Valeo's products to the threefold revolution can be found in Chapter 1 (section 1.3 "Operational organization", paragraphs "Powertrain Systems", pages 54 to 59; "Comfort & Driving Assistance Systems", pages 66 to 71; "Thermal Systems", pages 60 to 65; and "Visibility Systems", pages 72 to 77).

Environmental policy

For more than 30 years, Valeo has demonstrated its commitment to limiting the impact of its activities on the environment. The Group sets out its commitments in its Environmental Charter, drawn up by the Health, Safety and Environment (HSE) Department. These commitments also appear, as follows, in the Valeo Sustainable Development Charter:

- ensure the compliance of its activities with applicable laws and international agreements;
- deploy the ISO 14001 environmental management system at all sites;
- improve the environmental performance of its processes;
- eliminate the use of substances that are hazardous to the environment or health;
- improve energy performance in line with ISO 50001;
- optimize the transportation of people and goods in order to reduce GHG emissions;
- limit the use of natural resources and promote the use of renewable resources and energy;
- increase purchases of low-carbon electricity;
- protect biodiversity;
- develop a circular economy approach.

Industrial mapping of Valeo sites

In 2022, Valeo had **183** plants, **156** of which are included in the reporting of Valeo Group indicators (see section 4.6.1 "Sustainable development reporting methodology", page 308).

Between 2021 and 2022, the reporting scope increased from 144 to 156 plants through the inclusion:

- in the Powertrain Systems Business Group, of the former Valeo Siemens eAutomotive joint venture sites, namely Erlangen, Bad Neustadt (Germany), Veszprém (Hungary), Czechowice (Poland), Tianjin, Changzhou and Changshu (China);
- in the Comfort & Driving Assistance Systems Business Group, of the Winchester site (United States);
- in the Visibility Systems Business Group, of the new site in Tangier (Morocco);
- in the Thermal Systems Business Group, of the sites in East London (South Africa), Highland Park (United States) and Wuhan (China).

Mapping of the Group's 156 plants

	Number of sites	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Valeo Service
Manufacturing	156	21	45	43	40	7
Assembly	132	21	38	36	36	1
Processing	98	13	35	26	23	1
Injection molding	69	12	11	17	29	0
Heat treatment (ovens, furnaces)	99	15	33	22	29	0
Painting/varnishing	65	11	14	9	31	0
Welding	86	10	33	24	19	0
Use of evaporating oils (VOC-emitting*)	31	2	9	16	4	0
Degreasing (surface cleaning)	68	9	22	15	22	0
Surface treatment (altering the surface properties of a part)	51	5	12	13	21	0

* *See sustainable development glossary, page 317.*

Organization of the Health, Safety and Environment (HSE) network

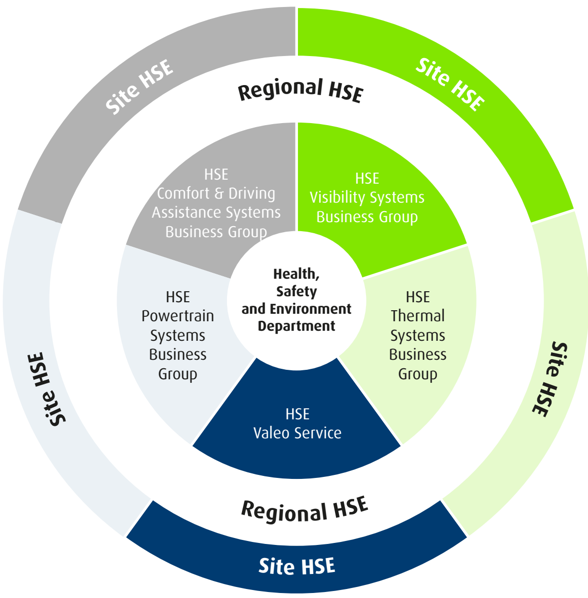
The **Health, Safety and Environment (HSE)** Department develops policies for the health and safety of people. Its policies also cover environmental aspects as well as the security and safety of buildings and facilities, drawing on standards and tools to carry out its work. The rollout of these standards and tools is in turn based on **an organization broken down by Business Groups, regions and sites**: around 400 people are therefore responsible for meeting the commitments of the Group's environmental policy and achieving its goals, and are also involved in the daily management of the Group's HSE challenges.

In 2022, the **HSE** Department was made part of the Group's Human Resources Department.

In the Business Groups, the **HSE managers** report to the Industrial Department and work closely with the Human Resources Department. Their aim is to spread Group standards and best practices between the sites of their respective Business Group and to promote the implementation of operational directives and investment requests in order to reduce the environmental footprint.

Since 2018, the network's organization has been strengthened by the appointment of **HSE managers** in several regions. They each supervise a maximum of 15 sites to allow them to effectively relay messages and to provide regular expertise and operational assistance to help provide better control of Group standards and tools.

With the onset of Covid-19 in 2020, Valeo set up a **Health Committee** in each country, which includes an **HSE coordinator**. The Health Committees oversaw the rollout and monitoring of changes to the Valeo Reinforced Health Protocol at national level. The HSE coordinator organized cross-audits, promoted the sharing of best practices, indicators and relevant information between sites, and to maintain responsiveness, vigilance and a level of excellence in Covid-19 pandemic-related prevention and treatment measures across all sites throughout the year.



Lastly, the **Site HSE manager** is tasked with implementing Group standards in respect of workplace health and safety, environmental aspects, and the security and safety of buildings and facilities. HSE managers lead and coordinate existing management systems and train staff on compliance with internal and external requirements.

Demanding risk-control standards

The Risk Management Manual contains all of Valeo's standards (known as operational directives) with respect to the environment, workplace health and safety, and the safety and security of facilities.

The Risk Management Manual includes a specific chapter on crisis prevention and emergency response plans. Several years ago, Valeo established the **Valeo Emergency and Recovery Management** (VERM) system to assist in the design and implementation of emergency response, crisis management and business recovery plans. It defines standard crisis scenarios related to industrial events such as fire, explosion, or accidental pollution, and also allows each site to add and address more specific scenarios such as earthquake, flood, or pandemic and virus contamination.

Each site is then required to implement procedures, response sheets or lists of contacts to use in the event of a crisis, for each phase from triggering the alert to business recovery, including intervention and securing people and the site.

In 2020, it proved particularly useful in preparing all of our sites for the management of Covid-19 infections.

Evaluation and certification processes

Valeo has implemented a comprehensive global audit program, including external compliance and certification audits, as well as self-evaluations and cross-site verification audits performed by site HSE managers.

Certification to international standards

For the past 20 years, the Group has been committed to certifying its Health, Safety and Environment management systems in order to reduce its environmental impact and improve health and safety conditions for its employees. The current practice is to obtain certification for individual sites. It is nevertheless possible to obtain a single certification for several sites when they are interdependent.

ISO 45001, published in 2018, has now replaced OHSAS 18001. ISO 45001 is the first international standard to provide a framework for Occupational Health and Safety (OHS) management. The new standard also allows companies that have already earned ISO 9001 or ISO 14001 certification to benefit from the new management system standard structure.

External audits worldwide

At the initiative of the HSE Department, the Group's sites are regularly audited by external consultants to ensure compliance with and proper implementation of the Risk Management Manual. With the same frequency, the Group also determines themes to be systematically audited in each campaign in order to measure their implementation and reinforce their control.

Each site, audited every three years on average, is assigned a score based on objective criteria.

Environmental audits give rise to a detailed report on the basis of the findings and a three-level recommendation grading:

- **priority level 1** is a major breach of directives liable to have a major impact on the environment or the activity (shutdown);
- **priority level 2** is a breach liable to cause environmental pollution;
- **priority level 3** is minor non-compliance with Group guidelines or incorrect frequency in the running of prevention activities.

The action plans of all sites are reported to the HSE Department and monitored by the Business Group HSE managers via a system known as HSE Action Plan. This database provides a fast and reliable way of consolidating audit results, and makes it possible to monitor progress on the associated action plans. The indicators are updated each month and reported to the Business Group HSE managers during monthly meetings.

With steering from the HSE network and the participation of the Purchasing and Insurance networks, all industrial projects (construction of new plants, extensions, etc.) are reviewed every three months to determine the resources needed in view of environmental, safety and security concerns. The Group has a dedicated committee to reduce the risks associated with equipment for moving goods (stackers, forklifts, pallet trucks, etc.).

Self-diagnostic tool

The sites can carry out a self-assessment of their compliance with the Group's directives using the Roadmap Manager self-diagnostic tool. Since 2018, the Group has sought to verify the match between the results of external audits and those of self-assessments. Using sampling techniques, the auditors examine the accuracy of the site's self-diagnostic. The first results show that self-assessments are nearly 90% compliant.

Key figures in 2022

Certification

145 plants, representing 94% of the Group's reporting scope, and 10 Research and Development sites have obtained ISO 14001 certification.

120 plants, representing 78% of the Group's reporting scope, and 10 Research and Development sites have switched to the new ISO 45001 standard.

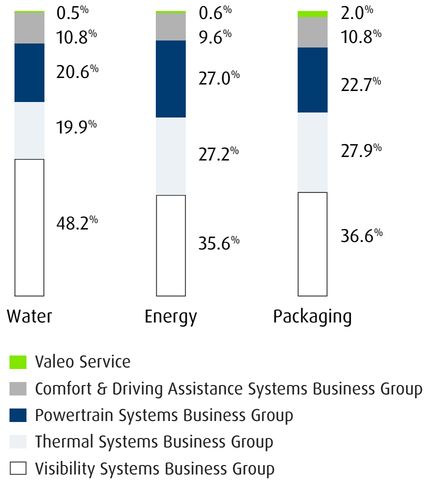
60 plants, representing 40% of the Group's reporting scope, and 7 Research and Development sites, have already obtained ISO 50001 energy management certification.

Training

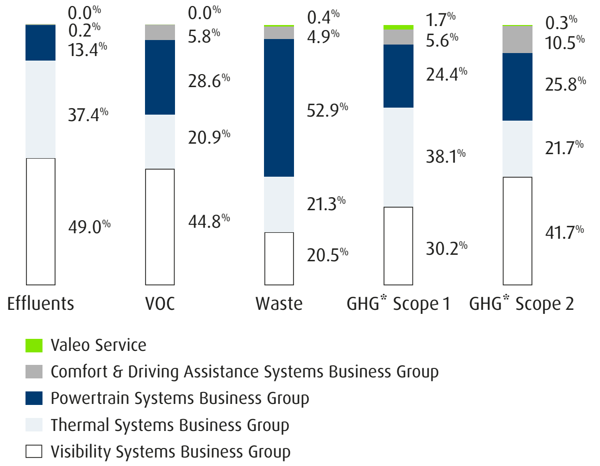
In 2022, the HSE network provided 103,418 hours of environmental training across all sites, compared with 90,880 hours in 2021.

The Group's main consumption items and emissions by type of activity

BREAKDOWN OF RESOURCE CONSUMPTION



BREAKDOWN OF EMISSIONS, DISCHARGES AND WASTE



* *See sustainable development glossary.*

The chart above shows that the Visibility Systems Business Group remained the biggest consumer of resources (water, energy, packaging) in 2022.

The Group, under the impetus of the Sustainable Development Department and the Health, Safety and Environment (HSE) Department, has drawn up a **five-year plan for 2025** (see section 4.2 "Non-financial performance objectives and indicators", page 228), bearing in particular on water consumption reduction targets in view of global warming and the risk of water scarcity and shortages in areas prone to significant water stress. Each of the Group's Business Groups is autonomous as regards the human and material resources devoted to the work needed to achieve the objectives set out in the five-year plan. The Group holds quarterly steering committee meetings with all the Business Groups.

The chart above shows that the Visibility Systems Business Group remains the biggest producer of effluents, atmospheric emissions, volatile organic compounds (VOCs) and indirect GHG emissions. The Thermal Systems Business Group is the biggest source of direct greenhouse gas emissions due to its industrial processes, and the Powertrain Systems Business Group is the biggest producer of waste in the Group.

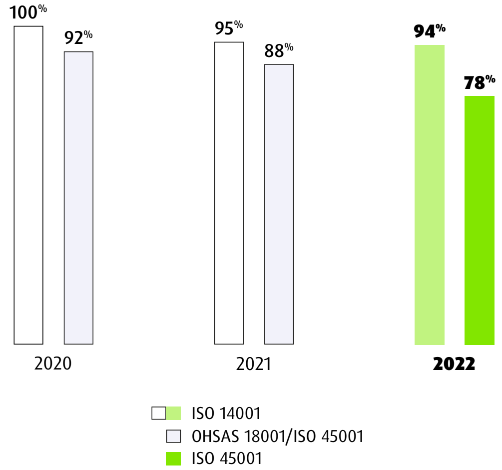
Environmental expenditure and investment

Operating expenses relating to the environment amounted to 24.9 million euros in 2022. They include structural costs as well as costs for analyses, operation of effluent treatment plants, waste treatment and environmental studies. In addition to these expenses, 0.6 million euros was spent to clean up active sites.

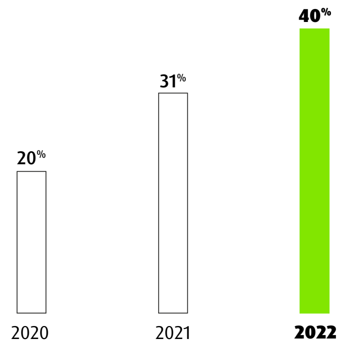
In 2022, Valeo invested 17.3 million euros in environmental protection at its active sites. This includes the cost of installing air treatment systems, fitting retention tanks for better management of hazardous materials and creating waste storage areas, plus investments under the Carbon Neutrality Plan.

ISO 14001, ISO 45001 and ISO 50001 certification

PERCENTAGE OF PLANTS CERTIFIED ISO 14001 AND ISO 45001



PERCENTAGE OF PLANTS CERTIFIED ISO 50001



As part of its Carbon Neutrality Plan, the Valeo Group has chosen ISO 50001 certification to formalize the strong commitment of its plants to adopt the organizational and technical means needed to reduce their energy consumption sustainably.

In 2022, with 40% of its sites certified, the Group confirmed its determination to work on managing energy consumption in accordance with ISO 50001.

Stronger communication

The Group uses various channels for internal communications and employee training on environmental issues, including:

- an HSE portal to circulate a wide variety of thematic articles, share best practices and offer more dynamic content;
- online training via e-learning to provide a summary of the main requirements of each environmental directive. The modules include a questionnaire to check the participants' understanding;
- information for site employees on environmental procedures and respect for the environment, particularly as part of the onboarding of new arrivals;
- awareness-raising for all site staff on measures aimed at controlling environmental risks and impacts through ISO 14001 and ISO 50001 management systems;
- information for employees through newsletters and dedicated displays, and at operational team briefings;
- dedicated events such as "Sustainable Development Week", featuring local initiatives;
- HSE tools developed and made available by the Group;
- training and support materials inherent to these tools;
- the creation of a "DOJO" environment training room addressing such issues as reducing water and energy consumption, and waste collection, sorting and recovery.

Employee policy

This year, the Group's employee policy was again focused on managing the return to normal working conditions after two years deeply affected by the ongoing pandemic, compounded by the semiconductor crisis and steep inflation throughout the world. The Human Resources Department and the Health, Safety and Environment (HSE) Department are committed to meeting the Group's two priorities, namely protecting the health of all employees and ensuring business continuity.

Ensuring our employees' health and safety remains our priority. Since 2020, the Group has applied a strict and demanding health protocol. It has been maintained and adjusted with each wave of the pandemic, allowing all sites to operate as normal, while ensuring maximum protection commended by all employees.

The pandemic was compounded by the semiconductor crisis, which forced production into stop-and-go mode. Cost variabilization resulted in workforce adjustments, with less use of temporary contracts and the implementation of short-time working measures at some sites. In countries where this was possible, Valeo obtained government aid to support short-time working.

From a longer-term perspective, each country conducted negotiations in order to preserve the competitiveness of the Group's activities locally, as well as employment. In France, Valeo renewed its agreement on the use of short-time working measures. The Group kept the commitment it made in 2020 to keep all sites open and to refrain from any mandatory redundancies in France until 2022.

The Human Resources Department's priorities are shown in the materiality matrix (see section 4.1.2 of this chapter "Sustainable development challenges and non-financial risks", page 209). They form the foundations of the Group's actions in respect of:

- safety and working conditions;
- attracting and retaining talent;
- promoting diversity, equity and inclusion;
- respecting and promoting fundamental rights;
- promoting physical, sports and cultural activities.

Based on these priorities, the Group has identified **four main risks:**

- health and safety (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", page 256);
- attracting talent (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to attracting talent", page 259);
- developing and retaining talent (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", page 262);
- respecting and promoting fundamental rights (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to respecting fundamental rights", page 271);

and **three forms of engagement:**

- quality of life at work (see section 4.5.4 "Employee-related commitments", paragraph "Quality of life at work", page 296);
- promoting physical, sporting and cultural activities (see section 4.5.4 of this chapter, "Employee-related commitments", paragraph "Quality of life at work", page 296);
- promoting diversity, equity and inclusion (see section 4.5.4 "Employee-related commitments", paragraph "Respecting and promoting diversity, equity and inclusion", page 298).

Key figures in 2022

- The accident frequency rate (FR1) was 1.1, compared with 1.2 in 2021;
- the gender equity index(1) was 87.9%, compared with 86% in 2021;
- overall employee satisfaction was 66%, an increase of 6 percentage points compared with 2021;
- the proportion of employee shareholders at Valeo was 53.7%, compared with 50% in 2021;
- 418,586 hours of technical training were provided at all sites, compared with 391,423 hours in 2021.

(1) *The gender equity index covers all sites worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.*

Change in Valeo's headcount

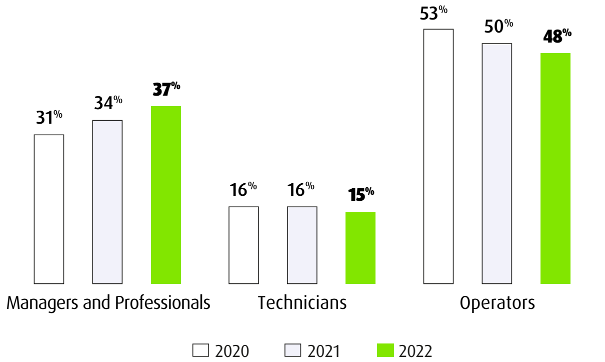
CHANGE IN THE TOTAL HEADCOUNT OVER THREE YEARS

Headcount at December 31	2020	2021	2022	Change (2022/2021)
Managers and Professionals	30,562	31,581	35,909	13.7%
Technicians(1)	15,488	15,217	15,173	-0.3%
Operators	52,818	47,371	47,073	-0.6%
Registered headcount(2)	98,868	94,169	98,155	4.2%
Temporary staff	11,432	9,131	11,745	28.6%
TOTAL HEADCOUNT(4)	**110,300**	**103,300**	**109,900**	**6.4%**
of which:				
• Permanent staff	84,638	82,433	85,659	3.9%
• Non-permanent staff (fixed-term and temporary)	25,698	20,867	24,241	16.2%
Average headcount(3)	**108,425**	**104,500**	**107,250**	**4.8%**

(1) *As of 2022, employees on internships, Volontariat International en Entreprise (VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer counted as technicians.*
(2) *The registered headcount corresponds to permanent and fixed-term employees.*
(3) *The average headcount is the sum of the Group's total headcount in each quarter divided by four.*
(4) *Change in the workforce takes into account the integration of Valeo Siemens eAutomotive into the Powertrain Systems activity in July 2022. The joint venture's entire workforce was consolidated into Valeo's headcount from that date.*

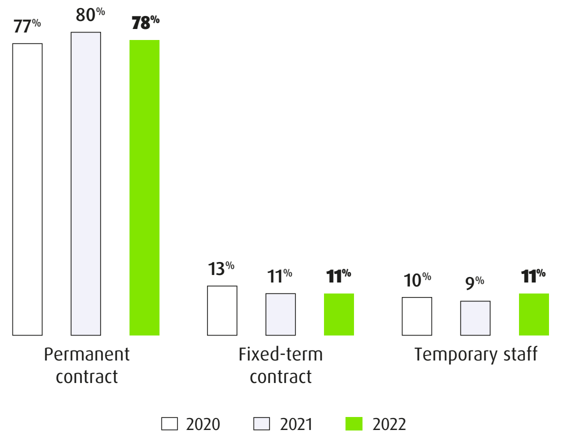
At December 31, 2022, Valeo had 109,900 employees, 6% more than in 2021. This change in the headcount mainly reflects the integration of Valeo Siemens eAutomotive into Valeo's Powertrain Systems Business Group on July 4, 2022. With Valeo Siemens eAutomotive, Valeo has brought on board a recognized technological and industrial leader with a workforce of around 4,000, including more than 1,600 engineers, across seven plants in four countries (China, Germany, Hungary and Poland). The additional increase corresponds to the higher number of Managers and Professionals.

BREAKDOWN OF REGISTERED HEADCOUNT BY SOCIO-PROFESSIONAL CATEGORY



One of Valeo's major challenges in 2022 was to continue its efforts to variabilize the workforce in the wake of the global pandemic and disruption in the supply of semiconductors. The Group's total headcount increased by 6% in 2022, notably with the consolidation of Valeo Siemens eAutomotive. The respective share of Managers and Professionals was up, while that of Operators and Technicians was down. This change is attributable to the use of the flexibility resulting from the non-renewal of fixed-term contracts and a policy of hiring large numbers of engineers.

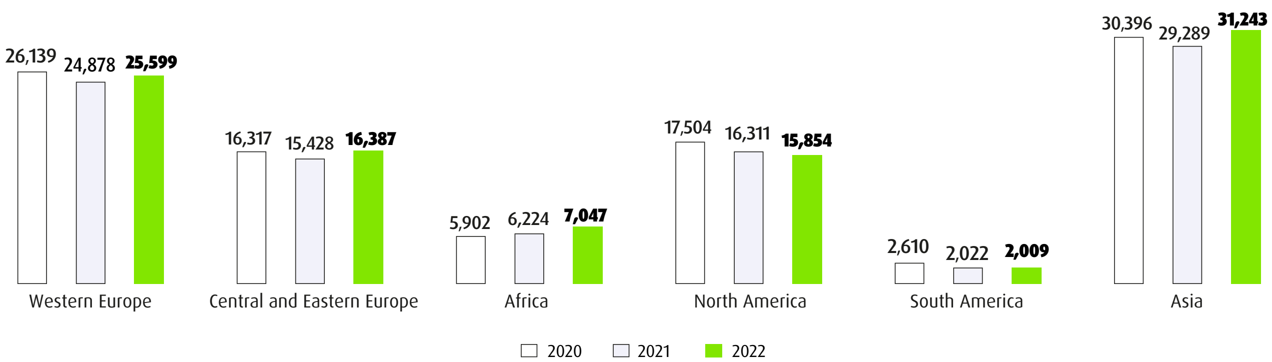
BREAKDOWN OF REGISTERED HEADCOUNT BY CONTRACT TYPE



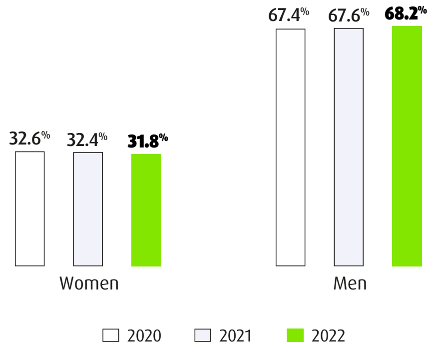
The automotive market is cyclical, and considerable flexibility is required to constantly adapt production capacity to fluctuating demand from customers around the world. That is why Valeo employed interim staff (fixed-term and temporary contracts) representing 22% of its total workforce in December 2022, up 2 percentage points compared with 2021. The portion of fixed-term contracts remains unchanged and the increase in the portion of temporary contracts is the direct consequence of the cost variabilization measures implemented since 2021. The proportion of permanent contracts in the total headcount contracted by 1.9 percentage points between 2021 and 2022. The number of employees on permanent contracts nevertheless increased by 4% in absolute terms in 2022 compared with 2021.

As shown in the chart below, despite the challenging economic environment, headcounts increased in most of the Group's geographic areas in 2022 compared with 2021. The most significant percentage increases were in Africa (+13%), Asia (+7%) and Central Europe (+6%). These increases primarily reflect the consolidation of the Valeo Siemens eAutomotive workforce in July 2022. The headcount was down 1% in South America, and down 3% in North America following the closure of a site in Canada.

BREAKDOWN OF REGISTERED HEADCOUNT BY GEOGRAPHIC AREA



BREAKDOWN OF REGISTERED HEADCOUNT BY GENDER



The proportion of women within the Group contracted by a slight 0.6 percentage points between 2021 and 2022. This decline can be ascribed first to a faster increase in the resignation rate among women than among men. As the number of women is smaller, the net impact is greater. Moreover, recruitments are in technical specializations (software development), where the proportion of women is lower than in the legacy specializations (mechanics, thermodynamics).

In an uncertain economic environment, Valeo continues to set ambitious objectives in order to make progress in terms of diversity in the recruitment phase (see section 4.5.4 "Employee-related commitments", paragraph "Respecting and promoting diversity, equity and inclusion", pages 298 to 301).

Strategy and organization

Human resources are central to Valeo's strategy, to support its positioning as a technological leader and its profitable growth.

Attracting and developing talent in an empowering environment based on strong values is a means of rising to the various current and future challenges.

In addition, the Human Resources Department defines and implements Corporate Social Responsibility and diversity objectives within a framework of quality social dialogue that strikes the best balance between financial requirements and employee satisfaction.

The Human Resources strategy is based on a comprehensive approach, taking into account specific cultural, economic and market conditions.

It is rolled out through the "One HR" organization, which is based on three pillars:

- close support for operational teams by dedicated Human Resources teams;
- expertise in specialized areas of Human Resources;
- the pooling of transactional Human Resources tasks to improve efficiency and quality of services.

This "three pillars" model continues to be rolled out at each level of the organization: in the Group Human Resources Department, in each Business Group, in each country and in the Product Groups and Product Lines.

A second phase in the transformation of the Human Resources organization has been launched to establish "Valeo Employee Services" (VES), which centralizes and optimizes all personnel administration tasks for a single country, in particular those relating to recruitment, pay and training. The transformation also involves digitalizing processes. 21 VES centers were rolled out within the Group in 2021, which continued to develop their activities in 2022.

Social policy

Valeo's social policy is structured around two key challenges:

- sustainable development requirements with regard to suppliers;
- a commitment to ecosystems and local populations.

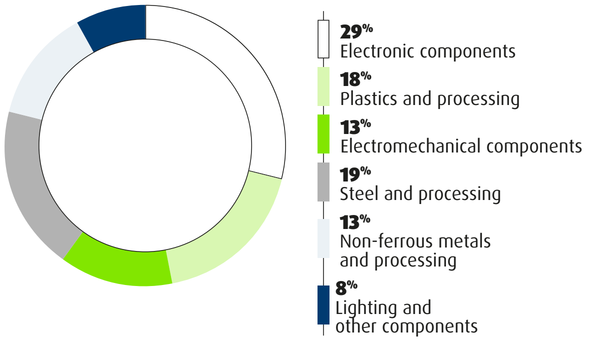
Sustainability requirements for Valeo's suppliers

The Valeo Group's main suppliers and purchases

Key figures in 2022

- 2,131 suppliers account for 95% of the amount of direct purchases (manufacturing purchases);
- 522 suppliers are French;
- 50 suppliers account for 24% of the amount of indirect purchases (maintenance, subcontracting, travel, supplies, etc.);
- 85% of the amount of the Group's production purchases is subject to an annual assessment of sustainable development choices among a representative sample of suppliers. 67% of those surveyed responded to the annual assessment.

BREAKDOWN OF PURCHASES BY COMMODITY IN 2022



The Group's purchases can be divided into six main components or systems, referred to as commodities: steel and processing, non-ferrous metals and processing, plastics and processing, electromechanical components, electronic components and systems, and lighting and other components. Strategic decisions relating to these categories are centralized at Group level, where they are each managed by a designated Commodity Manager.

Directives for sustainability in the purchasing policy

Valeo's purchasing policy is built on three directives:

- quality and service, which aims to ensure optimal products, process and service quality;
- competitiveness, one of the key constraints in the automotive sector;
- innovation and advanced technology to support Valeo's strategic choices.

These three directives provide the framework for the goal of achieving sustainability in the purchasing policy, which involves:

- facilitating an understanding of the risks of a breakdown in the supply chain by taking into account a wider range of risk factors, known as sustainability factors (integrating the governance, social, environmental and fundamental rights dimensions, etc.);
- boosting suppliers' competitiveness by guiding them toward continuous improvement practices in terms of optimizing logistics and environmental costs, reducing energy costs, etc.;
- putting down deep roots in local ecosystems, applying a purchasing location policy at a regional level.

As part of Valeo's Carbon Neutrality Plan, the competitiveness of suppliers is being strengthened by paying greater attention to their ability to manage their overall carbon impact (sourcing, transformation, transport, end-of-life) and to set GHG emissions reduction targets for their own operations and those of their suppliers.

The first two aspects of the goal of promoting sustainability among Valeo's suppliers are discussed in section 4.3.3 of this chapter, "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 267 to 271. The purchasing location policy is discussed below.

Signing the Charter of Intercompany Relations

Following the initiative of the French Ministry of Economy and Finance aimed at improving relations between large order-givers and their suppliers (micro-enterprises and SMEs), Valeo signed the Charter of Intercompany Relations on January 10, 2012, now known as the Responsible Supplier Relationships Charter.

The aim is to build balanced long-term relationships between large corporations and their suppliers, with the parties acknowledging and respecting each other's rights and obligations.

The charter requires that each signatory appoint a supplier representative to act as an internal mediator to facilitate the settlement of any disputes with suppliers and to help develop healthy long-term relationships. The internal mediator was appointed on March 13, 2012 and is still in place.

Key initiatives in 2022

As in previous years, Valeo continued its in-depth assessment of its suppliers' work in the field of sustainable development, based on its annual self-assessment questionnaire on sustainable development choices, with a representative sample of suppliers covering 85% of the Group's production purchases in 2022.

2022 was also devoted to integrating the objectives assigned to the Purchasing function within the framework of the Carbon Neutrality Plan into tools for onboarding suppliers, particularly in terms of assessing and auditing the maturity of their handling of carbon emissions. Requirements for measuring and controlling consumption, energy sources and emission levels in supplier assessments in 2022 were strengthened. In 2022, Valeo also established a partnership with the Carbon Disclosure Project (CDP), using the CDP Supply Chain assessment to measure its suppliers' carbon performance. The program targets suppliers representing 80% of annual manufacturing spend and will be repeated each year.

A commitment to local ecosystems and their population

Valeo sites, actors in their regions

Valeo's sites contribute to the economic and social fabric of the regions where the Group operates. Its sites have multiple impacts: they are consumers, employers, spending centers, local economic agents, and actors in the development of human capital, and participate in creating and enhancing the appeal of businesses through transfers of competences.

Valeo has a policy of encouraging its sites to take responsibility and to support local initiatives around the world. To achieve this, Valeo has set the following two guidelines for each site:

- commit to building local ecosystems by:
  - forming partnerships with the world of education and local training,
  - participating in the structuring and existence of local research ecosystems;
- promote initiatives in favor of and alongside local populations.

For two years, Valeo has encouraged the Group's sites to establish academic partnerships at all levels. In 2022, 82% of sites established partnerships with local universities and engineering schools, and nearly 50% with primary and secondary schools.

Promote the commitment of Valeo's sites worldwide

Each site organizes local plant initiatives that reflect locally identified needs and are consistent with their capacities. With the assistance of the Human Resources departments and Research and Development managers, the site managers decide on actions that can be carried out to help the local population and employees. The Group offers avenues for thought, backed by examples of best practice circulated internally and evaluated through questionnaires.

At the end of each year, Valeo takes stock of the actions undertaken at its sites. The most effective and useful initiatives are showcased via internal and external communication channels to encourage other sites to support the same sort of actions. For example, articles from the ValeOnline Newscenter, emailed to Group employees, discuss some of the outstanding site initiatives. Valeo also highlights local plant engagement in publications, such as the Management Report, by explaining and developing the purpose and results of their initiatives.

In 2022, 52% of sites ran at least one corporate citizenship initiative, compared with 100% before the 2020 pandemic. This decline is attributable to the management of the health crisis and the application of a protocol aimed at limiting physical interactions (so as to limit the risks of contamination and circulation of the Covid-19 virus). As such initiatives by definition involve human contact, they have been scaled back, particularly in China, where lockdowns continued.

4.1.5 Risks and opportunities related to climate change (TCFD)

Valeo presents the following summary of its governance, analysis, risk management and indicator monitoring activities related to the fight against climate change, and is compliant with the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD)[7].

Climate change: Valeo's resilient business model and risk management system

In the face of climate change, its impacts on human and economic activity, and high levels of local pollution, councils and national governments are tightening their environmental regulations. Against this backdrop, and faced with the quickening pace of social and technological change, these factors have prompted profound technological renewal and change in business models across the automotive sector.

In response to this transformation and as an industrial and technological player in the electric mobility market, Valeo has established a business model and risk management system that are consistent with the long-term objectives of progressive carbon neutrality for the mobility and transportation sector. Its business model and risk management are also in line with international methodology guidelines for addressing climate change risks[8], in particular the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The use of this framework for the publication of financial and non-financial information is expected to increase in the coming years, in line with changes in the TCFD recommendations[9]. In 2022, Valeo published its first climate report, which sets out its current understanding of the risks and opportunities related to climate change, in line with the recommendations of the TCFD. It is available on the Group's website (https://www.valeo.com/en/corporate-documents/). A cross-reference table is also included in this Universal Registration Document (see section 4.6.2 "Cross-reference with national and international guidelines").

1. **Governance:** an integral part of its governance, General Management and the Board of Directors are responsible for the Group's strategic positioning and risk management. Risk strategy and assessment is reviewed by the Governance, Appointments & Corporate Social Responsibility Committee and the Board of Directors. In 2021, Valeo began incorporating CO_2 emissions reduction and sustainable development criteria into its process for determining the variable compensation of more than 1,500 senior executives.
2. **Strategy:** anticipating the transformations in the automotive sector, Valeo has built a strategy in step with the gradual electrification of mobility, which incorporates transition risks and opportunities. Valeo has also adapted its production facilities to meet the requirements of reducing its carbon footprint (transition risks) and in response to the impacts of climate change (physical risks):
   - Valeo's strategic decision to contribute to the transition to sustainable mobility has resulted in the progressive creation of a comprehensive technological portfolio of electrification solutions for all types of vehicles – from small urban vehicles to trucks, buses and other large vehicles. This choice, validated by automaker customers, is consistent with environmental regulations for vehicles worldwide (see section 4.3.3 "Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments", page 238). In 2022, products that directly or indirectly contribute to reducing GHG emissions accounted for 60% of Valeo's original equipment sales.
   - The potential impacts of climate change are taken into account in the management of risks relating to industrial operations and processes.
   - Valeo's strategic choices and the diversity of its technological offer make its business model resilient to the varying pace of transition to low-carbon mobility. Valeo estimates that the automotive and new mobility markets will represent an addressable market accounting for more than 50% of its traditional scope.

(7) The TCFD is an international working group bringing together experts from major business sectors, banks and rating agencies, which has proposed a methodological framework for reporting risks and opportunities related to climate change. It was established at the initiative of the Financial Stability Board. Established as a forum in 1999 at the initiative of the G7, the Financial Stability Board (FSB) was institutionalized by the G20 heads of state and government at the 2009 London Summit. Its main purpose is to strengthen the international coordination of financial regulatory reform. To that end, the FSB monitors the implementation of reforms, notably through mutual assessments, by promoting cooperation between authorities and assessing financial sector vulnerabilities, including vulnerabilities to climate change.

(8) In particular, the CDP questionnaire on climate change, assessing the transparency and sustainable development performance of enterprises, organizations and other bodies, which has developed one of the leading methodologies for monitoring risks and opportunities related to climate change.

(9) The TCFD regularly updates and extends the use of its initial guidelines (https://www.fsb-tcfd.org/recommendations/).

3. **Risk Management:** linked to the impacts of climate change, risk management is based on an analysis of financial, operational strategic and non-financial risks, which are reviewed and reassessed regularly. The internal risk management actions and tools are described annually (see Chapter 2, "Risks and Risk Management", page 93; Chapter 4, "Non-financial Information Statement", page 234), and reviewed and validated by the Risks Committee and the appropriate committee of the Board of Directors. In 2021, Valeo conducted its first ever detailed analysis of the risks and opportunities (physical and transition) related to the impacts of climate change. The work was presented to the Group's Risks Committee and resulted in requests for more in-depth analysis. The process was reviewed and expanded in 2022. To improve the management of these risks and opportunities, Valeo has called on an external consultant to analyze the assessment of the physical impacts of climate change. This analysis is consistent with TCFD recommendations on physical risk assessment. It is based on two IPCC global warming scenarios, RCP2-4.5 and RCP5-8.5, respectively optimistic and pessimistic. Physical risks are assessed on the basis of historical and current climate data, with 2030 and 2050 as horizons for each scenario. This assessment formed an initial analysis presented to the Risks Committee at the end of 2022. 2023 will be devoted to furthering it, and to conducting an initial study of adaptation measures required.
4. **Objectives and Metrics:** the indicators for risk management, business model resilience (mainly the proportion of sales derived from products contributing to the reduction of GHG emissions) and GHG emissions are presented annually (see section 4.2, "Non-financial performance objectives and indicators", page 228). In 2021, Valeo presented a Carbon Neutrality Plan for 2050, covering its entire value chain (including its suppliers, operational activities and products). Annual objectives and monitoring of their achievement were established in 2020, with indicators to be published each year from 2021 (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050", page 214). The methodology tools for modeling GHG emissions linked to the use of products have been reviewed as part of Valeo's Carbon Neutrality Plan. The methodology is presented in the Universal Registration Document (see section 4.3.3 "GHG emissions related to the use of Valeo products (Scope 3)", page 239).

4.2 Non-financial performance objectives and indicators

2025 sustainable development plan

Following a review of the actions and outcomes of the 2016-2020 five-year plan, Valeo has set new sustainable development objectives for 2025, in line with its innovation, environmental eco-efficiency and commitment to labor and corporate citizenship axes. As 2020 was not a year of normal business for the Group due to the Covid-19 crisis, Valeo has chosen to use 2019 as the baseline year for its new 2021-2025 five-year plan, rather than 2020.

The objectives, which reflect the Group's priorities, have been formalized in a collaborative approach in partnership with the departments concerned and in line with the results of the materiality analysis.

Measuring progress involves identifying a major challenge for each theme, and evaluating the achievement of the associated targets through one or more key performance indicators. The following performance chart sets out the Group's main objectives and key performance indicators.

The 2025 environmental objectives are aligned with the GHG emissions reduction trajectories for 2030 and 2050, in line with Valeo's Carbon Neutrality Plan announced on February 4, 2021 and described in 4.1.3 "Valeo's Carbon Neutrality Plan for 2050". As part of its Carbon Neutrality Plan and its intermediate target for 2030, Valeo discloses its annual emissions readings in absolute terms (in line with the target set in the SBTi commitment for 2030). Under the previous plan, the indicators were broken down by intensity (tCO_2/€m); for reasons of transparency and readability of information, these indicators have continued to be monitored.

Successful integration of the VSeA sites into non-financial performance monitoring

- Thanks to the Valeo Group's internal procedures and tools, Valeo Siemens eAutomotive was fully consolidated in the monitoring of non-financial indicators and the achievement of non-financial objectives in 2022.
- This means that the information reported in this document reflects the integration of Valeo Siemens eAutomotive, demonstrating the robustness and reliability of the Group's internal procedures, which helped prepare the process and adapt effectively to this change.
- More details are given on the impact of the integration in terms of health and safety indicators in section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", pages 256 to 261.

Axes	Challenges	Key Indicators	2019 Results[1]	2021 Results	2022 Results	2025 Objectives	Reference Sections
INNOVATION	Carbon Neutrality Plan and Low-Carbon Mobility Solutions	GHG emissions across the value chain (Scopes 1, 2 and 3) – Indicator validated by SBTi *(in $MtCO_2eq.$)*	49.6	46.2	45.2	45.3	4.3.3, page 243
		Share of products contributing tothereduction of GHG emissions *(as a % of sales)*	57%	60%	60%	>50%	4.1.4, page 217
ENVIRONMENTAL ECO-EFFICIENCY	Energy and carbon efficiency of production	Direct (Scope 1) and indirect (Scope 2) emissions as a proportion of sales *in ($tCO_2eq./€m$)*	57.6	45.2	39.8	40.0	4.3.3, page 243
				-22%	-31%	-31%	
		Energy consumption as a proportion of sales (MWh/€m) and change vs. 2019 *(in %)*	142	161	154	134	4.5.3, page 293
				13%	8%	-6%	
		ISO 50001 energy management certification *(in % of sites)*	18%	31%	40%	40%	4.1.4, page 222
	Discharges and waste	Production of hazardous and non-hazardous waste as a proportion of sales *in (t/€m)*	16.4	14.8	13.9	15.0	4.3.3, page 249
				-10%	-15%	-9%	
	Water	Water consumption as a proportion of sales *(in cu.m/€m)*	197	204	186	185	4.3.3, page 252
				4%	-6%	-6%	
EMPLOYEES	Health and safety	Accident frequency rate (FR1): number of accidents with lost time per million hours worked	1.9	1.2	1.1	<1[4]	4.3.3, page 258
	Promoting diversity	Gender equality[2]	82.0	86.3	87.9	90	4.5.4, page 298
	Skills	Number of hours of technical training *(in thousands of hours)*	1,743	2,318	4,185	3,000	4.3.3, page 262
	Quality of life at work	Rate of compliance with the "Building a well-being environment" roadmap	61%	74%	74%	75%	4.5.4, page 297
COMMITMENT TO CORPORATE CITIZENSHIP	Purchasing and sustainable development	Share of production purchases for which the suppliers' sustainable development practices were assessed during the year *(in % of total purchases)*[3]	80%	82%	85%	82%	4.3.3, page 270
	Local integration	Organization of initiatives and events by the Valeo sites with educational and vocational training institutions *(in % of sites)*	68%	70%	73%	85%	4.5.5, page 304
	Local communities	Share of sites participating in the "One Plant, One Initiative" program	50%	55%	52%	100%	4.5.5, page 305

(1) 2019 is the baseline year under the new 2020-2025 plan.

(2) The gender equity index covers all sites worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.

(3) In application of the Sustainability-Linked Bond (SLB) principles, which highlight as a second criterion the extent to which Valeo's suppliers adhere to its sustainable development principles, the Group has undertaken to increase the percentage of the smallest suppliers assessed from 2021. The assessment target of 82% of purchase volumes by 2025, set in 2019, was actually achieved in 2021, pointing to rapid progress in the granularity of the hundreds of smaller suppliers to be assessed. This is exactly the type of progress expected in the value chain, where the Group must now capitalize on deeper awareness of sustainability principles among SMEs. Constant work is done within the strict perimeters of large groups.

(4) The continuous improvement of FR1 since 2020 has encouraged the Group to adjust its 2025 target from <1.7 to <1.

Non-financial performance indicators

Technological indicators

	Section	Unit	2020	2021	2022
KEY RESEARCH AND DEVELOPMENT INDICATORS					
Gross Research and Development expenditure *(as a % of sales)*[(1)]	4.1.4		10%	10%	10%
Net Research and Development expenditure *(as a % of sales)*[(1)]	4.1.4		10%	9%	9%
Research and Development headcount	4.1.4		18,480	14,730	17,245
Number of customer projects managed	4.1.4		2,911	3,172	2,976
Number of collaborative projects funded	4.5.2		>50	>50	>50
Number of patents filed	4.5.2		1,174	1,448	1,608
RESOURCE AND ECO-DESIGN INDICATORS					
Sales (reference)[(2)]		*€k*	14,991	17,137	17,812
Consumption of heavy metals	4.3.3	*t*	3.8	4.0	1.5
Consumption of heavy metals/sales	4.3.3	*kg/€m*	0.3	0.2	0.08
Consumption of chlorinated solvents	4.5.3	*t*	0	0	0
Consumption of chlorinated solvents/sales	4.5.3	*kg/€m*	0	0	0
Consumption of CMR substances[(3)]	4.3.3	*t*	118	102	110
Consumption of CMR substances[(3)]/sales	4.3.3	*kg/€m*	7.9	6.0	6.2
Consumption of recycled plastics	4.5.3	*kt*	3.5	2.4	3.6

(1) Excluding the Top Column Module business.
(2) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodology note on page 308.
(3) See sustainable development glossary, page 317.

Environmental indicators

	Section	Unit	2020	2021	2022
INDUSTRIAL MAPPING OF VALEO SITES[(1)]					
Total sales across all sites in reporting scope[(2)]	4.1.4	*€m*	14,991	17,137	17,812
Number of sites in reporting scope	4.1.4	-	151	144	156
GENERAL POLICY ON ENVIRONMENTAL ISSUES					
Number of sites able to obtain ISO 14001 and 45001 certification	4.5.3	-	151	144	154
ISO 14001-certified sites	4.5.3	*%*	100	94	94
ISO 45001-certified sites	4.5.3	*%*	92	89	78
ISO 50001-certified sites	4.5.3	*%*	20	31	40
Functional expenditure allocated to environment	4.1.4	*€k*	17,438	17,257	24,903
Cleanup costs, sites in operation	4.1.4	*€k*	1,310	376	596
Amount of investments for the protection of the environment (excluding cleanup costs)	4.1.4	*€k*	5,986	23,106	17,256
Number of fines and compensation awards	4.2	*0*	7	4	2
Amount of fines and compensation awards	4.2	*€k*	24	24	133
Total provisions allocated to environmental risks	4.2	*€m*	13	13	15[(3)]
Number of environmental complaints	4.2	-	11	8	9

(1) Data may vary slightly depending on the rate of site response on specific indicators (see section 4.6.1 "Sustainable development reporting methodology", page 308).
(2) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodology note on page 308.
(3) Total environmental provisions at December 31, 2022.

	Section	Unit	2020	2021	2022
ACCIDENTAL POLLUTION OF WATER AND/OR SOIL					
Volume of industrial effluents treated	4.3.3	*kcu.m*	636	718	526
Heavy metal content in these effluents	4.3.3	*kg*	26	20	27
Number of significant spills	4.3.3	-	2	1	2
Total waste generated	4.3.3	*kt*	259	254	247
• of which hazardous waste	4.3.3	*%*	10	11	11
• of which non-hazardous waste	4.3.3	*%*	90	89	89
Total waste generated/sales	4.3.3	*t/€m*	17.4	14.8	13.9
Waste recovery rate	4.3.3	*%*	88	88	88
Total waste exported	4.3.3	*t*	1,434	749	1,281
Ratio of total waste exported/total waste generated	4.3.3	*%*	0.6	0.3	0.5
WATER MANAGEMENT					
Total water consumption	4.5.3	*kcu.m*	3,275	3,491	3,319
Total water consumption/sales	4.5.3	*cu.m/€m*	213	204	186
Water outages and restrictions	4.5.3	-	1	1	7
ATMOSPHERIC EMISSIONS AND DISCHARGES					
Atmospheric lead emissions	4.5.3	*kg*	77	4	7
Atmospheric lead emissions/sales	4.5.3	*g/€m*	5.1	0.2	0.4
Atmospheric TCE emissions	4.5.3	*t*	0.0	0.0	0
Atmospheric TCE emissions/sales	4.5.3	*kg/€m*	0.00	0	0
Quantity of ozone-depleting substances used	4.5.3	*kg*	14,627	13,190	12,839
Emissions of ozone-depleting substances	4.5.3	*kg eq. CFC-11*	295	100	84
Atmospheric VOC emissions[5]	4.5.3	*t*	1,973	1,642	1,584
Atmospheric VOC emissions[5]/sales	4.5.3	*kg/€m*	132	96	89
Atmospheric NO_x emissions	4.5.3	*t*	139	168	170
Atmospheric NO_x emissions/sales	4.5.3	*kg/€m*	9.3	9.8	9.7
REDUCING ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS					
Total energy consumption	4.5.3	*GWh*	2,455	2,760	2,739
• Proportion of electricity	4.5.3	*%*	76.3	74.2	74.4
• Proportion of natural gas	4.5.3	*%*	21.3	23.0	23.4
• Proportion of fuel oil	4.5.3	*%*	1.4	1.4	1.5
• Proportion of other energy sources	4.5.3	*%*	1.0	1.4	0.7
Total energy consumption/sales	4.5.3	*MWh/€m*	163	161	154
Direct energy consumption/sales	4.5.3	*MWh/€m*	37	40	39
Indirect energy consumption/sales	4.5.3	*MWh/€m*	126	121	115
Energy efficiency: expected gain	4.5.3	*MWh*	11,891	33,444	61,885
• Scope 1	4.5.3	*ktCO_2eq.*	171	193	191
• Scope 2 (including renewable energy purchases)[6]	4.5.3	*ktCO_2eq.*	460	582	517
• Upstream Scope 3 (purchased goods and services, and transportation and distribution)	4.5.3	*ktCO_2eq.*	8,521	8,617	8,697
• Downstream Scope 3 (use of sold products)	4.5.3	*ktCO_2eq.*	30,800	36,845	35,814
Total greenhouse gas emissions (GHG – Scopes 1, 2 & 3) within the SBTi commitment scope	**4.5.3**	***ktCO_2eq.***	**39,952**	**46,237**	**45,220**
Total GHG emissions within the Valeo "CAP 50" Carbon Neutrality Plan scope (Scopes 1, 2 and 3) (SBTi commitment scope, including gains from Valeo technologies included in Scope 3)	**4.5.3**	***ktCO_2eq.***	**40,479**	**45,006**	**41,495**
PACKAGING					
Packaging materials consumption		*kt*	81.5	87.1	90.5
• Proportion of plastic packaging	4.5.3	*%*	16	14.1	13.5
• Proportion of cardboard packaging	4.5.3	*%*	54.8	58.2	56.6
• Proportion of wood packaging	4.5.3	*%*	27.3	25.9	28.2
• Proportion of other types of packaging		*%*	1.9	1.8	1.7
Packaging materials consumption/sales		*t/€m*	5.4	5.1	5.1

(4) See sustainable development glossary, page 317.
(5) The calculations of Scope 2 emissions factors include the carbon neutrality associated with the purchases of renewable energy and guarantee of origin.
(6) Data on indirect greenhouse gas emissions: this calculation does not take into account purchases of low-carbon energy with guarantee of origin.
(7) Data on indirect greenhouse gas emissions: this calculation includes the adjustment of the energy mix for purchases of decarbonized energy with guarantee of origin (use of residual emission factors), using the so-called "market-based" method, defined by the GHG Protocol (see sustainable development glossary, page 317).

Employee-related indicators

	Section	2020	2021	2022
CHANGE IN VALEO'S HEADCOUNT				
Managers and Professionals	4.1.4	30,562	31,581	35,909
Technicians[(1)]	4.1.4	15,488	15,217	15,173
Operators	4.1.4	52,818	47,371	47,073
Registered headcount[(2)]	**4.1.4**	**98,868**	**94,169**	**98,155**
Temporary staff		11,432	9,131	11,745
Total headcount	**4.1.4**	**110,300**	**103,300**	**109,900**
Permanent staff		84,638	82,433	85,659
Non-permanent staff		25,698	20,867	24,241
Average headcount[(3)]	**4.1.4**	**108,425**	**104,500**	**107,250**
Breakdown of registered headcount by socio-professional category *(in %)*	**4.1.4**			
• Managers and Professionals		30.9%	33.5%	36.6%
• Technicians[(1)]		15.7%	16.2%	15.5%
• Operators		53.3%	50.3%	48.0%
Breakdown of registered headcount by contract type *(in %)*	**4.1.4**			
• Permanent contracts		74.9%	76.7%	77.9%
• Fixed-term contracts		12.9%	12.9%	11.4%
• Temporary staff		9.9%	10.4%	10.7%
Breakdown of registered headcount by geographic area	**4.1.4**			
• Western Europe		26,139	24,878	25,599
• Central and Eastern Europe		16,317	15,428	16,387
• Africa		5,902	6,224	7,047
• North America		17,504	16,311	15,854
• South America		2,610	2,022	2,009
• Asia		30,396	29,289	31,243
Breakdown of registered headcount by gender *(in %)*	**4.1.4**			
• Women		32.6%	32.4%	31.8%
• Men		67.4%	67.6%	68.2%
HEALTH AND SAFETY				
Number of lost-time occupational accidents per million hours worked, Group (FR1)	4.3.3	1.4	1.2	1.1
Number of occupational accidents, with or without lost time, per million hours worked, Group (FR2)	4.3.3	3.4	5.1	5.1
Number of days lost owing to an occupational accident per thousand hours worked, Group (SR1)	4.3.3	0.04	0.05	0.04
Number of category 1 accidents	4.3.3	3	2	5
Absenteeism rate	4.3.3	2.9%	2.9%	3.16%
ATTRACTING TALENT				
Breakdown of new hires by contract type *(in %)*	**4.3.3**			
• Permanent contracts		51.4%	40%	61%
• Fixed-term contracts		48.6%	60%	39%
Breakdown of new hires by geographic area[(4)] *(in %)*	**4.3.3**			
• Western Europe		19.1%	22%	19%
• Central and Eastern Europe		12.5%	14%	15%
• Africa		10.0%	6%	8%

(1) As of 2022, employees on internships, Volontariat International en Entreprise *(VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer included in the headcount.*
(2) The registered headcount corresponds to permanent and fixed-term employees.
(3) The average headcount is the Group's total headcount divided by four.
(4) Hires resulting from external growth operations are not included in this calculation.

	Section	2020	2021	2022
• North America		36.4%	34%	28%
• South America		2.1%	2%	2%
• Asia		19.9%	21%	28%
Change in the number of LinkedIn followers		631,000	923,792	1,106,602
DEVELOPING AND RETAINING TALENT				
Percentage of employees trained	4.3.3	83.1%	94%	90%
Number of training hours provided	4.3.3	2,424,533	1,742,599	2,317,529
Average hours of training per employee	4.3.3	17.9	21	23
Percentage of training hours devoted to safety	4.3.3	15%	20%	14%
Percentage of employee shareholders at Valeo	4.3.3	50%	50%	54%
Breakdown of departures by cause	**4.3.3**			
• Resignations		9,412	10,316	11,948
• Expiration of fixed-term contracts		10,452	8,898	7,985
• Dismissals and contract terminations		5,126	3,447	3,311
• Retirement, early retirement and death		589	745	706
• Layoffs		535	839	489
Turnover of Managers and Professionals		8.0%	10.0%	10.69%
RESPECTING AND PROMOTING DIVERSITY				
Percentage of women among new hires *(in %)*	**4.5.4**			
• Managers and Professionals		26.0%	26.0%	26.6%
• Technicians		32.8%	29%	30.7%
• Operators		38.1%	42%	41.2%
Percentage of women among new hires		34.9%	39%	35.5%
Breakdown of women by socio-professional category *(in %)*	**4.5.4**			
• Managers and Professionals		23.1%	23.1%	24.1%
• Technicians		24.6%	24%	24.7%
• Operators		40.2%	40%	39.2%
Proportion of employees with disabilities worldwide (direct employment)		2%	2%	1.7%
Breakdown of sites run by local directors *(in %)*	**4.5.4**			
• Western Europe		78%	78%	81%
• Central and Eastern Europe		75%	81%	78%
• Africa		67%	89%	78%
• North America		64%	76%	61%
• South America		80%	80%	100%
• Asia		82%	94%	89%
Breakdown of registered headcount by age group *(in %)*	**4.5.4**			
• <20 years		1.00%	0.85%	0.78%
• 20-29 years		25.60%	24.36%	24.54%
• 30-39 years		34.50%	34.34%	34.12%
• 40-49 years		23.40%	24.08%	23.86%
• 50-59 years		13.30%	14.08%	14.20%
• >60 years		2.20%	2.28%	2.50%
Number of interns		1,192	842	1,516
Number of apprentices		1,117	1,564	1,746
Number of VIE (*Volontariat international en entreprise*) applicants		47	49	120

(1) As of 2022, employees on internships, Volontariat International en Entreprise *(VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer included in the headcount.*
(2) The registered headcount corresponds to permanent and fixed-term employees.
(3) The average headcount is the Group's total headcount divided by four.
(4) Hires resulting from external growth operations are not included in this calculation.

Social indicators

Indicators	Section	2020	2021	2022
Percentage of sites that organized open days		—%	—%	20%
Share of sites partnering with local elementary/secondary schools	4.5.5	45%	47%	50%
Share of sites partnering with local universities/engineering schools	4.5.5	77%	80%	82%
Share of production purchases for which the suppliers' sustainable development practices were assessed during the year *(% of total purchases)*	4.5.5	80%	82%	85%

4.3 Non-financial information statement

4.3.1 Analysis of non-financial risks

Valeo has analyzed its non-financial risks, in compliance with the French legal framework[10], to improve the transparency of its non-financial reporting. It has blended duty of care and measurement tools developed within this framework into its internal methodologies for assessing supplier operations and value chains.

Valeo's analysis of non-financial risks, performed for the first time in 2018, resulted from the joint work of the Risk Management and Sustainable Development and External Affairs departments. The work followed the methodological approach and included the following key steps:

- **step 1:** by comparing the Group's risk map (the details of which are presented in Chapter 2, section 2.1 "Risk factors", pages 94 to 103) with the materiality matrix (the details of which are presented in section 4.1.2, "Sustainable development challenges and non-financial risks", pages 209 to 210), Valeo sought to identify and analyze the potential risks associated with the challenges set out in the matrix. The analysis took into account changes in the French legal framework and the risks associated with corruption[11], serious violations of human rights and fundamental freedoms, personal health and safety, and the environment[12] (see section 4.4 "The duty of care plan", pages 285 to 287):
  - it was considered that the materiality matrix had already been performed for challenges in the matrix covered by the Group's risk mapping, which correspond to risk factors,
  - the challenges not covered by the risk mapping were analyzed in detail, based largely on in-depth interviews with the various contributors to their management, as well as on sector comparisons. The results gave rise to the formalization of non-financial risks, their evaluation in accordance with the Group's risk assessment scale (i.e., that used for the risk factors presented in Chapter 2) and the establishment of specific mapping of non-financial risks;
- **step 2:** the mapping of the non-financial risks and its associated analysis for 2018 were presented to the Risks Committee in early 2019, which approved the findings;
- **step 3:** the risk factors resulting from this non-financial risk mapping were published in the Registration Document for 2018 (at the end of March 2019).

Financial risk mapping is updated each year and presented to the Risks Committee, which validate the assessments of non-financial risks. The process was reiterated for this Universal Registration Document, giving rise to the identification of four new main risks: risk related to water management, risk related to atmospheric emissions and discharges, risk related to transportation and logistics, and risk related to fundamental rights. As a result, Valeo identified the following eleven main non-financial risks (classified in accordance with Valeo's four sustainable development axes):

(10) Decree No. 2017-1265 of August 9, 2017 issued for the application of Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.

(11) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.

(12) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

Sustainable development axes	Risks	
Innovation	Risk of non-achievement of Carbon Neutrality Plan commitments	Pages 238 to 246
Environmental eco-efficiency	Risk associated with accidental pollution of water and/or soil	Pages 247 to 250
	Risk related to water management	Pages 250 to 252
	Risk related to atmospheric discharges and emissions	Pages 252 to 255
	Risk related to transportation and logistics	Pages 255 to 256
Employees	Health and safety risk	Pages 256 to 259
	Risk related to attracting talent	Pages 259 to 261
	Risk related to developing and retaining talent	Pages 262 to 266
Commitment to corporate citizenship	Risk of individual corruption	Pages 266 to 267
	Risk related to suppliers' sustainable development practices	Pages 267 to 271
	Risk related to fundamental rights	Pages 271 to 273

The means implemented to control these risks are presented in the following section (section 4.3.3 "Valeo's non-financial risks", pages 236 to 273).

These risks were analyzed and dealt with in a low-carbon scenario approach, in connection with the new legal provisions on the disclosure of financial risks related to the effects of climate change[(13)(14)].

Further clarification of the reporting of risks and opportunities related to climate change is provided in section 4.1.5, "Risks and opportunities related to climate change (TCFD)", pages 227 to 228, in the Valeo Climate Report available on the website, and in the cross-reference table in section 4.6.2. It was designed based on the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

The risks listed above and described in this chapter are the material items declared following risk mapping. In view of the Group's industrial and automotive activity, Valeo does not address the following issues, which it considers immaterial:

- the fight against food waste;
- the fight against food insecurity;
- respect for animal welfare;
- responsible, fair and sustainable food[(15)];
- promoting physical[(16)], sporting and cultural activities[(17)].

Measures taken by Valeo to combat tax evasion are described in Chapter 1, section 1.2.3 "Valeo's tax policy" (page 52).

Although this information is not part of the framework of the non-financial information statement[(18)], certain employee, environmental and social data have been kept in this chapter to ensure the continuity and transparency of information. They are presented, for each sustainable development priority, in the sections entitled "Valeo's commitments" (section 4.5.2 "Technological commitments", section 4.5.3 "Environmental commitment", section 4.5.4 "Employee-related commitments", section 4.5.5 "Social commitment").

4.3.2 Business model

Valeo's business model is presented in the Integrated Report, pages 6 to 7.

(13) Energy transition law for green growth, application guide of Article 173-VI.

(14) Article L.225-100-1 of the French Commercial Code.

(15) Article L.225-102-1 of the French Commercial Code.

(16) Law No. 2022-296 of March 2, 2022 aimed at democratizing sport in France.

(17) Article L.225-35 of the French Commercial Code.

(18) This information is not part of the non-financial information statement and should not be taken as such, even though some items are mentioned in decree No. 2017-1265 of August 9, 2017 issued for the application of Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations and are described in Article R.225-105 of the French Commercial Code.

4.3.3 Valeo's non-financial risks

Summary table of non-financial risks

	Risks	Description	Due diligence policies and procedures	Key performance indicators	Pages
Innovation	Risk of non-achievement of Carbon Neutrality Plan commitments	Financial and reputational risks related to the non-achievement of commitments made under the plan to reduce greenhouse gas emissions	– Valeo's Carbon Neutrality Plan – Innovation for the reduction of GHG emissions related to products during their use phase – A product eco-design strategy aimed at reducing their carbon impact during the design and production phase	– 60% of Valeo sales derived from products contributing to the reduction of GHG emissions – 4.4 $MtCO_2$ reduction across all operating activities, suppliers and the end use of products (Scopes 1, 2 and 3 – SBTi scope) between 2019 and 2022	238 to 246
Environmental eco-efficiency	Risk associated with accidental pollution of water and/or soil	Risk related to the use of polluting substances that can generate hazardous waste, or the discharge of liquid effluents that may be polluted	– Implementation of several operational environmental directives setting out rules for all sites in order to limit risks	– 99% of sites free of accidental spills[1] – Non-hazardous waste/ sales: 89% – 88% of waste recovered or recycled of which 5.6% incinerated with heat recovery	247 to 250
	Risk related to water management	Risk related to the exposure of Valeo sites to water cuts or restrictions	– Environmental risk assessment to determine, among other factors, the level of water stress of a future site – Five-year plan to reduce both risks and consumption	– Water consumption with monthly monitoring and an annual consolidated volume of 3.3 million cu.m – 23 sites use groundwater intake – 7 sites are subject to water restrictions	250 to 252
	Risk related to atmospheric discharges and emissions	Risk related to the atmospheric discharge of substances that could impact the environment	– Eradication of the use of halogenated solvents (TCE/ Perchlo, etc.) and ozone-depleting substances (CFC, HCFC, HFC, etc.) – Control of air emissions with an annual measurement	– Annual consumption of chlorinated solvents reduced to 0 kg – Reduction of ozone-depleting chlorinated refrigerants in facilities to 12,839 kg – Heavy metal discharges (7 kg of lead, 0 kg of cadmium, 0 kg of mercury) – Atmospheric emissions of 1,584 metric tons of VOCs (1,242 metric tons avoided thanks to filtration systems)	252 to 255
	Risk related to transportation and logistics	Risks related to the difficulty of reducing GHG emissions from goods transportation and demonstrating the reduction	– Collection of transportation data to calculate GHG emissions of transportation suppliers, and to measure the impact of sourcing decisions – Adoption of multimodal solutions and alternative fuels (biofuel) with carriers – Comparison of GHG emissions for available transportation solutions	– Assessment of transportation providers based on the GLEC framework (17 assessments, 76% adherence) – 42% of transportation expenditure covered by an annual GHG emissions report	255 to 256

	Risks	Description	Due diligence policies and procedures	Key performance indicators	Pages
Employees	Health and safety risk	Risk related to the occurrence of an accident	- Rollout of policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment) - Quick Response Quality Control (QRQC) methodology - Safety First training program - Rollout of the five golden safety rules (protective equipment, Lock-Out Tag-Out operations, working at height, vigilance at work)	- Frequency rate of occupational accidents FR1: 1.1 - Frequency rate of occupational accidents FR2: 5.1 - Number of days lost owing to an occupational accident, or severity rate (SR1): 0.04	256 to 259
	Risk related to attracting talent	Risk related to difficulties in attracting the talent needed to achieve its goals in a competitive environment undergoing profound transformation	- Implementation of Talent Acquisition Centers (TAC) - Global IT recruitment management solution - A strong employer brand	- 24,539 recruitments - 1,106,602 LinkedIn followers - 81.71% of Valeo's plants maintaining relations with higher education institutions	259 to 261
	Risk related to developing and retaining talent	Risk related to difficulties in retaining talent, adapting and taking on new skills	- Training and skills development - Compensation and benefits - Development of networks of experts and specialists	- Number of resignations: 11,948 - Voluntary turnover of Managers and Professionals: 10.69%	262 to 266
Commitment to corporate citizenship	Risk of individual corruption	Risk related to the impact of possible corrupt practices on the Group's reputation, operations, financial situation and profitability	- Anti-corruption program rolled out worldwide, subject to internal controls and multiple audits - Additional training, procedures for declaring conflicts of interest clarified, communication campaign illustrated with practical cases	- Code of Ethics issued to 98% of newcomers	266 to 267
	Risk related to suppliers' sustainable development practices	Risk related to non-compliance with sustainable development requirements by suppliers	- Assessment of suppliers' sustainable development practices - Compliance with Valeo's Business Partner Code of Conduct - Anticipatory measures to ensure legal compliance in France	- Share of production purchases for which suppliers' sustainable development practices were assessed: 85%	267 to 271
	Risk related to fundamental rights	Risk related to non-compliance with human rights requirements	- Compliance with the Code of Ethics - Compliance with Valeo's Business Partner Code of Conduct - Data protection policies (Valeo Data Protection Principles, Valeo Employee Data Protection, Valeo Data Protection Statement and Privacy Notice, Whistleblowing Policy) - Anti-Harassment Policy, Compensation and Benefits Policy, Non-Discrimination Policy, Due Diligence including Human Rights, Gender Diversity by Design policy - Assessment of corporate social responsibility practices in Valeo plants - HSE Management Manual	- Number of employees represented by the European Works Council: 40,970 - Percentage of employees covered by collective bargaining agreements: 93.7% - Percentage of sites with trade union representation: 59% - Gender equity index reading: 87.9% - Share of production purchases for which suppliers' sustainable development practices were assessed: 85%	271 to 273

(1) A spill is considered accidental when the quantity spilled is greater than 1 cu.m.

Valeo's activities are liable to generate the discharge of substances into the air that could impact the environment.

Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments

Description of the risk

In 2021, Valeo developed a plan to reduce its carbon footprint (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050"). Its aim is to reduce the Group's emissions by 45% by 2030 compared with 2019, based on annual GHG reductions and action plans within each network.

Emissions items do not all have the same impact with respect to meeting the 2030 target. In 2019, Valeo emitted nearly 50 $MtCO_2$eq., of which 39 $MtCO_2$eq. from the product use phase and 9 $MtCO_2$eq. from the use of materials in the manufacture of Valeo products. So it will be vital to achieve objectives within the R&D and purchasing networks to meet these commitments.

Non-achievement of commitments related to the Carbon Neutrality Plan could have a significant impact for the Valeo Group, particularly in terms of visibility with its partners and customers. However, a development of that nature is considered unlikely, due notably to the increasingly stringent regulatory environment as regards the reduction of pollutant emissions from vehicles and the introduction of electromobility in Europe and other parts of the world, and to market trends in favor of the penetration of hybrid and electric vehicles (for European standards: emissions of 95 g of CO_2/km in 2021 and a further reduction of 40 g of CO_2/km based on initial analysis of the sector roadmaps of the "Green Deal for Europe", presented by the European Commission in December 2019). Moreover, all players in the automotive sector, many of which have made commitments of this type, share in the management of this risk. The management of this risk is characterized by preemptive actions aimed at:

- limiting GHG and pollutant gas emissions from vehicles[19] (i.e., monitoring of downstream Scope 3 action plans);
- limiting the use of hazardous and regulated substances (i.e., monitoring of upstream Scope 3 action plans);
- complying with the regulatory framework in terms of eco-design[20][21] and production processes[19] (i.e., monitoring of upstream Scope 3 action plans).

This risk requires more in-depth product life cycle assessments, for which methodologies and tools are currently being developed within the sector, particularly in line with the European legal framework currently under construction[22].

Risk management policy

Valeo has set up a dedicated governance system to manage this risk, based largely on the management of the "CAP 50" Carbon Neutrality Plan action plans. Strategic reviews covering all networks concerned are held each quarter.

Action plans aimed at monitoring upstream and downstream Scope 3 emissions are divided into two parts:

- **innovation for the reduction of GHG emissions** of products during their use phase, with contributions from the following three Valeo activities:
  - products contributing to the hybridization and electrification of powertrains, especially those dedicated to medium-power (48V) hybridization,
  - high-power (over 60V) electrification for electric vehicles and plug-in hybrids, offering a significant reduction in GHG emissions and the option of driving in low-emissions mode, especially in urban areas,
  - thermal solutions for both engine and cabin, integrating all battery thermal management solutions for electric vehicles,
  - exterior and interior lighting solutions (vehicle projectors, etc.) with reduced energy consumption and mass to help limit the vehicle's carbon impact. In wiper systems, Valeo also develops systems that consume less energy;
- **rollout of a product eco-design strategy** geared toward reducing their carbon impact well beyond the simple use phase, with the following priorities:
  - life cycle assessments of Valeo products,
  - limiting the consumption of raw materials and chemicals,
  - using recyclable and recycled materials,
  - eliminating hazardous materials in anticipation of the applicable legal and regulatory framework.

(19) Regulation (EC) No. 715/2007 of the European Parliament and of the Council of June 20, 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information; Regulation (EU) 2019/631 of the European Parliament and of the Council of April 17, 2019 setting CO_2 emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No. 443/2009 and (EU) No. 510/2011 (recast).

(20) Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products.

(21) Directive No. 2000/53/EC of September 18, 2000 on end-of-life vehicles.

(22) https://ec.europa.eu/clima/policies/transport/vehicles_en#tab-0-1.

Measures taken to reduce the risk

Reduction of greenhouse gas (GHG) emissions

The key products contributing to the hybridization and electrification of powertrains are presented in Chapter 1, section 1.3 "Operational organization", paragraph "Powertrain Systems", pages 54 to 59. Similarly, the latest innovations in thermal systems, and lighting and wiper systems are presented in paragraph "Thermal Systems", pages 60 to 65, and paragraph "Visibility Systems", pages 72 to 77.

As part of Valeo's Carbon Neutrality Plan, management of this risk has been reinforced by the implementation of a tool to calculate the CO_2 impact of Valeo products during their use phase (see next paragraph, "GHG emissions related to the use of Valeo products (Scope 3)"). This work has benefited from a range of advice and draws on accepted standards. It will enable the progress of the Carbon Neutrality Plan to be monitored each year.

The Group's main areas of action to reduce GHG emissions are:

- to build a product portfolio in line with the increasing electrification of new vehicles sold;
- to progressively decarbonate the energy consumed (greater integration of renewable energies);
- reduced vehicle mass;
- to improve the performance of Valeo's technological solutions.

Valeo also conducts approval and certification tests for each product, based on automotive sector standards.

GHG emissions related to the use of Valeo products (Scope 3)

Absence of sector-specific methodology for equipment manufacturers

In accordance with the recommendations on identifying and reporting the volumes of indirect CO_2 emissions related to Valeo's operations[23], the Group undertook extensive work in 2017 to lay down a methodology for calculating emissions relating to the use of its products, in the absence of existing methodology in the industry:

- in view of the wide range of uses[24] offered by Valeo products, which vary depending on the choices made by automakers on which Valeo only has a certain amount of information, this work drew on the modeling of its products' carbon impacts and was based on the parameters set out below;
- the work benefited from scientific and technical advice from EMISIA SA[25], a branch of the Applied Thermodynamics Laboratory of the University of Thessaloniki (Greece) and an expert in modeling transportation-related CO_2 impacts recognized by the European Commission.

Valeo's approach was to evaluate the level of emissions of products representative of the diversity of its product portfolio throughout their use phase, which most often corresponds to the lifespan of a vehicle, factoring in the following parameters:

- the products' weight and power consumption characteristics;
- the technical characteristics of the vehicles fitted with Valeo products through a segment-specific approach, taking into account the vehicles' specific uses (rolling, product life);
- the penetration of Valeo technologies in the market and within the specific segments reviewed;
- the characteristics of the global market; and
- Valeo's annual sales of the technologies taken into account for this calculation.

This work was continued and further established in 2020 as part of the development of Valeo's Carbon Neutrality Plan, as CO_2 emissions relating to the use of Valeo products represent the most significant source of so-called Scope 3 emissions[26]. This work involved the following actions in 2020:

- review of the accounting of products' nominal carbon impact;
- review of the relevant emissions calculation cycle, with all emissions from Valeo products being calculated in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) so as to reflect real-life conditions of use as closely as possible;
- integration of the carbon impact of the energy (fossil fuel or electric) consumed by the various types of vehicles in which Valeo products are installed, allowing well-to-wheel[27] emissions to be calculated on a regional basis;
- integration of all Valeo product families so as to cover the Group's entire annual sales.

This methodological review received scientific and technical support from EMISIA SA in 2020.

It resulted in a revision of emissions for 2019 to 39 $MtCO_2$eq. and those for 2021, i.e., 37 $MtCO_2$eq. Under this methodology, emissions for 2022 totaled 35.8 $MtCO_2$eq., a reduction of 8% compared with 2019. This significant decline is the result of the acceleration in electrification in 2022, with new vehicle launches in Europe, and changes in Valeo's product mix.

As part of the Carbon Neutrality Plan for 2030, Valeo has set the objective of reducing emissions linked to the use of its products by 15% in absolute terms compared with 2019. This objective was constructed on the basis of individual vehicle penetration scenarios and new forms of mobility by global region, integrating projections from several sources and taking into account the Group's growth outlook. It is consistent with the reference framework set by the SBTi and follows its cross-sector methodological recommendations for calculating Scope 3 emissions.

(23) Article 173 of Law No. 2015-992 of August 17, 2015 relating to the energy transition for green growth.

(24) The absence of a relevant calculation methodology for an automotive supplier is confirmed by the work of the SBTi: the methodology developed for automakers indicates that a calculation methodology for equipment manufacturers is yet to be developed (see "Transport Science-Based Target setting Guidance", section 3.4, page 19).

(25) EMISIA is notably in charge of managing the European TRACCS database, resulting from a European project financed by the Directorate-General for Climate Action of the European Commission, DG-CLIMA (TRACCS, for "Transport data collection supporting the quantitative analysis of measures relating to transport and climate change").

(26) To be endorsed by the SBTi, a CO_2 emissions reduction target must include at least 60% of so-called Scope 3 emissions (see SBTi Criteria and Recommendations, Version 4.1, April 2020).

(27) The data on the carbon impact of the energy consumed by the vehicles under consideration come from the fifth updated edition of the work of the JEC published in September 2020, the result of a consortium of joint work between the European Commission's JRC, the European Council for Automotive R&D (EUCAR) and the European Energy Industry Association (Concawe).

With a view to measuring the carbon impact of products resulting from its investments in electrification, Valeo has assessed a value of GHG emissions for Scope 3 related to the use of its products (net downstream Scope 3). This value corresponds to the absolute value of emissions related to the use of its products (gross downstream Scope 3, calculated on the basis of electricity consumption and the weight of products sold by Valeo during year Y) less the emissions savings generated by the use of its products (difference between the average GHG emissions of products sold by Valeo within the annual production of vehicles for the 2019 baseline year and that of year Y). As part of the Carbon Neutrality Plan for 2050, this methodology for integrating the CO_2 savings resulting from Valeo's products should enable the Group to nearly halve its overall emissions between 2019 and 2030. Using this method, Valeo reduced its total emissions to 41.5 $MtCO_2$eq. in 2022, compared with 49.6 $MtCO_2$eq. in 2019.

Product eco-design

Areas of action and key figures for 2022

The eco-design approach has been rolled out at every level of the Group's Research and Development network. It aims to:

- reduce GHG emissions;
- increase the recyclability of materials and systems;
- ensure that materials are safe.

The approach is an integral part of Valeo's Carbon Neutrality Plan, for which the Group has implemented a dedicated calculation tool to assess the carbon impact of materials, products and other inputs at Valeo, and to make longer-term projections. It takes into account the consumption of raw materials and carbon emission factors specific to each family of materials.

Product eco-design and life cycle assessments

Valeo's eco-design approach is based on internal standards, which guide the project teams in their life cycle analyses in the upstream research phase. This mainly includes internal documents, such as the EcoDesign standard[28]. These documents enable engineers to assess the major environmental impacts of products at all stages of their life cycle during project development:

- type, origin, number and quantity of raw materials;
- production and packaging;
- transportation and distribution;
- use and maintenance;
- disassembly, recycling, reuse, recovery and disposal.

To ensure the directive's circulation and implementation, Valeo has published an EcoDesign Checklist designed to monitor the application of the criteria in new projects. This easy-to-use tool ensures that eco-design criteria are observed from the upstream phase. This means that products are consistently engineered from the outset with an eye to sustainable development criteria.

Project teams refer to this checklist in their qualitative and quantitative analysis in respect of electricity consumption, hazardous materials use and component weight to reduce the number of components and the volume of materials that do not benefit the environment or the consumer.

It also responds to changes in the European End-of-Life Vehicle (ELV) Directive[29], which since January 1, 2015 has required automakers to achieve a minimum rate of reuse and recycling of 85% by weight of the ELV, or 95% when disposing by incineration. As a result, automakers have established increasingly higher standards with their suppliers to gradually raise the recycling rate of their products. The R&D and Projects teams work closely with automakers to anticipate and design products and systems that take into account recyclability and the best circuits in the industrial value chain.

In addition to working closely with automakers, Valeo has for many years been committed to identifying second life solutions for products, and, as such, promotes:

- the use of materials with a small carbon footprint or produced using low-carbon energy;
- the reduction of material waste during the manufacture of primary parts, including among suppliers;
- the lightening of products (reduction of thickness, etc.);
- the use of assembly solutions that allow for easy dismantling, simple and strictly necessary repairs, and optimum recycling for the separation of materials before recycling our products.

Valeo's commitment to the circular economy is presented in greater detail in section 4.5.3 "Environmental commitment", paragraph "Circular economy", page 294.

(28) Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products.

(29) See sustainable development glossary, page 317.

Life Cycle Assessments (LCAs) at Valeo

Based on the information listed and monitored in its EcoDesign Checklist database, the Group estimates that it has now identified and made available nearly 80% of the data required for a product LCA. This information is used to create and develop products with less impact on the environment.

Compilation and use of the information is managed in the Product Life Cycle Management (PLM) system, which lists the components of products and systems used in their design, and requires compliance with clearly defined standards. It is thus mandatory to justify any departure from the standards (in particular when using non-documented materials) must be justified. By systematically referring to the standards, Valeo demonstrates its determination to embed eco-design (including GHG emissions impact analysis) as far upstream as possible in the product development phase.

As part of its Carbon Neutrality Plan and in line with the gradual transition from carbon accounting to life cycle assessments in the automotive sector, Valeo has opted to build a broad plan to analyze the carbon impact of its products through systematic life cycle assessments (LCA). The reorganization of Valeo's R&D and industrial activities resulted in the classification of its product portfolio into platforms. For 2022, Valeo had set itself the objective of carrying out LCAs for nine of its main platforms, which together account for nearly 36% of sales; ultimately, more than 20 platforms were analyzed during the year. Valeo expects to continue at the same pace in 2023, bearing in mind that the first and longest step, namely data collection, has already been completed.

Examples of recyclability of two Valeo products

The new generation Valeo i-StARS starter-alternator has a recyclability rate of 98.2% and a recovery rate of 99.5%[1] (based on an internal evaluation).

The Valeo e-supercharger has a recyclability rate of 94.8% and a recovery rate of 97.6%[2] (based on an internal evaluation).

(1) The recovery rate is defined as the sum of recycling and energy recovery rates.

(2) Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No. 793/93 and Commission Regulation (EC) No. 1488/94 as well as Council Directive No. 76/769/and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

Compliance of products with environmental standards

Complementing the internal EcoDesign Checklist tool, the eco-design approach is backed by a requirement for product quality and reliability right from their design phase, which is broken down within the RAISE methodology. It stands for:

- Robustness;
- Accountability;
- Innovation;
- Standards;
- Expertise.

RAISE aims to ensure the robustness of Valeo's products and processes. Dedicated teams (one per Product Group) have been assigned to RAISE on a full-time basis, with the following explicit objectives:

- set standards that are easy to identify, understand, learn, implement and verify. This is essential for ensuring that they are properly applied in a group like Valeo, whose employees speak a variety of languages and come from multiple cultural backgrounds;
- communicate on the standards and circulate them within the Group. Knowledge-sharing involves ensuring that standards are available in a single, global database (the PLM or Product Life Cycle Management database), and providing training at the Valeo Technical Institutes;
- verify that standards are implemented. To this end, the RAISE teams regularly visit sites and review project design. They do this to ensure that standards are applied correctly and to obtain any feedback that can be used to improve them.

More than 8,000 product and process standards are in place and maintained in the various Product Groups. They are applied day-to-day in designing new products and manufacturing processes.

Special training programs (core RAISE training courses on design reviews, risk analysis and reliability) are continuously provided for Research and Development and Industrialization teams to extend their reach even further.

Reduction and elimination of hazardous chemical substances

The Group also gives priority to eliminating hazardous substances in its products.

The European regulation commonly known as REACH[30] has established a single system for the Registration, Evaluation, Authorization and Restriction of Chemicals. REACH is aimed at increasing knowledge of the properties of chemical substances manufactured or marketed in the European Union so as to contain the risks related to them and, where necessary, restrict or ban their use. It covers nearly 30,000 substances out of the 100,000 currently on the European market. Of them, 1,500 are deemed particularly hazardous. Their use is controlled by the European authorities. As such, at the end of December 2020, 209 SVHCs (Substances of Very High Concern) had been identified by the competent European authorities and their use has been progressively subject to authorization. Among other substances, they include solvents, primarily used during procedures involving plasticizers to soften polymers, flame retardants used in electrical and electronic products to provide effective protection against the propagation of fire, and certain surface treatments. Moreover, due to the increasing integration of electronic components requiring the use of nanomaterials in its products, Valeo is closely following work by the European Commission in this area, especially via the REACH regulation, in order to anticipate possible substitutions of nanomaterials, or modifications to their supply processes and their use in manufacturing.

For REACH purposes, Valeo is generally considered to be a downstream user of chemicals. This means that it must list the substances used in manufacturing its products and those required to operate its industrial facilities to ensure the safety of its supply chain and its operations.

Valeo has introduced a special structure and appropriate tools to comply with REACH regulations.

This structure works under the Material Compliance manager and a team including a representative in each Business Group. They set the list of hazardous substances and decide on whether to eliminate them from Valeo's products and processes. REACH representatives are in place within each entity affected by REACH regulations and at every Valeo plant. This has created a network of REACH managers covering each Group site and Technical Services Center. The Research and Development, Purchasing and Customer Quality departments are required to have a full understanding of Valeo's products, and are responsible for communicating with external parties (suppliers, customers and competent authorities), in particular via the International Material Data System (IMDS).

The Group issues a set of standardized documents from local REACH network correspondents to enhance the spread of Research and Development standards in this field and to support prevention and response work regarding the substances used.

These documents include a reference database created by Valeo of banned or restricted substances in the automotive industry. It summarizes the regulations applicable in the different countries where Valeo operates, and the requirements of its automaker customers concerning the substances used in the composition of parts, and in manufacturing and repair processes. The database was updated again in 2022.

Valeo has long conducted in-depth research into the potential presence of SVHCs in its products, and has begun to replace them with substances with less environmental impact. It has set the ambitious target of eliminating from its products any substance requiring authorization in any of its markets and will work with its suppliers to systematically find alternatives to using SVHCs. In particular, a plan to replace products containing certain phthalates, including DEHP[31] and certain nonylphenols, including nonoxinol, widely used as a plasticizer, was continued.

Valeo is working on gradually replacing these substances in response to consumer concerns about their presence in vehicles.

Valeo actively participates in the work of professional associations in Europe and internationally. The Group follows the recommendations of the Automotive Industry Guide issued by the French Federation of Automotive Suppliers (*Fédération des industries des équipements pour véhicules* – FIEV). It took part in the REACH task force within the European Association of Automotive Suppliers (known under the French acronym CLEPA). Valeo is also active in the dedicated working group of the Automotive Industry Platform (*Plateforme de la filière automobile*), which aims to identify materials and substances that have a negative impact on the environment.

The purpose of this work is to anticipate regulatory change and to modify choices in respect of materials and/or substances upstream.

Valeo has asked suppliers from which the Group purchases between 1 and 100 metric tons of substances to comply with the latest REACH disclosure requirements (in line with the methodology advocated by ACEA and CLEPA[32]). The audits carried out by Valeo showed that the Group was compliant with all mandatory requirements.

Materials consumption

Seeking to provide solutions both to reduce product mass and seize new opportunities for product development, Valeo is implementing solutions for a progressive substitution of the use of metal by lighter materials, such as resins, or even carbon fiber (for limited use in the automotive industry due to cost and large scale production constraints). This approach is further supported by the phasing-in of recycled plastics.

Results and performance

Reduction of GHG emissions within the framework of the Carbon Neutrality Plan for 2050

Valeo reduced its GHG emissions by 9% to 45.2 $MtCO_2eq.$ in 2022, compared with 49.6 $MtCO_2eq.$ for the 2019 baseline year (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050"). The 2022 outcome confirms the robustness of Valeo's action plan and the Group's ability to achieve substantial emission reductions year after year across its entire scope.

(30) See sustainable development glossary, page 317.

(31) Diethylhexyl phthalate or di-2-ethylhexyl.

(32) Joint ACEA-CLEPA position paper of June 28, 2016: REACH registration – 2018 Deadline.

GHG emissions by Scope: Scope 1, Scope 2 and Scope 3

Since 2009, Valeo has made progress in the analysis of its carbon footprint by evaluating the direct and indirect greenhouse gas emissions resulting from its activities. In 2022, the following emissions sources were included in the review:

- **direct GHG emissions:** combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as the incineration of VOCs[33], and direct fugitive emissions relating to refrigerant leaks (included in Scope 1 of the international framework);
- **indirect GHG emissions** associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources (included in Scope 2 of the international framework);
- **indirect GHG emissions** related to purchases of products used in industrial processes, the transportation of goods and people and the use of products (included in Scope 3 of the international framework).

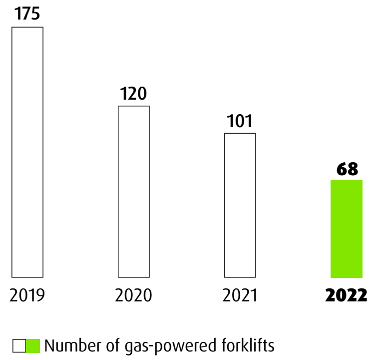
Scope 1

Direct GHG emissions *($ktCO_2eq.$)* **– Emissions sources**	**2019**	**2020**	**2021**	**2022**
Emissions generated by fuel oil and gas combustion at sites *($ktCO_2eq.$)**	143.3	135.8	164.2	164.2
Direct emissions from non-energy processes *($ktCO_2eq.$)*	6.6	5.6	4.5	2.7
Emissions caused by Valeo's vehicle fleet *($ktCO_2eq.$)**	23.5	16.2	16.0	14.5
Fugitive emissions (refrigerant leakage) *($ktCO_2eq.$)*	13.5	13.0	8.8	9.8
TOTAL DIRECT EMISSIONS *($ktCO_2eq.$)*	**186.9**	**170.6**	**193.5**	**191.1**
TOTAL DIRECT EMISSIONS/SALES *($tCO_2eq./€m$)*	**9.9**	**11.4**	**11.3**	**10.7**

* *Since 2018, the data have been calculated using the emission factor of Valeo vehicles (0.547 $kgCO_2eq./km/person$), unlike in previous years where the coefficient applied was that of personal vehicles (0.253 $kgCO_2eq./km/person$).*

Direct GHG emissions related to gas and fuel oil consumption were stable in absolute terms between 2021 and 2022, despite the inclusion of 15 additional sites in the environmental reporting scope. A decline in emissions from other non-energy processes was confirmed in 2022, as burners were progressively replaced with equipment running on biomass. This contributed to a 5% reduction in consolidated direct GHG emissions as a proportion of sales between 2021 and 2022.

Gas-powered forklifts



In 2022, the replacement of gas-powered forklifts by electric ones reduced direct emissions from the vehicle fleet. The number of gas-powered forklifts has been reduced by more than 60% since 2019.

Valeo's vehicle fleet is gradually being switched to hybrid and electric models. In the final quarter of 2022, sites in Europe joined forces with all stakeholders in an energy sobriety approach, notably by lowering temperatures in buildings by 2°C. However, this initiative is not taken into account in reporting for 2022, which only covers the period until the end of September. Valeo's Business Groups are also stepping up the transition from gas-based processes to electricity-powered processes to reduce direct GHG emissions.

Scope 2

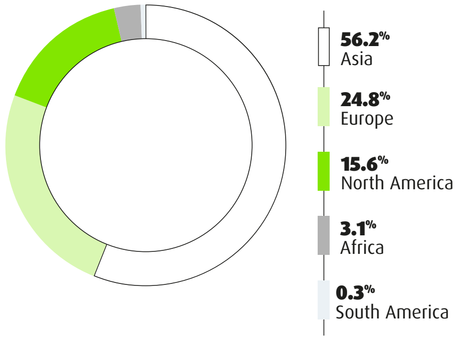
Indirect emissions related to electricity consumption[(1)(2)] and other energy such as steam, compressed air, etc.	**2019**	**2020**	**2021**	**2022**
TOTAL INDIRECT EMISSIONS *($ktCO_2eq.$)*	**892.0**	**460.1**	**581.5**	**517.4**
TOTAL INDIRECT EMISSIONS/SALES *($tCO_2eq./€m$)*	**47.6**	**30.7**	**33.9**	**29.1**

(1) The calculation takes into account the primary energy sources used to generate electricity in each country.
(2) The calculation also takes into account purchases of low-carbon energy with guarantee of origin.

Since 2020, the Group has reported its indirect Scope 2 emissions values using the market-based method, defined by the Greenhouse Gas Protocol[34]. Between 2021 and 2022, Valeo's indirect GHG emissions fell by 11% in absolute terms and by 14% as a proportion of sales.

(33) See sustainable development glossary, page 317.
(34) See sustainable development glossary, page 317.

GEOGRAPHIC BREAKDOWN OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 2) ASSOCIATED WITH THE GROUP'S ENERGY CONSUMPTION IN 2022



The chart above shows the geographic breakdown of direct emissions related to gas and fuel oil combustion by sites and indirect emissions related to electricity consumption.

Without taking into account guarantees of origin on electricity purchases, sites in Asia emit nearly 56% of the Group's total GHG emissions. As power stations in Asia run predominantly on coal, Valeo has decided to offset its growth in Asia by purchasing low-carbon electricity with guarantee of origin so as to reduce its indirect emissions of greenhouse gas in absolute terms.

Industrial performance and achievements during the year

Valeo had also set a reduction target of 870 ktCO_2eq. on its emissions related to the production of GHGs (Scope 1, Scope 2) by the end of 2022.

During the year, the Group reduced its GHG emissions to 517 ktCO_2eq. in absolute terms, i.e., a 46% reduction compared with the 2019 baseline of 966 ktCO_2eq., through purchases of electricity of guaranteed low-carbon origin.

In 2022, Scopes 1 and 2 GHG emissions as a percentage of sales totaled 39.8 tCO_2eq./€m, of which 10.7 tCO_2eq./€m for direct emissions and 29.1 tCO_2eq./€m for indirect emissions. This corresponds to a decrease of 31% compared with 57.5 tCO_2eq./€m in 2019.

In 2022, Valeo's sites undertook several projects to foster the use of renewable energy. For example, the Penang (Malaysia) site has extended its initial solar panel project to a second building, and the Shenyang (China) and Skawina (Poland) sites of the Visibility Systems Business Group have installed further panels.

Other initiatives taken include:

Scope 1:

- elimination of gas-powered dryers in the Powertrain Systems Business Group;
- reduction of gas furnace heating temperatures in the Thermal Systems and Propulsion Systems Business Groups;
- reduction of building temperature settings by a minimum of 2°C throughout the Group.

Scope 2:

- optimization of heat loss on presses by insulating the barrel, as was done at the Jingzhou (China) site of the Thermal Systems Business Group, and at the Chonburi (Thailand) site of the Comfort & Driving Assistance Systems Business Group;
- installation of systems to recover heat from compressors or cooling units for reuse in other plant areas, as was done on the Visibility Systems Business Group's Wenling (China) site in 2022;
- replacement of fixed compressors with variable displacement compressors, as at the Rio Bravo (Mexico) site of the Comfort & Driving Assistance Systems Business Group and the Kyonju (South Korea) site of the Powertrain Systems Business Group;
- replacement of lighting systems using conventional fluorescent or metal-halide lights with more energy-efficient LEDs. Although the sites previously replaced lighting in successive stages spanning several years, in 2019, the Valeo Group decided to step up the pace of its LED plan on all continents. The plan enabled the sites to report an LED-installation rate of 80% by the end of 2022, as illustrated by the Greensburg (United States) site of the Thermal Systems Business Group;
- installation of automatic on-off lighting systems, optimization of compressed air systems by such means as the reduction of the use of pressure in air networks, implementing an organizational procedure for switching on and off compressors supplying the compressed air network and the detection of leaks using an ultrasonic sensor. The Group's sites continue to explore the reduction of air pressure in the global network through the installation of accumulators and overpressure units on machines locally. These initiatives are often carried out together with the optimization of air network pipes to reduce leakage;
- most sites also set up awareness campaigns on the responsible use of energy, especially during the Sustainable Development Week.

Scope 3

The following indirect GHG emissions (Scope 3) related to Valeo's operations are considered material:

- emissions linked to purchases of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- emissions from product use.

For transparency, Valeo estimated all other indirect emissions sources (Scope 3) linked to its activity in 2019. Other indirect GHG emissions (Scope 3) regarded as not material are:

- emissions related to waste management in the relevant channels;
- emissions from Valeo's assets used by third parties (e.g., loans of molds to suppliers);
- emissions from energy production (e.g., extraction of gas or fuel oil);
- emissions from the installation of our products in vehicles by automakers;
- emissions related to the processing of end-of-life products;
- emissions from downstream product transportation. Transportation of this nature is mainly handled by Valeo customers.

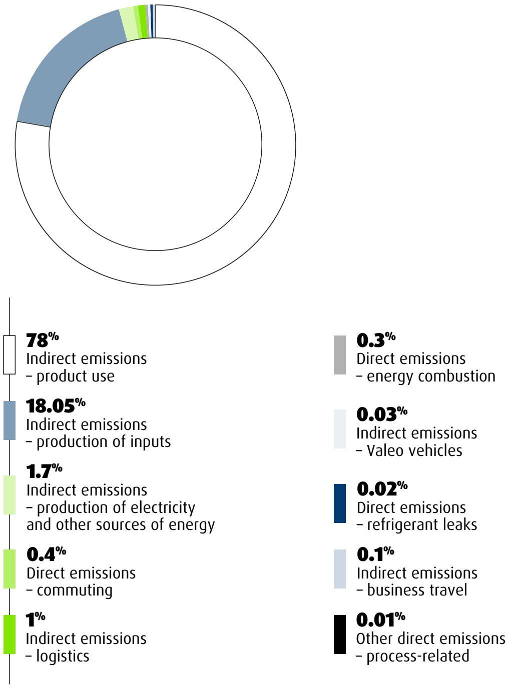
Although they are not considered material, Valeo has chosen to publish the following emissions data related to its activity:

- emissions related to the upstream transportation of goods and raw materials;
- emissions from employee travel (commuting and business trips).

Relevant indirect GHG emissions *(ktCO$_2$eq.)* – Emissions sources	2019	2020	2021	2022
Emissions generated by the production of the main materials used in industrial processes, of which:	**9,179**	**8,157**	**8,053**	**8,243**
Materials (metals)	5,807	4,918	3,884	3,624
Materials (other)	3,372	3,239	4,169	4,619
Emissions generated by upstream logistics:	**283**	**244**	**253**	**451**
Transportation operated by Valeo:	**283**	**244**	**253**	**266**
Road/rail/maritime transportation	184	159	139	181
Air/express transportation	99	85	114	85
Transportation operated by third parties:				**185**
Road/rail/maritime transportation				137
Air/express transportation				48
Emissions generated by employee travel of which:	**236**	**195**	**298**	**222**
Commuting	209	181	290	179
Business trips	27	14	9	42
Emissions from product use:	**39,000**	**30,800**	**36,845**	**35,814**
TOTAL INDIRECT EMISSIONS *(ktCO$_2$eq.)*	**48,698**	**39,396**	**45,449**	**44,730**

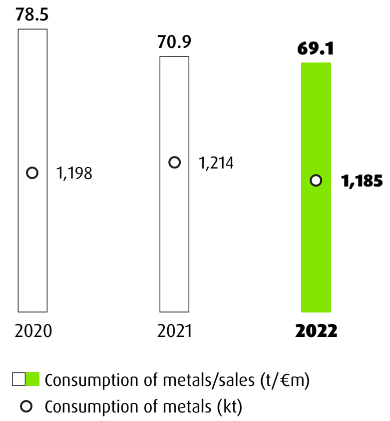
In 2022, total indirect emissions (Scope 3) amounted to 44.7 MtCO$_2$eq., down 2% in absolute terms between 2021 and 2022. Indirect emissions fell by 5% as a proportion of sales between 2021 and 2022.

BREAKDOWN OF THE SOURCE OF GHG EMISSIONS IN 2022



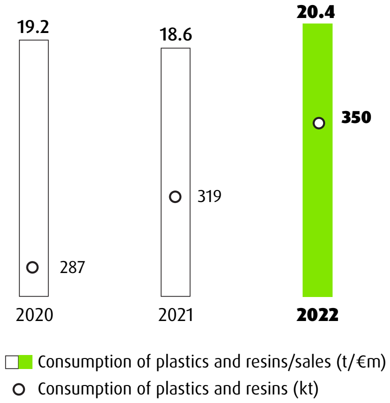
Consumption of raw materials

CONSUMPTION OF METALS



In 2022, metal consumption amounted to 1,185 kt, a slight decrease of 2% compared with 2021; as a proportion of sales, it was down nearly 2%. This trend reflects Valeo's eco-design approach, which is based on the gradual replacement of metal with lighter materials, such as plastics and resins.

CONSUMPTION OF PLASTICS AND RESINS



In 2022, the consumption of plastics and resins totaled 350 kt, up 10% compared with 2021. By way of comparison, over the same period, plastic consumption was also up 10% as a proportion of sales compared with the previous year.

Use of recycled input materials

Across the entire Valeo Group, 4,171 metric tons of plastic waste are directly recycled internally, mainly at the Visibility Business Group sites, including 671 metric tons at Seymour (United States), 751 metric tons at Queretaro (Mexico), 842 metric tons at Martos (Spain) and 1,035 metric tons at Nakatsu (Japan).

To reduce its environmental footprint, Valeo pays particular attention to the use of recycled materials. Purchases of recycled plastics totaled 3.64 thousand metric tons in 2022. These purchased volumes are compounded by the volumes of materials recycled internally.

Commitment on recycled plastics

Valeo actively participated in the PFA (Plateforme Française de l'Automobile) working group on recycled materials in 2021, thereby playing its part in the transition to a circular economy.

Alongside its automaker customers and the public authorities, Valeo is working to gradually increase the share of recycled materials in the global supply of polymers, as part of an action plan that was drawn up jointly by the government and automakers*. Due to its widespread use, polypropylene has been prioritized.

Among the actions identified by the government and the automotive industry, Valeo will contribute over the coming years to:

- establishing a generic material specifications document for recycled materials in collaboration with its customers;
- working with communities to develop standards. To that end, Valeo will participate in voluntary work for the development of grades of recycled materials. Its aim will be to test them on its own automotive component applications.

Via CLEPA, Valeo is a member of the Circular Plastic Alliance launched by the European Commission in 2018, which brings together public and private players in the plastics value chains. Its aim is to promote voluntary initiatives and commitments for more recycled materials.

Valeo's strategy is to gradually increase the amount of recycled content in polypropylene (PP) from 30% (+/-5%) in 2022 to 100% by 2030. Valeo is looking into the possibility of using bio-based polymers and fibers – polypropylene (PP) and polycarbonates (PC) – which can potentially reduce associated GHG emissions by 84% for some components.

* *100% recycled plastics objective: commitments for a sustainable plastics value chain.*

Risk associated with accidental pollution of water and/or soil

Description of the risk

Some of Valeo's activities use polluting substances that can generate hazardous waste, or discharge liquid effluents that may be polluted, such as firewater, oily water or water containing hydrocarbons.

The risk for the Group stems from failure to control the use of certain substances, the polluting nature of the resulting discharges and effluents, and the management of its hazardous waste. The various steps must therefore be perfectly controlled throughout the production and post-production cycle in order to avoid any pollution of the natural environment, in the water or in the soil. Moreover, each site must ensure, through regulatory monitoring, the constant compliance of the procedures and substances used with local environmental regulations.

The main causes to be averted are:

- the absence of waste management;
- aging equipment;
- the absence of a firewater retention area;
- the absence of treatment stations on site or externally;
- poorly managed waste treatment channels;
- the tightening of regulations in force.

The risk may also be aggravated by late detection of discharges into the environment due to a lack of:

- periodic checks of the discharge management process;
- intervention and control policy in respect of environmental accidents.

Risk management policy

The Group has for many years banned the use of the following substances:

- asbestos;
- PCBs (polychlorinated biphenyls);
- RCFs (refractory ceramic fibers);
- radioactive substances.

To prevent the risk of pollution across all sites, the Group has adopted several operational environmental directives setting rules for all sites, on the following issues:

- liquid effluents;
- intervention means and consequence limitations;
- the management of underground tanks;
- waste management;
- soil and groundwater management.

These directives are an integral part of the Risk Management Manual (see section 4.1.4 "Sustainable development policies", paragraph "Environmental policy", page 218), and are drafted and updated by the HSE Department. The correct application of these requirements is ensured by the network (see section 4.1.4 "Sustainable development policies", paragraph "Organization of the Health, Safety and Environment (HSE) network", page 219) and external audits (see section 4.1.4 "Sustainable development policies", paragraph "External audits worldwide" page 220). These directives are presented to the Governance, Appointments & Corporate Social Responsibility Committee along with all environmental policy tools.

Although Valeo's industrial wastewater does not contain large amounts of pollutants, the liquid effluents directive includes the following requirements:

- effluents whose composition exceeds the regulatory thresholds must go through treatment plants located directly on Valeo sites so as to limit their impact on the receiving environment;
- as far as possible, effluent networks should be connected to the public network;
- sites' rain-fed networks must receive only rainwater;
- the direct discharge of industrial effluents into groundwater is strictly prohibited;
- firewater must be separated and analyzed prior to proper disposal.

To avoid the risk of soil pollution, Valeo seeks to reduce its consumption of hazardous and non-hazardous waste by optimizing its manufacturing processes and seeking solutions to recover and recycle materials wherever possible. The Group pays particular attention to controlling and tracing its processing channels. Whatever the nature of the waste, landfilling or incineration of waste on a Valeo site is strictly prohibited. The Group only allows waste to be exported as a means of recovery.

Measures taken to reduce the risk

As part of their environmental management system, and in accordance with Group directives, the sites implement **prevention methods:**

- **prior to the purchase** or lease of land or buildings, an assessment of the risk of legacy soil and groundwater pollution is performed. On sites where groundwater is sensitive and vulnerable, groundwater quality is monitored regularly;
- the **loading/unloading of tankers** can cause numerous accidents with serious consequences for the environment. To prevent spillage during these operations, Valeo sites are required to draft a specific transfer procedure appropriate to the nature and risks of the products in question, notably including a vehicle circulation plan, a list of people approved for unloading, the method for verifying the nature of the product and its compatibility with the recipient container and instructions in case of spillage;
- the **storage of hazardous products** can be another source of accidental spillage. The Group has laid down rules for designing and building retention systems and tanks, specifying minimum volumes, what materials to use to ensure the sealing of tanks and retention systems based on the nature of products stored and how to structure warning systems in case of overflow;
- to go further in **chemical risk** management, the Group embarked on a new process of external audits dedicated to chemical product management and waste treatment in 2020. Each year, a representative sample of sites from all of the Group's Business Groups is audited in accordance with directives and changes in local regulations;

- **underground tanks** have been banned within the Group since the early 1990s, with the aim of eliminating the risk of significant pollution of soil and groundwater associated with such facilities;
- **internal landfills** are prohibited on all sites, regardless of their location;
- for cases of **accidental spillage,** the directive entitled "Intervention means and consequence limitation" focuses on the human and material resources to be put in place on sites to prevent, detect and limit the consequences of emergencies liable to have a direct impact on human health or the environment;
- in keeping with its commitment to protect our **water capital,** and to prevent a major incident causing groundwater or river pollution despite the implementation of protection systems to prevent backflow, Valeo has decided to cease all residual direct water withdrawal for industrial use by 2025;
- when a **business is sold or shut down,** the Group commissions an audit, generally accompanied by an examination of the soil and groundwater, to determine whether any pollution occurred during its operational phase. If pollution is discovered, the necessary measures are taken (monitoring or decontamination for instance);
- if a site is **closed permanently,** all waste, raw materials, products and equipment are removed, and site maintenance continues until it is sold.

If, in the course of its operations, the site is responsible for soil or groundwater pollution, it performs the studies, research, work and monitoring necessary to manage the pollution so that it does not pose a risk to the health of its employees, local residents or, more generally, the environment.

For waste management, each site is responsible for:

- **minimizing** the generation of waste by reducing the weight of packaging, substituting raw materials or changing its procedures or processes;
- **collecting** and storing waste in conditions that minimize risks to the health and safety of people and the environment:
  - waste storage areas are controlled and monitored,
  - waste containers are labeled with the type of waste and characteristics of the hazard (e.g., flammability),
  - a "waste production and disposal register" is kept to ensure systematic monitoring of waste;
- **prioritizing** the use of waste for recycling, or else for recovery;
- **ensuring** that elimination channels comply with local regulations and guarantee safe waste treatment. Whatever the channel:
  - waste must be **transported** in optimal safety conditions by selected service providers;
  - each shipment must be accompanied by a waste tracking slip summarizing the characteristic of the waste shipped, the company in charge of the transportation and the company in charge of disposal and treatment;
  - the site must ensure that the waste is **disposed of safely** and in accordance with local regulations.

To this end, the site must be able to obtain the following documents when selecting a disposal company:

- to operate a waste treatment/disposal facility;
- authorization to treat/eliminate specific waste;
- certificate (e.g., inspection report) issued by the administrative authorities stating that the company's operations comply with all applicable local regulations;
- insurance certificate;
- for hazardous waste, financial guarantees showing the company's ability to close the site following its operation in such a way that it no longer represents a risk for people and the environment.

For waste hazardous to humans or the environment, the site must obtain a description of disposal procedures from the disposal company. In case of doubt about waste treatment, the disposal company will be audited.

In the absence of a reliable waste disposal and treatment channels in the country in question, Valeo exports its waste. The environmental indicators reporting tool tracks the amount of waste sent to these channels.

Waste and recycling initiatives

In 2022, the Group continued its work to improve the reliability of the data provided by the sites on waste, both on the quantity generated and the traceability of waste until the final stage of treatment. Based on:

- an annual third-party audit schedule, linked to compliance with internal guidelines and local regulations in each region;
- an investigation launched within each Business Group so that each site can list the waste treatment companies and subcontractors with which it works, the terms and conditions of the contracts signed and the insurance conditions, to identify possible red flags;
- a process of physical audits of companies to gain a clearer picture of their waste disposal processes and guarantee the traceability of the waste entrusted by Valeo to their treatment process.

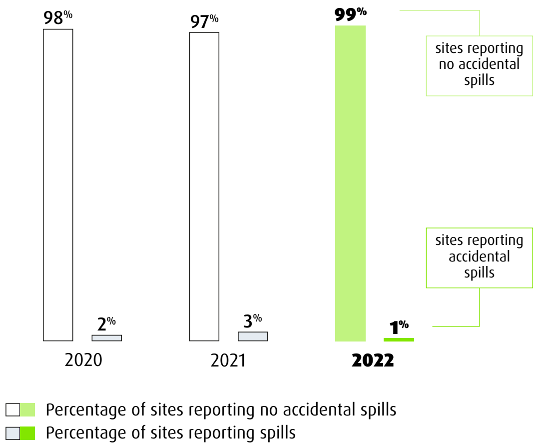
A national call for tenders has been initiated in France and will be implemented in 2023 in order to improve traceability, treatment methodologies and waste recovery.

The Group's sites renewed the following initiatives:

- improving waste sorting:
  - by awareness-raising campaigns on the sorting of domestic waste,
  - by a reduction of paper used in offices, and the reuse and recycling of residual paper, particularly during Sustainable Development week in June;
- internal reduction and reuse of scraps;
- elimination of the use of plastic cups by the provision of individual bottles;
- reuse of cardboard for internal packaging;
- generalization of sorting in canteens.

Results and performance

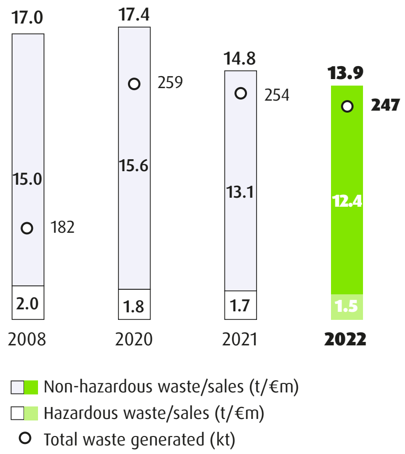
ACCIDENTAL SPILLS



All spills are reported and recorded by the sites in the Valeo reporting tool. An event is considered significant when the quantity spilled is greater than 1 cu.m. No accidental spills of more than 1 cu.m of oil were reported in 2022, but the Itatiba (Brazil) and San Luis Potosi (Mexico) sites of the Thermal Systems Business Group reported spills of less than 1 cu.m related to machine oil leaks.

To improve the monitoring of events liable to have an environmental impact, the Group rolled out an internal tool – Environmental Red Alert – in 2019, allowing sites to issue alerts in real time when a spill occurs. The new tool makes it possible to inform the highest level of the Group's organization depending on the seriousness of the incident, and to monitor and validate the resources devoted to limiting the consequences of the incident. Since 2020, use of this tool has been extended to any notification of an event linked to a potential environmental impact.

TOTAL WASTE GENERATED



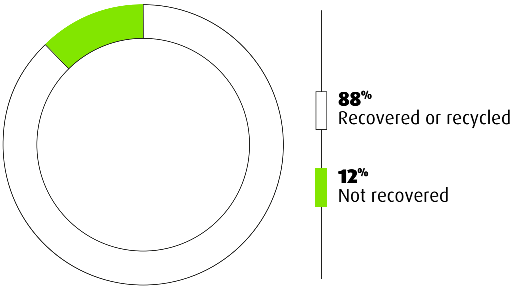
In 2022, the total amount of waste as a proportion of sales fell by 6% compared with 2021. The Group's waste generation in absolute terms was also down 7 kt compared with 2021.

The Group remains vigilant about containing the quantity of its waste during phases of growth. As part of the ISO 14001 certification process, the Group plans to reduce its landfilled waste and increase the proportion of waste-to-energy recovery, and has set itself a target of extracting synergies between the Purchasing, Industrial and Research and Development departments, with the following aims:

- continue reducing raw material consumption;
- shorten development time in the launch phase for new projects (products and processes);
- establish monthly monitoring of the main producers of waste.

The Powertrain Systems Business Group alone accounts for almost 53% of the Group's total waste volume, due to the increase in the number of sites in the Business Group, but also to its press cutting, tray machining and friction lining activities. These manufacturing processes generate considerable raw material waste.

RECOVERY OF WASTE IN 2022



Valeo is working to optimize its waste recovery: on average, 88% of the Group's waste is recovered or recycled, of which 5.6% is incinerated with heat recovery. The number of sites that have already managed to recycle or reuse all their waste rose from 57 in 2021 to 62 in 2022, an increase of 9% year on year.

The main waste generated by the Group's facilities (presented below in decreasing order of weight) is reused as follows:

- metal waste, almost all of which is sold for recycling;
- wood, which is recycled or used to generate heat;
- plastic, which is sold for recycling.

The breakdown between non-hazardous waste and hazardous waste has been stable since 2014. Non-hazardous waste represents nearly 90% of all waste, which tends to increase recycling and recovery opportunities. In 2022, this share represented no less than 89% of all waste generated by Valeo's activities.

Consumption of heavy metals

In the automotive industry, consumption of heavy metals stems mainly from the presence of lead in welding materials used for certain specific activities. Determined to phase out the use of lead in the development of its products, Valeo is working to optimize its industrial welding process in order to reduce the consumption of materials used for this purpose. Its medium-term objective, depending on change in industrial processes and their acceptance within the industry, is to completely replace the lead used in welding with tin by 2025.

Over recent years, Valeo has therefore replaced lead with tin in the soldering processes used in the Group's various activities (Powertrain Systems and Comfort & Driving Assistance Systems Business Groups). Lead consumption has fallen from 11.5 metric tons in 2019 to 1.5 metric tons in 2022. The Comfort & Driving Assistance Systems Business Group accounts for 97% of the Group's lead consumption.

The sites of the Visibility Systems Business Group and the Thermal Systems Business Group no longer consume lead.

Control of heavy metal discharges in effluents

The total volume of industrial effluents discharged by the Group's sites fell from 718 thousand cu.m in 2021 to 526 thousand cu.m in 2022. The quantity of heavy metals (lead, mercury, cadmium and hexavalent chromium) discharged in effluents from internal water treatment plants increased from 20 kg to 27 kg.

In 2022, the Group extended its monitoring of heavy metals discharged in effluents to other metals such as nickel, copper, zinc, cobalt and manganese.

Together, these new metals represent a total of 591 kg of heavy metals from internal water treatment plants.

Consumption of chemicals

The main measures taken are:

- termination of the use of trichlorethylene (TCE): since 2020, consumption of TCE has been maintained at 0 kg;
- reduction in the consumption of carcinogenic, mutagenic and reprotoxic (CMR) products[35].

In 2022, consumption of CMR substances totaled 110 metric tons, an increase of 8% in absolute terms from 102 metric tons in 2021. This increase is attributable to the reclassification as a substance suspected of damaging fertility or unborn children, in accordance with the European CLP (Classification, Labelling, Packaging) regulation, of a chemical product used for surface treatment in a Thermal Systems Business Group process.

The Powertrain Systems Business Group is working on eliminating the use of perchloroethylene, which has long been used as a metal parts degreaser in a washing process. Its phase-out is scheduled for the first quarter of 2023.

Risk related to water management

Description of the risk

Because of the importance of this resource, the Group aims to limit and control its water consumption, and to ensure the supply of good quality water for its staff. Valeo may be subject to outages or restricted access to water at one of its sites, which may be related to:

- a municipal/regional restriction decision in the event of a drought;
- a shortage of water sources supplying the site or poor water quality (wells, groundwater);
- a restriction imposed by local authorities in the event of overconsumption;
- the lack of a water recovery system;
- the absence of a recycling loop or closed-loop water circuit.

Growing demand for water around the world, particularly in China, India and the United States, relative to their local capacity to replenish their water reserves, and the effects of global warming are increasing the risk of water stress in many geographies.

An analysis has been undertaken with an external consultant to identify the sites exposed to the risk of water stress, or even to risks of water restrictions, water shortages or water cuts by 2030, 2040 and 2050. It is based on two IPCC global warming scenarios: RCP2-4.5 and RCP5-8.5, respectively optimistic and pessimistic.

(35) CMR: chemical substances classified as carcinogenic, mutagenic, or reprotoxic.

Risk management policy

To prevent risk related to water management on its sites, the Group has undertaken several initiatives in recent years:

Prior to the purchase or lease of land or buildings, the Group requires that an environmental risk assessment be carried out in order to determine, among other things, the level of water stress of the future location.

The Group also intends **to control and minimize water consumption at its sites as much as possible,** by leveraging appropriate human and material resources:

- water cycle studies are conducted to fine-tune the identification of water losses related to processes, evaporation or water leaks in pipes;
- systems for determining the volume of water consumed and its uses (domestic, industrial and fire protection) for each water supply source;
- the use of water for cooling in open circuits is prohibited, with the exception of heat pumps for heating or air conditioning;
- non-drinking water is used wherever possible (e.g., toilets, watering, cleaning, extra water for closed water cooling circuits and fire extinguishing);
- work is done to prevent leaks attributable to aging equipment;
- the sites regularly update plans of their water supply and distribution networks, which must identify the network's isolation systems, backflow preventers and meters, and distinguish between:
  - domestic use (if separate from drinking water),
  - industrial uses,
  - use for firefighting,
  - drinking water.

For drinking water, the site must, where possible, be supplied externally (public mains network preferably), and water networks must be protected from the risk of contamination by other networks.

Measures taken to reduce the risk

To minimize their water consumption, sites are urged to take action on both their industrial and domestic water consumption:

- increasing the frequency of water consumption readings from quarterly to monthly;
- identifying the respective needs in regard to each of the main uses of water;
- optimizing consumption by integrating water saving aspects that can be factored into the purchasing decision for new equipment;
- optimizing washing operations by switching to closed-loop equipment with water treatment and reuse;
- setting up recycling systems such as recovering discharge water from cooling towers;
- reusing water from washing floors and equipment;
- replacing cooling towers by adiabatic towers or air-to-air heat exchangers;
- reducing domestic water consumption by reducing pressure, installing sensor taps, recycling shower water for use in toilets, installing dual flush toilets, and collecting rainwater.

Water management initiatives:

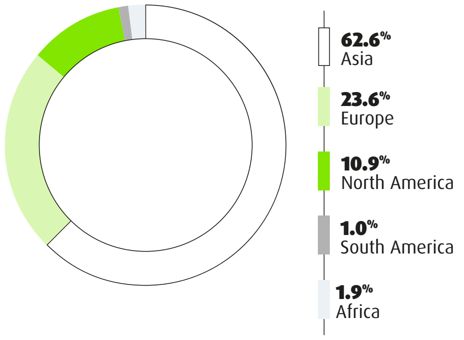
- In 2022, the Isehara and Fujioka (Japan) sites of the Visibility Systems Business Group significantly reduced their water consumption by replacing old pipes and absorption chillers with heat pumps.
- In 2022, the promotion of sub-meters with fine-tuned reading to alert on excessive drift began.

In 2022, the Group's sites renewed the following initiatives aimed at reducing water consumption:

- reducing domestic water pressure and flow rates;
- implementing wastewater recycling circuits;
- installing cooling water reuse systems;
- introducing closed circuits in new projects;
- installing new equipment that uses less water;
- installing systems to collect and reuse rainwater or industrial water after treatment.

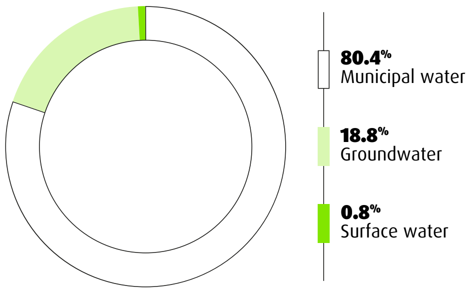
Results and performance

GEOGRAPHIC BREAKDOWN OF TOTAL WATER CONSUMPTION IN 2022



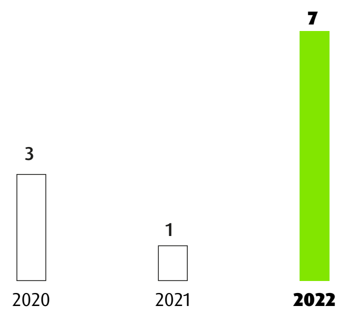
Sites in Europe and Asia now account for nearly 87% of the Group's total water consumption. Asia's share increased from 51.7% to 62.6% between 2017 and 2022. At the same time, the consumption of the European sites decreased from 31.7% to 23.6%.

SOURCES OF WATER IN 2022



To measure the overall impact of its activities on water resources, Valeo measures its consumption, distinguishing between the various sources (municipal water, groundwater, surface water) and uses (industrial water, domestic water) of water on its sites. The breakdown of the various sources of water was stable compared with 2019. The percentage of water supplied by municipal water networks represents 80.4% of the breakdown.

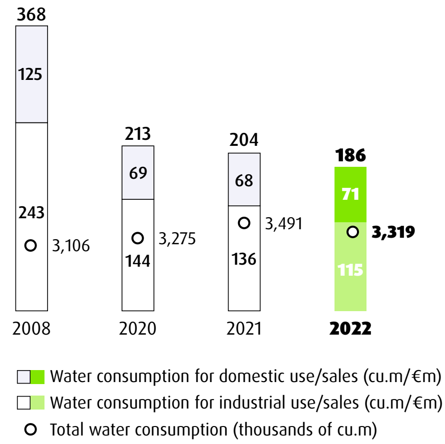
NUMBER OF WATER OUTAGES AND RESTRICTIONS



In 2022, seven sites were exposed to water restrictions related to the prolonged drought, but no outages were reported.

In 2017, with a view to ensuring that the Group's future operations do not face water restrictions or outages, Valeo added a chapter on the availability of water in the area surrounding the prospective site to the audit questionnaire that must be completed before new industrial projects are undertaken. Environmental Red Alert, an internal tool, also allows sites to report this type of event (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 247 to 249).

WATER CONSUMPTION



Since 2008, the Group's total water consumption has declined by 49% in relative terms.

Between 2021 and 2022, Valeo reduced its water consumption by 5% in absolute terms.

In 2022, the Visibility Systems Business Group accounted for 50% of total consumption due to its molding and surface treatment activities and the integration of the legacy Ichikoh sites in Japan, which are big consumers of water due to the use of open-loop processes.

Risk related to atmospheric discharges and emissions

Description of the risk

Valeo's activities are liable to generate the discharge of substances into the air that could impact the environment. Such discharges must be tightly controlled to avoid pollution. The Group is committed to controlling the atmospheric emissions of its polluting products, which can result in air pollution with environmental or health impacts for several reasons:

- lack of control over discharges of this nature;
- poor performance by equipment;
- lack of regular inspection or emission measurements;
- absence of filters (mechanical or coal) on equipment;
- absence of burners upstream of the stacks.

Risk management policy

The Group requires the level of risk on each site to be limited through the establishment and implementation of a monitoring plan for its regulated emissions and the keeping of an inventory of its atmospheric emissions. In addition to complying with local regulations, Valeo also implements the best available solutions on all sites.

Each site must establish a system to ensure compliance with regulatory requirements on atmospheric emissions. This system requires each site to draw up an inventory of its emissions aimed at:

- listing the sources of atmospheric emissions, taking all of the site's processes and activities into consideration;
- listing facilities for the treatment of these emissions;
- describing emissions based on their origin (emissions from combustion plants or production processes);
- quantifying emissions in order to determine whether operating permits need to be obtained in accordance with applicable regulations.

Each Valeo site assesses, particularly whenever any production processes are changed, potential ways of reducing atmospheric emissions of pollutants at source, focusing primarily on processes that do not require the installation of treatment facilities.

Wherever possible, the Group provides standardized tools to be used by all Valeo sites to ensure that these indicators are calculated in a consistent manner.

Valeo monitors atmospheric emissions of volatile organic compounds (VOCs), nitrogen oxides (NOx), lead (Pb) and trichlorethylene (TCE) resulting from its activities. Emissions of sulfur oxides (SOx) are not monitored as equipment mainly uses natural gas, which does not emit sulfur oxides during combustion.

Measures taken to reduce the risk

To improve the monitoring of events liable to have an environmental impact, the Group rolled out an internal tool in 2019, allowing sites to issue alerts in real time when a spill occurs. Known as "Environmental Red Alert", the tool makes it possible to inform the highest level of the Group's organization depending on the seriousness of the incident, and to monitor and validate the resources devoted to limiting the consequences of the incident. Since 2020, the use of this tool has been extended to any notification of an event linked to a potential impact on the environment (regulatory non-compliance, notification of a complaint by a third party, leak resulting in an impact on atmospheric emissions, etc.).

Valeo sites are required to identify **any banned or locally regulated substances** used in the construction of their buildings and production equipment, or in the composition of their products. All such prohibited or controlled substances are listed in a Banned, Regulated and Declared Substances (BRDS) database established by the Group.

The Group **prohibits the use of ozone-depleting substances in its products and processes,** including refrigerants such as halons, HCFCs (hydrochlorofluorocarbons), CFCs (chlorofluorocarbons) and hydrofluorocarbons.

For several years, Valeo has taken a proactive approach to reducing emissions of ozone-depleting substances. Its commitments on the subject are set out in a dedicated directive in the Risk Management Manual. As mentioned previously, CFCs and halons are prohibited substances at Valeo. For HCFCs, the Group's objective is to stay ahead of the elimination deadlines set under the Montreal Protocol. To comply with this directive, the sites have taken action to service equipment containing refrigerants.

Hazardous substances

Valeo prevents the risk of hazardous substances being released by a specific policy and directive aimed at eliminating the use of substances posing a threat to the environment and health.

Because of the hazard they represent and their longstanding use in industrial processes on its sites, the Group is also working to reduce the consumption of heavy metals (lead, mercury, chromium VI, cadmium), chlorinated solvents and substances classified under European regulations as carcinogenic, mutagenic and reprotoxic (CMR)[36]. Some of these substances were still present in manufacturing processes in 2022, but Valeo is working with its stakeholders to find alternatives.

Volatile organic compounds

Valeo pays particular attention to monitoring atmospheric emissions related to its activity in respect of volatile organic compounds (VOCs), and is applying a process designed to reduce its use of VOCs via the implementation of substitute aqueous solutions (shift from paint containing an oil-based solvent to water-based paint), improving the efficiency of the processes implemented (robotization of a paint line, etc.), limiting and capturing emissions by geographically isolating operations.

Greenhouse gas emissions

Valeo sites use the following three types of energy for industrial and domestic purposes:

- direct energy in the form of primary energy sources (fuel oil, natural gas);
- indirect energy in the form of electricity, steam and compressed air;
- direct renewable (solar) energy generated on site, which currently provides only a minimal amount of energy.

The Group could be exposed to excessive energy consumption by plants, potentially resulting in a shortfall in competitiveness and an increase in greenhouse gas emissions, which could stem from:

- energy-intensive manufacturing processes;
- changes in regulations governing reductions in greenhouse gas emissions;
- obsolete equipment.

(36) CMR: chemical substances classified as carcinogenic, mutagenic, or reprotoxic.

While energy consumption is not a material risk for Valeo, the Group is committed to reducing greenhouse gas emissions in order to move toward carbon neutrality by 2050. In 2022, Valeo remained very much dependent on the energy mix available in each host country. With that in mind, Valeo has opted to purchase low-carbon power, particularly in China, India and Poland, and to launch self-generation programs based on solar panels.

Valeo has drafted a five-year plan to improve environmental performance in relation to energy management. This includes ISO 50001 certification objectives, which the Group relies on for its approach and the management of its initiatives.

The Group supports its sites by launching national initiatives such as the lighting plan, the aim of which is to replace fluorescent and halogen lamps with very low energy light emitting diodes (LEDs). Since 2018, Valeo has been partnering with third-party experts to conduct energy performance audits and identify opportunities to reduce consumption. In 2021, the Group introduced monthly monitoring of energy consumption (gas, electricity) on its sites, consolidated by Business Group. The data are reviewed and shared on a quarterly basis, along with the main reduction actions, as part of the Group Carbon Neutrality Plan.

Initiatives for the management of atmospheric emissions and discharges

In 2022, the sites of the Powertrain Systems Business Group replaced their entire fleet of liquefied petroleum gas-powered forklifts, identified as containing (CMRs), with emission-free electric-powered models.

In 2022, the Penang (Malaysia) site of the Comfort & Driving Assistance Systems Business Group finalized its solar panel project aimed at securing access to low-carbon electricity.

In 2022, the Group's sites renewed the following initiatives aimed at reducing their atmospheric emissions:

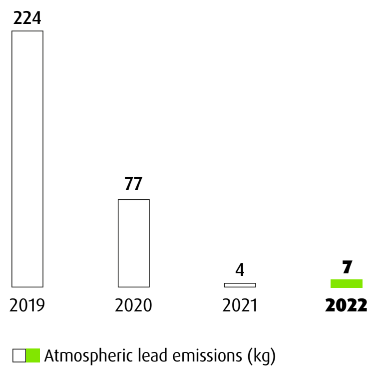
- installing activated carbon filtration systems for the recovery of VOCs;
- installing residual gas recovery and treatment systems on plastic injection molding machines;
- installing or replacing dry filters on varnishing systems.

Results and performance

Atmospheric discharges of heavy metals

In 2022, atmospheric lead emissions were reduced by 97% compared with 2019, from 224 kg to 7 kg. This achievement stems in part from the closure of lead soldering facilities at the Powertrain Systems Business Group's Ebern (Germany) site and at the Comfort & Driving Assistance Systems Business Group's Penang (Malaysia) site. It also reflects work done by the Comfort & Driving Assistance Systems Business Group to install more efficient filtration systems to reduce its emissions.

LEAD



Ozone-depleting substances

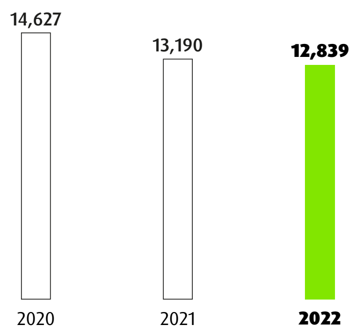
In the interests of transparency, the Group again performed an overall estimate of CFC and HCFC emissions in 2022. The chart below shows the quantity of ozone-depleting substances (in kg), which are used only in closed-loop equipment at Valeo sites (refrigerants or fire extinguishing gas).

The quantity of ozone-depleting substances was down 19% in 2022 compared with 2020, from 14,627 kg to 12,839 kg. The Group is gradually replacing these substances with other less harmful products.

As from 2020, the Gyeongju site (Powertrain Systems Business Group, South Korea) stopped using Halon (R13B1) as a fire extinguishing agent, and the Bad Rodach site (Thermal Systems Business Group, Germany) reduced its use of HCFC (R134a) as a refrigerant in its test loops by replacing it with tetrafluoropropene, HFO-1234yf.

In November 2022, the Tsukuba-shi (Japan) site of the Comfort & Driving Assistance Systems Business Group eliminated these two CFC-based laboratory facilities as permitted by treatment channels.

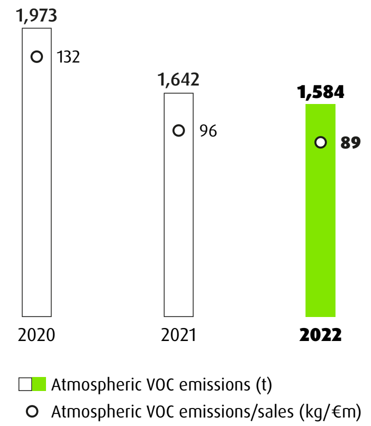
QUANTITY OF OZONE-DEPLETING SUBSTANCES (KG) PRESENT IN EQUIPMENT AT VALEO SITES



VOC

In 2022, atmospheric VOC emissions were down 19% in absolute terms compared with 2020, and down 33% as a proportion of sales. The Visibility Systems Business Group remains the biggest emitter, accounting for 49% of the Group's total emissions. As part of its 2021-2025 plan to reduce atmospheric VOC emissions, Valeo aims to align all of its sites with the highest level of requirements currently in force in Europe. At the initiative of the Visibility Systems Business Group, Valeo finetuned its method for calculating VOC emissions and shared its best practices in respect of filtration systems.

ATMOSPHERIC EMISSIONS OF VOLATILE ORGANIC COMPOUNDS



Risk related to transportation and logistics

Description of the risk

Valeo's operations require inbound supplies of raw materials and parts, the transfer of parts between sites and outbound deliveries to automaker-customer premises, plants and dealer networks. Transportation related to such flows, organized by Valeo, its suppliers or its customers, generates greenhouse gas emissions attributable to the use of non-renewable fuels.

Few low-carbon solutions will be available on a large scale in the field of industrial transportation before 2030. Moreover, the measurement of CO_2 equivalent (CO_2eq.) for the transportation activity over the entire scope depends on the level of maturity of all players in the supply chain.

Although transportation-related emissions represent only a small proportion of Valeo's total upstream Scope 3 emissions, changes in the origin of internal and external components do have an impact on such emissions.

The risk stems from the difficulty of implementing and tracking the reduction of CO_2 equivalent emissions related to transportation and logistics, given the multitude of players in the supply chain and their contrasting levels of maturity on these issues.

Risk management policy

2022 saw Valeo increase the pace of its assumption of responsibility for the transportation of components, previously handled by suppliers. This transfer allows Valeo to consolidate more loads in the most distant countries of origin, thereby reducing the CO_2eq. emissions generated by the Group's activities. From 2022, Valeo will report on the CO_2 equivalent impact of transportation associated with its logistics activity, whether such services are purchased by Valeo, its suppliers or its customers.

Valeo has got its teams on board and trained them in the calculation of transportation-related emissions at the project level, in transportation purchases and sourcing decisions.

A project is now underway to characterize logistics data so as to facilitate the calculation of transportation-related emissions for all flows generated by Valeo's activities.

Valeo requires its main transportation providers to make a commitment to the methods and means of calculating their emissions, as well as to optimizing their offer in terms of energy efficiency.

Valeo is limiting the intensity of its transportation-related emissions by switching to modes of transportation that emit less GHG and by restricting the use of air freight.

Lastly, Valeo is continuing work to optimize transportation and packaging, thereby reducing the associated CO_2 equivalent emissions.

Measures taken to reduce the risk

As part of its Carbon Neutrality Plan, Valeo has appointed a Group Logistics Officer to oversee the reduction of CO_2 equivalent emissions from transportation and logistics, with support from regional teams.

Valeo has begun modifying the methodology and tools used for assessing CO_2 equivalent emissions from transportation and logistics operations:

- in 2022, Valeo began evaluating its main transportation providers on their methodology and tools for calculating CO_2 equivalent emissions in line with the Global Logistics Emissions Council (GLEC) guidelines. 17 providers were assessed, and 76% were found to be compliant with the standard indicated;
- in 2021, Valeo added requirements covering the reduction of CO_2 equivalent emissions from transportation and logistics activities to the Valeo 5000 standards. These requirements were revised in 2022 to speed up their application.

Results and performance

Valeo limits the use of **air transportation** as much as possible. However, it may still prove necessary as a means of avoiding disruption to series production due to logistics issues, to reduce project development time (transportation of samples or prototypes), in response to market demand or to deliver just-in-time technological products that are subject to capacity constraints in markets.

In 2022, emissions related to air transportation directly managed by Valeo amounted to 99,000 metric tons of CO_2 equivalent, a 21% reduction compared with 2021. These emissions are 85,000 metric tons of CO_2 equivalent for upstream Scope 3 and 14,000 metric tons of CO_2 equivalent for downstream Scope 3.

The Group is continuing its efforts to limit and control the use of this mode of transportation, which is the most polluting, in favor of maritime and rail transportation when time permits.

The change from air to rail or maritime transportation reduced annual CO_2 equivalent emissions by 1,800 metric tons in 2022.

Road transportation is the biggest source of CO_2 equivalent emissions from the Group's transportation activities, and Valeo is continuing its efforts to optimize the load factor of its trucks. This involves optimizing the fill rate of packages and consolidation of transportation. Emissions related to this mode of transportation, directly managed by Valeo, amounted to 183,000 metric tons of CO_2 equivalent in 2022, an increase of 5% compared with 2021. These emissions are 136,000 metric tons of CO_2 equivalent for upstream Scope 3 and 47,000 metric tons of CO_2 equivalent for downstream Scope 3.

In 2022, Valeo continued the integration of multimodal road/train solutions in Europe, China and the United States, notably with the launch of rail container consolidation in China.

The implementation of returnable packaging for flows of aluminum tubes between Mexico and the United States will generate a reduction of 8,000 metric tons of CO_2 equivalent per year from packaging and transportation.

For **maritime transportation,** the Group continued its longstanding approach of pooling shipments between the different plants. In 2022, emissions related to maritime transportation directly managed by Valeo amounted to 56,000 metric tons of CO_2 equivalent, an increase of 160% compared with 2021. This considerable increase is actually attributable to the fact that the Group has assumed responsibility for transportation previously performed by its suppliers, thereby promoting consolidation. These emissions are 49,000 metric tons of CO_2 equivalent for upstream Scope 3, and 7,000 metric tons of CO_2 equivalent for downstream Scope 3.

At the end of 2022, the Group signed contracts for the use of liquefied natural gas for its flows between China and Europe, thereby allowing a 25% reduction in CO_2 equivalent emissions.

Lastly, for **rail transportation** in 2022, Valeo established consolidated rail flows from Europe to China, and intensified the implementation of multimodal operations in Europe, China and the Americas, particularly for approach flows between sea ports and plants.

As rail transportation is not systematically identified in the reports of logistics providers, it is hard to assess the related emissions.

Health and safety risk

Description of the risk

Employee health remained a priority for the Group in 2022. Since 2020, Valeo sites have acquired genuine maturity and autonomy in managing successive waves of the Covid-19 pandemic.

Guaranteeing a safe work environment is the first way to improve the quality of working life of employees and to ensure their involvement in the Group's activities. To ensure the safety of its employees, Valeo monitors all accidents, including "near misses"[37]. The Group has defined a typology of events comprising six categories:

- **category 1:** severe accident (death, amputation, major trauma, disability);
- **category 2:** significant material damage (which could have caused serious injury) and major "near misses";
- **category 3:** accident with lost time, regardless of the severity (including occupational illnesses);
- **category 4:** accident without lost time, but which resulted in medical treatment off site (hospital or doctor);
- **category 5:** accident without lost time, but which resulted in medical treatment on site or did not require medical treatment.

In 2021, it created a new accident category covering all material risks.

- **category 6:** immaterial equipment damage, with no risk of injury (e.g., damage to equipment by collision, blow, etc.) and no risk of production being interrupted.

The safety of every person working on a site is essential, which is why the accidents of service providers and external visitors are also monitored, as are employee accidents. Valeo's demanding policy involves and empowers all of its employees through regular training and communication.

To strengthen its emphasis on preventing major accidents, the Group has adopted five golden safety rules on certain topics: protective equipment; energy Lock-Out Tag-Out operations; working at heights; vigilance at work; and traffic.

Risk management policy

To ensure that accident risks are kept under control, precise objectives per production area and per service are laid down, and policies are implemented to create a safe working environment conducive to the well-being of all.

To ensure an accident-free work environment for its employees, the Group has set itself, as part of its five-year plan, the goal of achieving a frequency rate (FR1)[38] of lost-time accidents of less than 1 by 2025. To achieve this objective, Valeo, through its Risk Management Manual, rolls out policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment).

(37) A "near miss" is an event that could have caused bodily injury.

(38) Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases will therefore not be addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, trainee, VIE), are factored into the calculation of the number of accidents.

In 2022, Valeo continued its program of external audits to ensure the correct implementation of its risk management guidelines, and also maintained its goal of replacing OSHAS 18001 certification with ISO 45001 certification for all sites within the reporting scope. At the end of 2022, 78% of its sites were certified to this new international standard.

Ongoing improvement in on-site risk management is governed by the Quick Response to Quality Control (QRQC) methodology.

All employees are trained in this approach as soon as they arrive at Valeo, in particular through the mandatory training modules: "Plan, Do, Check, Act", "Safety induction" and "Safety first". The "Safety First" training program, created in 2015, aims to influence the behavior of employees at work, from operator to manager.

At the end of 2022, 73,557 employees, i.e., 75% of the target population and including 10,373 new employees, had received "Safety First" training.

In 2022, the Group's Business Groups set up Safety Committees to monitor accidents and prioritize ways of reducing them. In each Business Group, the **Safety Committee** includes, at a minimum, the Business Group Industrial Director, the Business Group Health, Safety and Environment Director and the Business Group Human Resources Director.

The commitment of all employees is essential, which is why safety is an integral part of their objectives, particularly those of the Chief Executive Officer. In 2022, his compensation was indexed to the Group FR1 and the France FR1 indicators.

Training dedicated to fire prevention

Following the fire that ravaged the plant in Ben Arous (Tunisia) in 2021, the Health, Safety and Environment team made a fire awareness and training course available to all employees. This Fire Prevention-Evacuation training combines theory and practice, giving people the keys to reacting properly when a fire breaks out. It also covers evacuation instructions, the use of fire extinguishers, and the consequences of moving around in a smoke-filled environment. Augmented reality glasses are also available and used to simulate different types of fire outbreaks.

Measures taken to reduce the risk

For the maintenance of machines that are a potential source of severe accidents, the Group has developed a directive, standard work instructions, a machine certification process and specific training on the Lock-Out Tag-Out process in order to strengthen the understanding of risks and its standards.

The aim is to ensure that the machines' power supplies are shut off and locked, and the power dissipated before any maintenance operation so that no power sources, including residual energy, can cause an accident. Locking also prevents third parties from restoring power to a machine inadvertently during these operations. The standards include a list of steps to follow in a specific order to safely shut off the machine.

To achieve greater professionalism among our maintenance technicians, particularly for Lock-Out Tag-Out operations, they must follow a specific training process. The process integrates the prevention of electrical risks and risks related to incorrect Lock-Out Tag-Out procedures.

They also complete machine-specific Lock-Out Tag-Out drills. Technicians are only certified and authorized for Lock-Out Tag-Out operations after demonstrating compliance with the Group's standards during drills.

Since 2020, the Group has been running a three-day external machine safety training course to support the industrial, Health, Safety and Environment, and maintenance functions during the development, acceptance, installation and approval stages of new production lines.

The Group has several ways of communicating with sites:

- circulation of a "Safety Newsletter" and release of "Safety Flashes" when an incident needs to be communicated to all sites, with the main points to be checked;
- a portal including the provision of a library sharing best practices in the form of videos, photos, audit schedules, questionnaires and flyers on prevention.

A safety school for all employees: The School of Dojo

In 2022, in addition to its Safety First training, Valeo continued the rollout of its safety training rooms, known as Safety Dojo. Safety Dojo is a Group standard designed to support and develop the knowledge and skills of every employee in the field of safety and ergonomics. It uses lighthearted exercises to teach people how to identify dangers, dangerous situations and the associated risks, and to know how to apply the prevention and protection measures implemented at Valeo sites.

Safety Dojo is aimed not only at newcomers, but also at all Valeo employees and suppliers, to reinforce their knowledge of safety rules and as such prevent any form of accident. In 2022, the Group had 174 rooms, up from 154 in 2021.

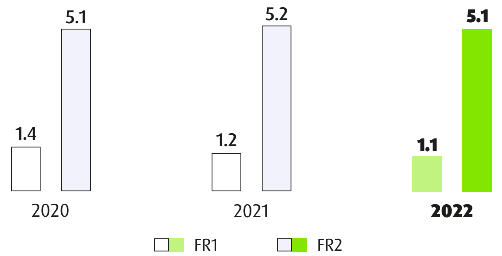
Integration of the former VSeA joint venture sites ahead of schedule

- From the beginning of 2022, all sites belonging to the former Valeo Siemens eAutomotive joint venture began reporting HSE indicators in the Valeo Group tools, including the VIM Safety accident management tool.
- This has enabled them all to quickly align with Valeo's reporting rules, with maximum transparency on accidents with or without lost time, and to use Valeo's Quick Response to Quality Control (QRQC) accident processing methodology.
- The former joint venture sites have also adopted Valeo's safety training, with more than 6,500 hours completed in 2022. They have also rapidly adhered to the Employee Engagement roadmap.
- From the second half of 2022, the consolidation of the Group's safety indicators has included the accidents of all historic Valeo Siemens eAutomotive joint venture sites on a cumulative basis over the entire year.
- Similarly, in 2022, the Group's external HSE audit program quickly integrated the legacy Valeo Siemens eAutomotive joint venture sites, including Czechowice (Poland), Veszprem (Hungary) and Changzhou (China).

Results and performance

Three of the 20 key performance indicators reviewed periodically at all levels of the organization (Group, Business Group/Activity, countries, sites) relate to safety:

FREQUENCY RATE (FR1[39] AND FR2[40]) OF OCCUPATIONAL ACCIDENTS



For the third consecutive year, the frequency rate 1 (FR1) was below 2, improving from 1.2 in 2021 to 1.1 in 2022. Valeo has achieved both its 2022 Group objective (<1.9) and is making progress toward its 2025 objective (<1)[41]. While the prevention, awareness and training policies implemented by the sites over the years enabled the Group to beat the target set for this year, Valeo remains vigilant. The performance must not be taken for granted, and there is always room for progress.

In 2022, despite the ongoing global pandemic and semiconductor crisis, Valeo's sites were able to implement regular audits on compliance with the five golden safety rules, with the aim of diagnosing and raising awareness among all employees of the situations most subject to accidents and with a history of high severity rates.

Frequency rate 2 (FR2) was stable at 5.1 between 2021 and 2022. Since 2020, Valeo has chosen to include all accidents, with or without lost time, in its FR2 indicator. Accidents without lost time concern accidents either with treatment provided outside a hospital (category 4) or with treatment provided internally (category 5), i.e., "near misses", regardless of the severity and nature of the treatment provided on site.

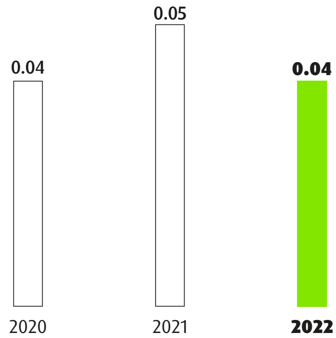
The accidents covered by these indicators include all Valeo employees, regardless of their type of contract (permanent, fixed-term, apprenticeship, internship, VIE, temporary and services). With regard to service providers, while the number of occupational accidents is reported, their hours worked are excluded from the calculation. Consequently, the calculation method accentuates the frequency and severity rates. This choice stems from Valeo's decision to record the occupational accidents of all Valeo employees and service providers. The Group's improvement targets for accidents apply to everyone, regardless of contract type.

(39) Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases are not addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, apprentice, trainee, VIE), are factored into the calculation of the number of accidents.

(40) Calculation of FR2: number of occupational accidents, with or without lost time x 1,000,000/number of hours worked during the year. This indicator was removed from the employee-related audit scope in 2019.

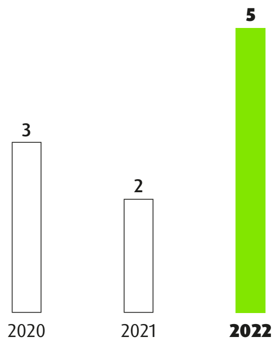
(41) The continuous improvement of FR1 since 2020 has encouraged the Group to adjust its 2025 target from <1.7 to <1.

SEVERITY RATE (SR1[42] OF OCCUPATIONAL ACCIDENTS)



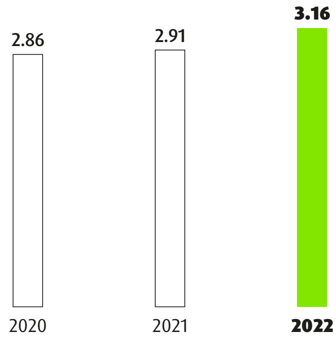
On average, less time is now lost following accidents, and the severity rate eased from 0.05 in 2021 to 0.04 in 2022.

NUMBER OF CATEGORY 1 ACCIDENTS[43]



2022 saw five serious Category 1 accidents, two of which were fatal. In both cases, an analysis involving the site, the relevant Business Group and the Health, Safety and Environment (HSE) Department was carried out to investigate the causes and to validate the measures needed to prevent a recurrence. The analyses were reviewed by the Human Resources Department and the Group's Chief Executive Officer so as to validate the measures to be adopted throughout the Group and to eradicate the types of accident in question.

ABSENTEEISM RATE[44]



The 9% increase in the absenteeism rate, from 2.91 in 2021 to 3.16 in 2022, is primarily attributable to the impacts of the pandemic, particularly in China in the wake of widespread lockdowns. The pandemic has had an impact on the organization of employees' personal lives. The rate had never before reached such a high level.

Risk related to attracting talent

Description of the risk

Attracting the best talent is a key challenge for Valeo in achieving its goals in a competitive environment that is undergoing profound transformation. The Group's success hinges on attracting skilled employees internationally in fast-growing markets and emerging countries, and in fields of advanced technology, such as GHG emissions reduction, electrification and intuitive driving.

Valeo bolsters its appeal by conveying an image and employer promise that are consistent with its corporate values and culture. Valeo regularly communicates on employment and career opportunities through various communication channels, including social networks. Having skilled teams ensures that Valeo can meet the expectations of its customers around the world, and add value in terms of innovation, total quality and competitive solutions and services.

Risk management policy

As part of the "One HR" comprehensive transformation project (see Chapter 1, section 1.5.9 "Human Resources Department", page 91), a recruitment organization in the form of Talent Acquisition Centers (TAC) has been in place since 2018 to generate recruitment synergies at national and regional level. The TACs back the organization up with strong and experienced recruitment teams. The TAC organization helps to reduce reliance on recruitment agencies and allows recruitment costs to be focused on actions with high value added. The TAC teams provide the best applicants within the shortest possible time, both internally and externally. They also work with the Communications Department to promote Valeo's employer brand locally, regionally and globally. Valeo had 23 TACs worldwide in 2022.

(42) Severity rate calculation: number of calendar days lost during the year x 1,000/number of hours worked during the year.

(43) Category 1 accidents: severe accidents (accidents resulting in amputation, disability, major trauma or the death of an employee).

(44) Calculation of the absenteeism rate: actual hours of absence expressed as a proportion of total possible working hours. Hours of absence taken into account are absences due to a workplace accident, illness, suspension of work, strikes, absences authorized other than statutory holidays, unauthorized absences. Possible working hours are equal to the number of days worked in the month x the daily working hours (excluding overtime) x month end registered headcount.

To support the implementation of this new organization, Valeo has developed a comprehensive IT solution to manage recruitment. The main objective is to increase the efficiency of the recruitment process, reduce its cost and duration, improve quality and follow-up, and give better visibility to job opportunities available.

Despite the economic impacts of the pandemic and supply chain challenges in 2022, Valeo managed to deliver to all of its customers. That was largely attributable to recruitment teams, which focused on hiring competent employees in the industrial and technological fields. The Group accordingly recorded an increase in permanent hires, with recruitments of Managers and Professionals totaling 5,671 compared with 5,531 in 2021.

Measures taken to reduce the risk

Valeo's recruitment policy is based on a strong employer brand, which enhances the Group's visibility and its appeal for the talents of tomorrow. Managing relations with schools and creating strong and close partnerships are priorities for the Group, which is committed to ensuring that the proportion of under-25s hired exceeds 35% by 2025. In 2022, 82% of Valeo's plants maintained relations with higher education institutions (universities, engineering schools, business schools, etc.).

The Group continues to welcome young people as part of their studies, particularly through apprenticeships and work-study programs. This ambition is especially evident in France, where work-study students and apprentices together accounted for 6.3% of the workforce as of December 31, 2022.

A team of recruitment experts has worked on implementing tools to anticipate needs. The TAC teams from different countries have created "Hiring4me", an e-learning module for managers, giving them the tools to create exemplary recruitment, free of any discrimination in hiring.

In addition, a new recruitment campaign, launched in 2022 under the hashtag "#VeryValeo", has helped inspire new talent and retain and motivate employees around the world. Illustrating Valeo's latest innovations and the skills the Group is seeking, the visual, customizable campaign has been made available to all employees, who can share it via their internal or external networks to promote the Group while at the same time expressing their loyalty.

Wishing to facilitate quick and successful integration, Valeo offers an onboarding program called "Valeo Discovery" for Managers and Professionals. Harmonizing the onboarding process ensures that newcomers receive quality information, reinforces the role of the manager, ensures that more local information is provided, and provides an even friendlier atmosphere thanks to a "buddy" support program. As such, each newcomer's onboarding program is now broken down into five steps: the welcome by a "buddy", an individually tailored program, presented from day one, that sets out the various stages of the employee's induction, an online course containing information about the Group (organization, products, values and culture), participation in a welcome session organized by the site and regular meetings with the manager during the first six months.

"#REFERAFRIEND", or co-opting at Valeo

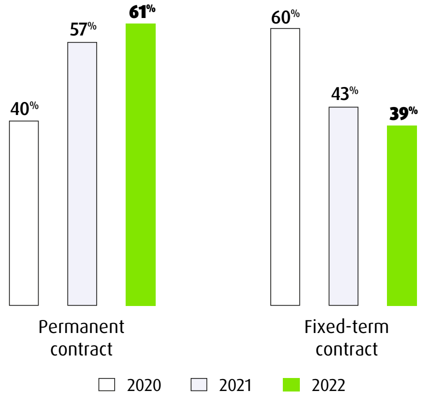
Thanks to the "#REFERAFRIEND" program, launched in 2019, 11% of Managers and Professionals were co-opted in 2022. Capitalizing on employee engagement, it allows Valeo job offers to be shared and applicants to be recommended. Experience shows that co-opting employees only put forward the people most capable of ensuring the responsibility attached to the vacant position. Co-opters receive a financial incentive.

"Dare. Care. Share." An inspirational employer promise

The "Dare. Care. Share" campaign, launched in 2022 and designed to attract new talent, gives jobseekers an opportunity to learn about the corporate culture by putting a spotlight on the Group's most unique roles and most passionate employees. Employees across the globe were selected to talk about their cutting-edge projects, what drives them and their day-to-day work, as a source of inspiration for potential applicants.

Results and performance

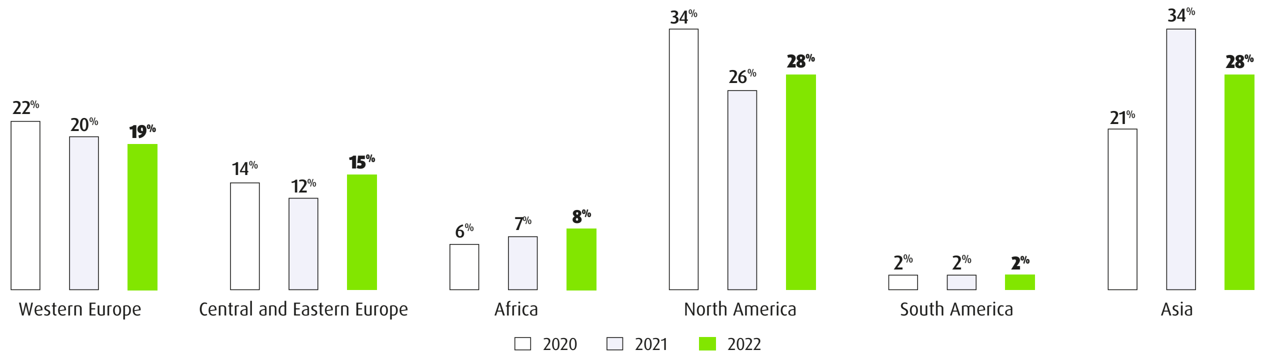
BREAKDOWN OF NEW HIRES BY TYPE OF CONTRACT



In 2022, Valeo hired 24,539 employees, all categories combined, 14,853 of whom on permanent contracts and 9,686 on fixed-term contracts, compared with 12,462 and 9,247 in 2021, respectively.

Although hires on fixed-term contracts have declined in proportion to the total number of hires, the actual number of fixed-term hires was up by 5% between 2021 and 2022. The decline in relative terms reflects the 19% increase in hires on permanent contracts compared with 2021.

BREAKDOWN OF NEW HIRES BY GEOGRAPHIC AREA



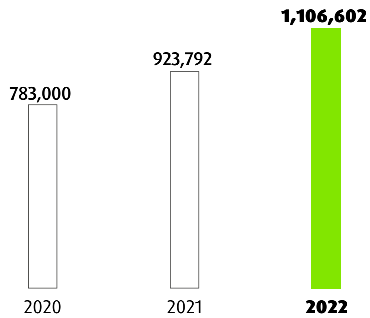
Geographically, new hires increased overall across the Group's host regions, namely Central Europe (up 3.4 percentage points), North America (up 2.1 percentage points) and Africa (up 1.0 percentage point), while Asia (down 6 percentage points), Western Europe (down 0.6 percentage points) and South America (down 0.3 percentage points) saw their workforce decline in 2022. The level of progress matched the economic recovery and the health situation in the countries of the area.

This year, the teams in charge worked to achieve recruitment-specific Corporate Social Responsibility (CSR) objectives, focusing on the recruitment of young people, women and R&D engineers. R&D engineers accounted for 17% of new arrivals in 2022, compared with 6% in 2021.

Valeo continues to develop its presence on social networks, posting on LinkedIn, Facebook and Twitter, as well as on YouTube, Xing and WeChat in order to develop its employer brand and remain visible on the market.

In 2022, the number of LinkedIn followers continued to grow, reaching 1,106,602; a 20% increase on 2021. Greater numbers of employees are playing the role of ambassador in this area, with their number reaching more than 1,200 in 2022.

CHANGE IN THE NUMBER OF LINKEDIN FOLLOWERS



Risk related to developing and retaining talent

Description of the risk

The Group relies on its employees to support its growth and maintain relationships with its customers worldwide.

To this end, Valeo is committed to recognizing and valuing talent, while retaining talented employees thanks to an ambitious compensation, professional development, training and internal mobility policy. The objective of this policy is to empower each employee in their career and their skills to ensure their operational excellence.

Risk management policy

Developing and retaining talent is one of the Group's most critical challenges, with Human Resources departments in all entities boasting specific skills. At Group level, as well as at the country and site levels, the managers responsible for talent development, training, compensation and benefits work together to develop ambitious policies that meet employee demands and match the Group's strategy. Together they focused on four essential levers:

- training;
- skills development;
- compensation and benefits;
- development of the network of experts.

The objectives of Valeo's Human Resources Department for 2025 are as follows:

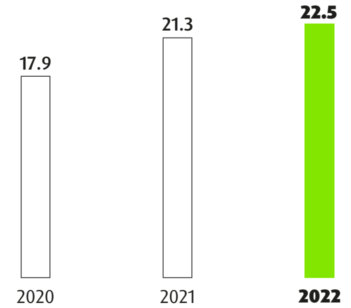
- stabilize the voluntary departure rate among Managers and Professionals at 7%;
- reach an employee shareholding rate of 65%;
- give 100% of employees training in at least one module each year.

Measures taken to reduce the risk

Training

As employee training is a tool for developing and retaining talent, Valeo is continuing its internal training efforts. In 2022, 91,649 employees (90% of the total headcount) took at least one training course during the year.

AVERAGE HOURS OF TRAINING PER EMPLOYEE – REGISTERED HEADCOUNT



Development of distance learning

On average, each employee completed 22.5 hours of training during the year, an increase of 1.2 hours compared with 2021. The digitalization of its offer is allowing Valeo to make its training courses available to all employees. 31.8% of training courses were provided in remote digital formats in 2022. MyLearning, the Group's training platform, now has 75,276 users. This year, operators and technicians together accounted for 40% of training courses completed.

Valeo also capitalizes on its internal talent, with a network of trainers comprising 5,480 employees. They are experts or certified professionals from all networks, and their purpose is to pass on their expertise.

BREAKDOWN OF HOURS OF TRAINING OF THE FIVE MOST POPULAR TRAINING COURSES IN 2022

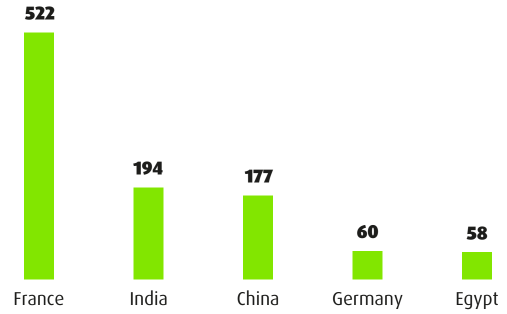
To reinforce the expertise of its employees, Valeo has set up in-house technical training. The Group offers continuous training for its technicians and engineers to encourage innovation at all levels. In 2022, 418,586 hours of "technical and scientific" training were provided, despite the lasting impact of the pandemic and the semiconductor crisis.

As safety and ergonomics are essential levers of commitment and motivation among our employees, the Group has developed specific training modules to foster awareness of these issues. From induction and throughout their career, employees receive face-to-face and online training specifically dedicated to the identification, control and management of risks (e-learning modules detailing the HSE – Health, Safety and Environment directives). The volume of training hours devoted to safety contracted slightly to 314,285 in 2022, compared with 344,028 in 2021.

Training spearheaded by a powerful network of experts

Courses are run mainly through the Group's powerful network of Experts. They are designed to provide advanced training on Valeo products, technologies and manufacturing processes. Experts play a vital role in the transmission of knowledge and skills at all levels of the organization. Each year, the Group identifies and appoints Experts to provide support for prospective new products and the development of industrial processes. In 2022, Valeo had 1,377 Experts of 58 different nationalities in 22 countries worldwide, breaking down as 987 product experts and 390 process experts.

TOP FIVE COUNTRIES WITH THE MOST EXPERTS IN 2022



With 38% of the total, France is home to the largest number of Experts in the Group, a total of 522. Five countries, namely France, India, China, Germany, and Egypt, account for 73% of Experts.

Talent development

To foster talent development and internal mobility, Valeo strives constantly to provide its employees with the right environment and tools to enable them to be actors in their own career paths.

Since 2021, the Group has used the new Job Grading system to reinforce the existing arrangement combining Individual Development Plans and career interviews. The new system has enabled the Group to:

- update the catalog of jobs and the list of skills expected for each of them;
- develop training courses by network and by function to enable all employees to self-train on the skills they wish to acquire for the next steps in their career;
- define career paths for all positions existing within its organization. These paths can be accessed by all employees and external applicants via a mobile application. The goal is to empower each employee in his or her own career development.

A succession and development plan is drawn up each year to identify the next stages in the career path of all Managers and Professionals. It is implemented by each Group entity via a committee responsible for selecting internal candidates for vacant positions. Moreover, during their mid-year or year-end appraisal, all Managers and Professionals are made aware of succession plans and the possible next steps in their career paths identified by management and Human Resources teams, taking into account their aspirations.

A program to promote mobility within the Group

Further career days were held in most of the Group's countries in 2022. Their purpose is to promote geographical and functional mobility by introducing employees to our sites, our job roles and our gateways. This very active internal mobility policy allows the Group's employees to develop throughout their career by working in different functions in other networks or sites.

To ensure a match between identified career paths and vacant positions, a monthly meeting designed to review talent and competences, known as the "People Review", is arranged by sites and networks at each level of the organization. This meeting thus promotes geographic and functional mobility.

Furthermore, each year, Valeo offers international career opportunities in the form of assignments of less than one year or expatriation to ensure the transfer of competences to new locations, the strengthening of certain essential skills to support the growth of Valeo's activities internationally, and the individual development of the employees concerned.

This dynamic policy and these tools allow Valeo to create an internal talent pool to fill vacant positions. As a result, a total of 13.2% of Managers and Professionals benefited from career development opportunities in 2022 (up from 12.6% in 2021). The average length of service of Valeo Managers and Professionals in each position is 6.8 years. Valeo also facilitated the expatriation of 208 employees to more than 10 countries in 2022.

In addition to the specific actions taken among Managers and Professionals, the Group strives to promote career development among non-managers, both operators and technicians, and supervisors. In 2021, a specialists' path accessible to non-managers (mainly in the Research and Development, Industrial and Quality networks) was developed in France in the same spirit as the Expert approach. The 35 specialists appointed in 2021 continued their work in 2022.

Grow Together mentoring program

The Grow Together internal mentoring program dates back to 2019. It allows senior members of the company – the mentors – to spend time with selected people – the mentees – to share their experiences, insights and knowledge.

The key objectives are to:

- accelerate talent development;
- reinforce Valeo's values;
- promote intergenerational cooperation;
- improve communication, team spirit and social intelligence;
- prepare the leaders of tomorrow.

In 2022, 463 employees from 19 countries took part in the mentoring program, breaking down as 233 mentees and 230 mentors. Women made up 39% of participants.

Overall compensation and benefits

Valeo is committed to offering competitive compensation and benefits that attract, engage and retain talent.

To ensure that its positioning is appropriate, Valeo conducts regular competitiveness analyses of salaries in the major markets where it competes for job applicants (mainly automotive and high-tech).

Compensation policies are developed based on a broad range of reliable sources including market practices from specialist compensation consulting firms, as well as central bank and government agency forecasts.

Each year, the country Human Resources Directors propose wage increases and benefits based on inflation, projected average increases in the market by category, the unemployment rate and sales. The Group validates and sets budget directives in each country, depending on their specific situation. This approach enables the Group to offer appropriate packages for each employee in all countries.

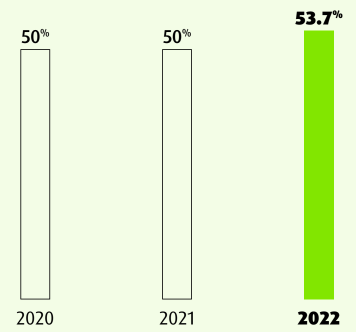
In 2020, Valeo redefined its Job Grading System, aligned with external market practices and ensuring internal recruitment and development based on objective criteria. The system is consistent with market practices and the organizational structure in place to ensure the fairness and competitiveness of salaries for each position.

2022 employee share ownership initiatives

Valeo aims to acknowledge and value the commitment of its employees by allowing them to become owners of the Group under preferential conditions.

In 2016, Valeo introduced a share subscription offering reserved for employees, known as "Shares4U". A seventh employee shareholding campaign took place in 2022. Through such offers, Valeo's management team sought to acknowledge the personal involvement of employees and give them a greater share in the rewards of the Group's performance. In 2022, 86,310 Group employees were eligible in 20 of the countries where Valeo operates. At the end of the subscription period, which began on September 19 and ended on October 7, 2022, 927,163 new shares were subscribed at a price of 15.17 euros each. Employees received a discount of 20% on the reference share price. At December 31, 2022, around 53.7% of employees were Valeo shareholders thanks to the share ownership policy implemented in 2010 and reinforced by the recent Shares4U offerings (see Chapter 6, section 6.4.5 "Employee share ownership", page 472).

PERCENTAGE OF EMPLOYEE SHAREHOLDERS AT VALEO



PAYROLL COSTS AND PERSONNEL EXPENSES

(in millions of euros)	2020	2021	2022	Change (2022/2021)
Payroll costs excluding social security contributions and temporary staff (A)	2,735	2,713	3,213	+18%
Social security contributions (B)	599	626	702	+12%
Pension costs under defined benefit plans (C)	13	63	54	-14%
Pension expenses under defined contribution plans (D)	110	134	167	+25%
Total payroll costs (excluding temporary staff) (E)	3,457	3,536	4,023	+14%
Contribution rate ((B+D)/A)	26%	28%	27%	-0.96 pt

(in millions of euros)	2020	2021	2022	Change (2022/2021)
Total personnel costs (including temporary staff)	—	3,779	4,323	+14.4%
As a % of sales	23.0%	21.9%	21.6%	-0.3%

BREAKDOWN OF PAYROLL BY GEOGRAPHIC AREA IN 2022

(in millions of euros)	France	Europe (excl. France)	Outside Europe
Payroll costs excluding social security contributions and temporary staff (F)	698	1,137	1,374
Social security contributions (G)	246	234	224
Total payroll costs (excluding pension costs) (H)	944	1,371	1,598
Contribution rate (G/F)	35%	21%	16%

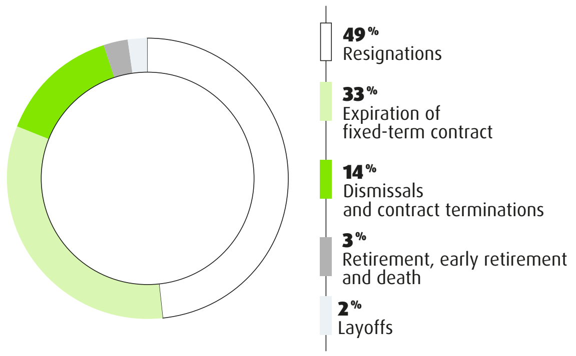
Total personnel costs (including temporary staff) were up 18% compared with 2021. The increase is partly attributable to the increase in the total headcount resulting from the acquisition and consolidation of VSeA.

Social security contributions (excluding pensions) increased by 12% in 2022 vs. 2021, in line with the change in the payroll excluding temporary staff including capitalized personnel expenses.

It is important to note that those paid in France represented around 35% of total social security contributions paid across the Group as a whole.

Results and performance

BREAKDOWN OF TURNOVER BY CAUSE IN 2022

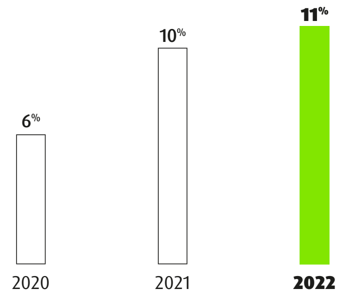


In 2022, 24,439 employees left the Group, compared with 24,245 in 2021. Resignations are the biggest cause of turnover (49%), followed by the end of fixed-term contracts, as well as non-economic dismissals and agreed terminations (33% and 14% respectively).

Operators account for 59% of resignations. The turnover rate for direct labor is increasing, notably due to the tight situations prevailing in certain local job markets in North America and Eastern Europe.

Faced with this risk, Valeo is implementing action plans adapted to local issues in respect of hiring and retaining operators, especially in areas in full employment. They include recruiting a workforce near the plants, favoring permanent contracts over temporary contracts while preserving a certain flexibility, revising the hourly organization of the teams and ensuring the integration of new employees. The Group's pay, training and career development policy is key to attracting and retaining blue-collar staff.

VOLUNTARY TURNOVER OF MANAGERS AND PROFESSIONALS[45]



(45) *The calculation of the voluntary turnover rate for Managers and Professionals takes into account resignations during the year.*

In 2022, the turnover rate for Managers and Professionals in the Group was 10.69%, a significant increase of 7% compared with 2021. The increase in departures is attributable to tensions in the labor market, particularly in R&D. The main reasons for resignation, other than personal reasons, are compensation (22%, vs. 24% in 2021) and career development (20%, vs. 18% in 2021):

- younger age groups (people under 30) have a high turnover rate: 14%;
- the turnover rate was lowest in South Korea (4.6%), Spain (4.9%) and Japan (5.9%);
- the highest rates were in Malaysia, Morocco, Turkey, Thailand, Egypt and Ireland, where specific measures (compensation, career development, promotion of diversity, etc.) have been taken to bring them down significantly.

Valeo monitors the voluntary turnover rate of Managers and Professionals and that of the direct workforce on a monthly basis to ensure its operational excellence and the retention of its talents. The turnover rate, i.e., the number of resignations as a percentage of the average headcount[46], increased from 9.9% in 2021 to 11.1% in 2022. The economic environment is the main cause of this 1.2-percentage point increase, as well as the 1.7-percentage point increase in 2021 versus the previous year. The increase in turnover is attributable to tensions in the labor market, especially in certain areas such as software development, and the massive shift toward electrification.

Risk of individual corruption

Description of the risk

The fight against corruption is intensifying and becoming more widespread. Most countries now have extremely stringent regulations sanctioning corruption and the absence of a compliance mechanism or program.

In view of its operations in countries with endemic corruption and the attendant various risks of civil sanctions, and the impact of potential corrupt practices on its reputation, operations, financial position and profitability, Valeo is active in the fight against corruption, whether active or passive, private or public.

Risk management policy

Valeo's anti-bribery program, which reflects its commitments and values, is designed to enable the Group to protect its employees, preserve its integrity and avoid risks relating to individual corruption.

The program, which is backed by the governing body and management teams, steered by the Ethics and Compliance Office, sets out prohibited practices and defines the conditions and prerequisites applicable to certain business relationships or cooperation arrangements. Its main components are:

- Valeo's Code of Ethics;
- the Business Partner Code of Conduct;
- corruption risk mapping;
- the commitment of the governing body;
- the policy governing gifts, invitations and donations;
- the conflict of interest management policy;
- the Business Partner Due Diligence policy;
- the selection policy for agents and intermediaries;
- a multilingual, secure and confidential (or even anonymous) whistleblowing line accessible to employees and third parties; and
- a policy of generic and specific training.

It is complemented by a set of instructions and decision-making tools designed to prevent corrupt behavior and practices.

Its implementation and effectiveness are subject to internal controls and multiple audits.

It is regularly updated in a spirit of continuous improvement, awareness-raising, training and prevention.

The program is rolled out globally by the Ethics and Compliance Office, with the support of Compliance Champions, who are experienced executives known and acknowledged by their peers and their teams. Drawing on their detailed knowledge of the specificities of their network, country, Business Group or Activity, the Compliance Champions help relay the entire program to their teams, and guide employees on these challenges, thereby contributing actively to its implementation at all levels of the organization.

Measures taken to reduce the risk

As part of the program presented above, Valeo:

- has a Code of Ethics formally prohibiting all forms of corruption;
- maintains an up-to-date corruption risk map that allows it to adjust its policies and focus areas as needed;
- has a comprehensive anti-corruption program including policies, decision-making support tools and manuals for its staff and directors;
- also has a management program for risks represented by certain third parties, consisting of:
  - a policy for assessing and selecting third parties and agents,
  - the Business Partner Code of Conduct,
  - specific mandatory training for some of their employees;
- organization of annual training campaigns, illustrated by numerous examples and practical cases, for employees exposed to risks of corruption in the course of their duties;
- requires induction training in its Code of Ethics and Compliance for newcomers, particularly following acquisitions;
- regularly reaffirms its commitment to fighting corruption in its internal communications;
- benefits from an active prevention system:
  - an alert system open to all Valeo employees and stakeholders (liaison officers, an outsourced whistleblowing hotline, an investigation team, etc.),
  - an Alerts Committee that processes alerts and determines the necessary action plans and/or sanctions,
  - regular internal controls,
  - targeted internal audits.

(46) The average headcount is the sum of the Group's total headcount in each quarter divided by four.

Results and performance

Circulation of the Code of Ethics

In 2022, 98% of new employees signed a declaration acknowledging receipt of a copy of the Code of Ethics. This initiative is aimed at ensuring that all employees joining the Group are informed and have fully grasped the principles of integrity and respect for the regulations applicable to all (fight against corruption, etc.).

The Code comes with a mandatory training module, the results of which are presented below.

Anti-corruption training

To ensure an understanding of internal and external anti-corruption policies, tools and behaviors, Valeo has developed compulsory e-learning modules for newcomers (people hired during the year), in particular Valeo's Managers and Professionals.

In 2022, 95% of the year's new hires – 84% of whom were new managers – completed and validated the Induction to Compliance Program.

Risk related to suppliers' sustainable development practices

Description of the risk

Broad change in supplier chains, the emergence of new forms of indirect subcontracting and the desire to control risks of disruption in the supply chain by taking into account a wider range of risk factors have prompted Valeo to formalize, over recent years, a demanding policy in terms of sustainable development with regard to its suppliers.

In light of this reality, Valeo has begun implementing a policy to monitor its suppliers in the following key areas: governance, human rights, the environment, health and safety and supplier relations. The Group has drawn up questionnaires on these key areas, which have become control points for Valeo.

Since the launch of Valeo's Carbon Neutrality Plan, the understanding of environmental risk among Valeo's suppliers has been strengthened, mainly via the supplier practices assessment tool, which now includes evaluation points relating to suppliers' carbon maturity for Scopes 1, 2 and 3 (see below).

Risk management policy

Structure of the Purchasing function at Valeo, and supplier relations

As a tier-one automotive supplier[47], Valeo is at the heart of the automotive industry supply chain. It is an order-giver to tier-two and lower-tier suppliers and a supplier of technologies and systems to automakers. Its activity is compliant with standards and laws in force, while also meeting the Group's sustainable development, ethics and compliance requirements. In dealing with its suppliers, the Group places priority on:

- quality;
- industrial location;
- competitiveness.

Management of the supplier panel

The Group's Purchasing Department has two major priorities:

- commodity (product family)/segment, in charge of the commodity purchasing strategies specific to these products;
- project and mass production, focusing on day-to-day operations (initiation of projects using cost-effective parts, implementation of technical manufacturing efficiencies, diversification of suppliers, etc.).

Purchasing departments in each of the Group's regions (Europe, Middle East, Africa, China, India, Japan, ASEAN[48], North America and South America) interact continuously with the commodity/segment teams to ensure that efficient, meaningful purchasing strategies are applied.

Sustainable development requirements and consolidation of suppliers in the Valeo panel

Selection and award meetings chaired by the global segment buyers are held to screen all proposals from suppliers based on a number of objective and rigorous award criteria.

The criteria for selecting suppliers and awarding bids/contracts include:

- economic factors;
- financial risks;
- logistics;
- corporate governance;
- environmental factors;
- social factors (respect for fundamental rights, environmental protection, employee health and safety, and quality).

Over 90% of the mandatory items in the supplier qualification questionnaire relate to non-economic criteria. For instance, **sustainable development criteria are given a weighting of close to 20% in the supplier's final score,** and any failure to meet these criteria automatically disqualifies suppliers from being included in Valeo's supplier base. In 2020, these requirements were reinforced by the inclusion of criteria relating to suppliers' carbon performance and the establishment of objectives for reducing their carbon trajectory over ten years, in line with Valeo's objectives. These requirements are circulated and assessed annually within the Valeo supplier panel (the response rate to the annual assessment of suppliers' sustainable development practices was 67% and 80% in 2021 and 2022 respectively, see "Results and performance" in this section).

(47) The tier corresponds to the automotive supplier's position relative to the automakers. Thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.

(48) ASEAN: Association of Southeast Asian Nations.

Before any supply agreement is awarded, suppliers must undergo the following qualification process:

- each supplier is required to complete a detailed questionnaire to enable Valeo to identify potential risks and to determine the overall level of risk. Based on these evaluations, Valeo checks the main requirements, highlights potential weaknesses and decides whether it needs to examine certain issues further during a visit to the supplier's plant. If so, an audit team composed of Group buyers, quality specialists and engineers is selected and sent to the site to verify the information given by the supplier. Following the site visit, the team decides whether or not the supplier can be included on the supplier panel, possibly following the implementation of an improvement plan jointly agreed with the supplier;
- after the meeting of the Sourcing Committee, the supplier is officially listed, and the specific requirements for the deliverable components are set out in Valeo's specifications. A Supplier Quality Engineer from the project team monitors the development and industrialization of components and guides the supplier through final component qualification. If necessary, Valeo's laboratories perform interim design reviews, run tests and take any special measures required. In any event, Valeo always performs an on-site audit.

To be included in the supplier panel, suppliers must meet Valeo's ethics, integrity and sustainable development requirements. In 2015, these obligations were combined in the Business Partner Code of Conduct. This document incorporates all the fundamental principles of the UN Global Compact, the Valeo Code of Ethics and a set of fundamental rights including the freedom of association, the elimination of forced labor, the fight against corruption and workplace health and safety. Any supplier that fails to respect these rules of conduct is liable to receive sanctions, ranging from temporary suspension from new Valeo projects to definitive exclusion from the supplier base. No sanctions of this type were imposed in 2022.

To anticipate changes in the French legal framework, and on the basis of feedback from its suppliers on certain evaluation criteria, the Valeo Business Partner Code of Conduct specifies the Group's requirements in terms of fundamental rights (minimum working age, prohibition of forced labor, respect for freedom of association, etc.), workplace health and safety and respect for the environment. In addition to the commitment made by Valeo's suppliers to comply with the Valeo Business Partner Code of Conduct, the Group has included a section related to these topics in the sustainable development practices questionnaire it sends each year to a representative sample of its suppliers.

Valeo's supplier base breaks down into several categories based on the supplier's performance level in a given product family. In the event of critical performance or non-compliance with Valeo requirements, a supplier can be placed on "probation" for a maximum of one year and be required to implement an action plan. If the probation period is not successful, the supplier may be excluded from the supplier base.

New suppliers are also placed on probation for at least two years. During this period, the number of projects assigned remains under strict supervision to protect the supplier against the risk of becoming overly dependent on Valeo.

With this system, Valeo aims to better control its supply chain while building trusting relationships with its suppliers through cooperation on remedial action or improvement programs that are aimed at preventing or limiting operating risks.

Support for the decarbonization of the supplier chain

Since 2020 and the adoption of the "CAP 50" Carbon Neutrality Plan, significant work has been dedicated to supporting suppliers impacting upstream Scope 3. The Group has continued work initiated in 2020 to assess its suppliers' carbon sources, based on the following raw materials or components:

- aluminum;
- steel;
- plastic resins;
- electronic components.

With that in mind, the Sustainable Development, Research and Development and Purchasing departments have implemented support for suppliers to ensure that they can all effectively contribute to the objective of reducing upstream Scope 3 emissions by 15% by 2030 (from 9.1 $MtCO_2$ to 7.7 $MtCO_2$ by 2030). This support draws on work in the following four key areas:

EMISSIONS SOURCES	Define a GHG emissions target for suppliers in line with Valeo Group targets
AUDIT	Support suppliers in implementing their action plan
SPECIFICATIONS	Promote low-emission materials in product design
INNOVATION	Limit the GHG impact in product design

In 2022, Valeo also established a partnership with the Carbon Disclosure Project (CDP), using the CDP Supply Chain assessment to measure its suppliers' carbon performance.

Measures taken to reduce the risk

Assessment of suppliers' sustainable development practices

As part of the Group's policy of reinforcing the support offered to its suppliers along the entire supply chain, the Sustainable Development and External Affairs, Purchasing and Quality departments carried out a survey on sustainable development choices across a representative sample of suppliers accounting for 85% of the Group's production purchases.

Valeo has reinforced this assessment of practices by scheduling a global audit campaign among suppliers identified through the sustainable development questionnaire. Audits have been performed in Europe, Asia (China, Japan, India, Thailand) and North America (United States, Mexico), giving suppliers a new dimension of support in their sustainable development approach. The variety of the suppliers audited (by commodity, segment, company size, etc.) enabled Valeo to grasp the diversity of sustainable development practices, and to provide assistance and corrective actions in the event of failings or inadequacy in respect of the Group's sustainable development standards.

This methodology has been endorsed by Valeo's customers and acknowledged by non-financial rating agencies. The stabilization of audit processes allowed specific sectors, such as electronics, to be targeted in 2016-2017, followed by certain regions, such as India (see box below), in 2019.

With the constraints of the pandemic and restrictions on travel and plant visits since 2020, Valeo adapted the audit campaign through the use of questionnaire-based assessments, as well as by carrying out physical audits through virtual visits via smartphones or camera, for example, and emailing of audit-related documents by suppliers. That in turn gave rise to in-depth audits, particularly in supplier chains and in countries at risk. For example, Valeo was able to step in to correct the sustainability situation of a supplier whose audits had identified shortcomings on human resources matters. This work was assessed and validated by Valeo's automaker customer and resulted in a corrective plan being implemented over more than six months.

This example served to define a more efficient way of conducting audits, even in the absence of a "physical" audit.

Assessment of critical suppliers' sustainable development practices

Keen to conduct targeted and specific audit campaigns with purchasing segments or areas identified as critical or at risk, Valeo set the ball rolling with an audit campaign for electronics suppliers in 2016. Between 2016 and 2018, suppliers representing nearly 30% of purchases of electronic components and systems were audited (semiconductor industry, manufacturers of electronic parts, embedded systems, etc.).

In 2021, a second specific campaign was focused on suppliers in India and the Southeast Asian countries. The Indian campaign during the year had three key stages:

- selection of suppliers based on specific criteria (segment, quality, etc.) and a universe of local risks in India (human rights, working conditions, etc.);
- training program in sustainable development and Valeo's requirements in this area;
- two-phase supplier assessment campaign: a self-assessment questionnaire on sustainable development, followed a few weeks later by a dedicated on-site audit.

In the four years since the launch of the assessment and audit program in Southeast Asia, Valeo has audited and visited 69 suppliers representing 80% of purchasing volumes in India.

Suppliers selected include both large and small companies, and all types of commodities and businesses, from pressing to magnets and precision components.

Different locations in India have been covered, including Tamil Nadu, Maharashtra, Telangana, Rajasthan, Uttar Pradesh and Delhi.

To give an example of audit granularity, those carried out in 2022 covered companies whose sales with Valeo ranged from a few thousand to several millions of euros.

The aim is to spread the culture of environmental, social and societal sustainability among these suppliers. The exercise was accompanied by methodology for verifying data and face-to-face audits on a broad range of aspects including the environment, health and safety, site energy consumption, human rights, ethics in business relationships, workers' employment conditions, diversity and understanding Valeo's technological roadmaps as a customer to be satisfied. The audits highlighted:

- an absence of alarming situations or risks in respect of human rights, health and safety, or environmental damage;
- but a need for follow-up actions to bring suppliers to the highest levels of qualification under the Valeo sustainable development standards.

Over the years, the focus has had to be placed on the environmental dimension. But 2023 will see attention turn significantly to awareness on decarbonization so as to provide suppliers with the skills they need to reduce their carbon footprint in line with the SBTi recommendations.

In 2023, Valeo also plans to launch a circular economy proof of concept in selected plants in India, which will serve as models for the entire supply chain.

More attention will be paid to the broader Southeast Asian countries to closely monitor the level of sustainability. This will be enhanced through educational training of the Valeo teams and by further audit campaigns.

Support for suppliers in the transformation of their industrial facilities

Faced with the diversity of its supplier chains, which include countless small suppliers, Valeo sees the gradual digitalization of production management processes as a vector of transparency and performance, including on carbon and energy issues.

To support this ambition, Valeo has participated in various initiatives to digitalize supplier chains.

At the request of the European Commission, Valeo has agreed to take part in the Digital Twins program, a digital mentoring program for selected suppliers. The aim is to select a number of the Group's strategic suppliers that are doing well on commercial aspects, but still need to upgrade their digitalization on several points. Through specialist monitoring, Valeo will then help them optimize their logistics sequences, improve their carbon footprint, and successfully sequence industrial tasks through progressive automation.

The program will contribute to the digitalization and modernization of the industrial fabric of lower-tier equipment manufacturers.

Results and performance

Results of assessments of suppliers' sustainable development practices in 2022

An annual self-assessment of sustainable development choices made by a representative sample of suppliers whose sales with Valeo covered 85% of the Group's production purchases was conducted in 2022. 2022 saw a response rate of 67%, only a slight decline compared with the rate of 71% recorded in 2021, attributable to the extension of the survey's scope. One of the factors that helped maintain the response rate was closer monitoring of the level of supplier maturity relating to the greenhouse gas emissions reduction criteria included in the survey and considered in contract award reviews.

This assessment highlighted the fact that in addition to the Group's requirements, more than 84% of the respondent suppliers have their own CSR policy based on a charter, a code of conduct, best practices and a set of guidelines. A total of 52% of such policies are also communicated publicly. With a view to validating their commitments, close to 83% of Valeo's production suppliers that responded to the survey have initiated voluntary certification and labeling programs for environmental policies covering at least 50% of their sites.

For 74% of the survey respondents, commitment to sustainable development and CSR also involves communicating their own sustainable development and CSR standards and requirements to their pool of suppliers. More than two-thirds (70%) of the suppliers surveyed assess their own suppliers' compliance with these requirements through evaluations on the same sustainable development issues and the duty of care, as part of supplier selection processes or through self-assessment or audits.

With this type of questionnaire, Valeo hopes to transmit its CSR experience to its suppliers by communicating quality and responsibility requirements, which are important aspects in risk management, and to set an example to encourage its suppliers to apply the same principles throughout the supply chain.

Conflict minerals

In 2013, Valeo's Purchasing Department aligned its sourcing processes with the American Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010 on conflict minerals (title XV) in a joint effort to end the financing of violent conflict in the Democratic Republic of the Congo (DRC) and neighboring countries, which is financed in part by mining and the mineral trade. Valeo requires all its suppliers to comply with the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

In addition, a specific initiative introduced in conjunction with the Research and Development Department allows the Group to better identify potential sources of conflict minerals. Thus, in 2020, over 75% of the suppliers identified using this initiative provided the Group with a certified report on conflict minerals using the Conflict Mineral Reporting Template (CMRT) developed by the Conflict-Free Sourcing Initiative (CFSI).

Since then, the comprehensive CFSI initiative has been expanded to form the Responsible Minerals Initiative (RMI). The actors in the value chain are integrated into the prevention and audit actions of this initiative, notably through the pooling of due diligence procedures and the results of audits. Valeo is contributing to this initiative through a company specialized in monitoring and evaluating practices in terms of conflict minerals.

To help suppliers apply the Group's ethics and compliance principles, the Purchasing Department and Ethics and Compliance Office have provided manuals on Valeo's website to raise awareness about both the substantial legal risks of anti-competitive practices and corruption and about Valeo's compliance policies and requirements.

By monitoring discussions in this area in Europe, Valeo evaluates its internal processes with a view to anticipating and adapting the Group's tools to the future European framework.

Diversity programs applied to North American suppliers

Minority diversity programs in North America (United States and Canada) have added Women's Business Enterprises (WBE), Minority Business Enterprises (MBE), Veteran Business Enterprises (VBE), LGBT Business Enterprises (LGBTBE) and Disability-Owned Business Enterprises (DOBE) to the evaluation criteria for US and Canadian suppliers. Criteria for the integration of women, minority and veteran business enterprises apply to supplier qualification, selection and award processes held during meetings reviewing entities located in North America.

In 2022, the Valeo North America legal entity placed orders totaling more than 142 million dollars with suppliers classified as integrating women (WBE), minorities (MBE) and veterans (VBE), up 30% compared with 2021. This amount represents nearly 66% of the long-term objective in terms of the Valeo Group's supplier diversity strategy for the United States.

Purchasing location based on consumption area

The Group generally favors a location strategy compatible with the demands of economic competitiveness, and one that contributes to local economic integration. This strategy applies across all of the regions in which Valeo operates.

It allows the Group to:

- reduce transportation-related CO_2 emissions;
- support local employment by developing skills;
- meet the expectations of local stakeholders (customers, local and national governments) that increasingly encourage local integration.

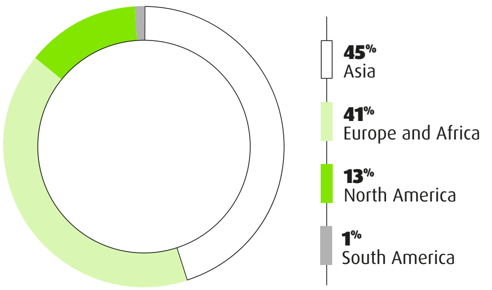
Furthermore, the policy of reducing the risks related to currency fluctuations has also led Valeo to favor local suppliers that comply with its supplier selection criteria.

The supply chain is based on the following principles:

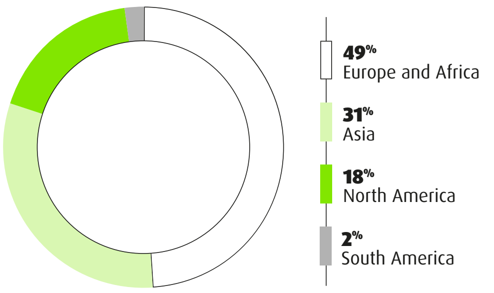
- symmetry between the areas of origin and consumption of purchases, reflecting the broad reach of Valeo's supply chain, in the Group's industrial footprint;
- balance between the main purchasing families, reflecting the breadth of Valeo's product portfolio.

The geographical breakdown of purchases by area of consumption and area of origin is accordingly virtually symmetrical:

BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF ORIGIN IN 2022

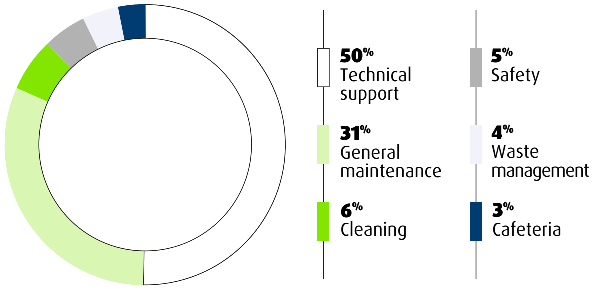


BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF CONSUMPTION IN 2022



For historical reasons, the Europe-Africa region remains the leading geographic area of consumption (49%). However, it is now only the second-biggest sourcing region (41%) for Valeo, having been overtaken by Asia (45%) in 2021. As a direct result of the Group's growth strategy in emerging countries, Asia now ranks second in terms of consumption (31%).

TOTAL SUBCONTRACTING EXPENDITURE BY CATEGORY IN 2022



Valeo engages subcontractors to perform specific services at its many sites. As a result, the Group ensures that its subsidiaries comply with the provisions of national labor law and ILO conventions in their dealings with subcontractors, requiring them to sign and accept the provisions of the Valeo Business Partner Code of Conduct, and in particular the articles concerning employees' fundamental rights.

Subcontracting represented 445 million euros in purchases in 2022. Technical support services are significant, and account for 50% of this expenditure due to the IT services provided by outside companies (hardware, networks, services, computer applications). General maintenance costs represent 31% due to the industrial nature of Valeo's activities.

The use of subcontracting is also an important tool for the purchasing location in line with the geography of the Group's operations.

Risk related to fundamental rights

Description of the risk

Valeo is committed to supporting and respecting internationally recognized human rights, notably as set out in the International Bill of Rights and the International Labour Organization Conventions.

Many of Valeo's established policies and procedures contribute to this commitment and form the basis of the Group's human rights policy (see our policy, actions and outcomes described below). Valeo aims to prevent adverse impacts on human rights stemming directly from its global operations, its products, services or its business relationships. Among other aspects, the policy sets out the Group's expectations of its suppliers.

Regulations are changing and the demands of stakeholders (customers, NGOs, civil society) in terms of respect for fundamental rights are mounting.

A breach of fundamental rights in Valeo's operations or its value chain could result in legal and/or financial penalties in addition to causing reputational damage to the Group.

Risk management policy

Valeo has participated in the UN Global Compact since 2004. The Group also aims to comply with the International Labour Organization (ILO) conventions on fundamental principles and rights at work:

- elimination of discrimination in employment and occupation (Conventions 100 and 111);
- prohibition of child labor (Conventions 138 and 182);
- elimination of forced and compulsory labor (Conventions 29 and 105);
- occupational safety and health (Convention 155);
- respect for weekly rest periods (Conventions 14 and 106);
- freedom of association and collective bargaining (Conventions 87 and 98);
- protection of workers' representatives and union members (Convention 135);
- equal rights and opportunities for workers with family responsibilities (Convention 156);
- safety in the use of chemicals at work (Convention 170).

Professional, individual and collective integrity is a key value of the Group. Wishing to ensure that it is embodied by all employees in all their exchanges (internally and externally), Valeo published its Code of Ethics in 2005. The document is regularly updated. It combines the Valeo Values, the "5 Axes" and the Valeo Compliance Programs.

Ethics is a central value in Valeo's culture and is defined as follows:

- support for the Group's commitment to promoting fundamental rights and sustainable development;
- compliance with ethical and legal business and management practices;
- flawless professional conduct; and
- respect for individuals.

Respect by employees for these ethical principles is essential for the accomplishment of the Group's objectives. For that reason, each employee's performance is assessed annually based on his/her respect for Valeo's Values, including ethics.

Valeo has introduced a number of internal procedures to ensure that the commitments made by the Group are rigorously respected and that its policy on promoting and respecting fundamental rights is properly applied. In 2019, the Group conducted an in-depth review of the contents of six Human Resources procedures and policies on respecting and promoting fundamental rights including:

- prevention of harassment and discrimination;
- fight against child labor;
- fight against forced labor;
- promotion of social dialogue.

These procedures apply to all of the Group's employees. Each of them sets out Valeo's approach and commitments, specifies the roles of the various stakeholders and determines the follow-up methods implemented by the Group, which are based on specific, quantifiable and auditable criteria.

Valeo believes that employee progress is inseparable from financial performance. As employee trust is essential to its business and development, Valeo has undertaken to respect fundamental rights, and promotes open communication between employers and unions.

It further believes that the unions are a key extension of management for explaining, discussing and adjusting the Company's action plans. The involvement of all employees through social dialogue is a guarantee of success for all the policies undertaken by Valeo.

In 1999, Valeo concluded an agreement to set up a European Works Council. It was renegotiated and renewed when the Group adopted its new status of European company in March 2021. The Works Council provides a forum for exchanging points of view and establishing dialogue between management and the 16 employee representatives from each European country in which Valeo has more than 150 employees. A nine-member committee meets quarterly at a European site.

Measures taken to reduce the risk

The Code of Ethics is regularly updated to take into account regulatory and legislative developments and/or to adapt it to the Group's risk maps. The version released in September 2018 was redrafted accordingly in 2022. The revised version will be released in 2023.

Inappropriate behavior or breaches of the provisions of the Code of Ethics or Human Resources procedures are grounds for disciplinary action, including dismissal.

To promote and ensure respect for fundamental rights, Valeo's goal is to ensure that all of its employees have received the Code of Ethics and signed the relevant statements, and that they have received training on its content.

In addition, the training program for new hires includes a module devoted to the Code of Ethics so as to share Valeo's fundamental values and principles with new employees on their arrival.

In January 2014, Valeo opened an anonymous multilingual whistleblowing system available free of charge to all employees, intended solely for anti-corruption and antitrust issues. Subsequently, at the end of 2017, in line with the Sapin II law and the law on the duty of care, it was expanded and extended. Since then, the system has enabled whistleblowers inside and outside the Group to issue alerts under the Whistleblowing Policy, relating to:

- suspected or proven acts of bribery or influence peddling, anti-competitive practices, export control and economic sanctions, and data protection regulations, such as:
  - a crime or offense,
  - a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of such an undertaking, or of legal or regulatory provisions,
  - a threat or serious harm to the public interest,
- risks or serious violations of human rights and fundamental freedoms, personal health and safety and the environment.

It also covers proven or suspected violations of the Valeo Code of Ethics, the Valeo Business Partner Code of Conduct or any Valeo Compliance Program.

A whistleblower is understood to be a Valeo employee, supplier or subcontractor, an external or casual employee, or a third party authorized by a law or regulation.

Lastly, the whistleblowing system was updated in January 2021, in anticipation of the transposition into French law of the European Directive of October 23, 2019 on the protection of persons who report breaches of Union law. Following the publication of Decree No. 2022-1284 of October 3, 2022 on the procedures for collecting and processing whistleblower alerts and establishing the list of external authorities instituted by Law No. 2022-401 of March 21, 2022 aimed at improving the protection of whistleblowers, the Whistleblowing Policy was once again reviewed and clarified. The revised policy will be released in 2023.

A specific procedure for the prevention of harassment and discrimination provides for the initiation of an investigation as soon as the facts, proven or not, are reported.

The protection of personal data has become a global issue and is an integral part of Valeo's policy of respecting fundamental rights. The Data Protection Program is based on the Valeo Data Protection Principles (VDPPs), applicable worldwide, and specific principles that take local regulations into account. The program was rolled out through a global communication and awareness campaign in 2020. In 2021, all managers were trained in the VDPPs, i.e., more than 42,000 employees.

Results and performance

To ensure that Valeo employees all understand the Group's principles of integrity and regulatory compliance, they systematically receive the Code of Ethics when joining the Group. They are required to sign a declaration acknowledging receipt of it and pledging to uphold it. In 2022, 98% of new employees acknowledged receipt of a copy of the Code and received training on it.

To ensure the proper application of its policies on child labor, the Group's Internal Audit Department carries out a specific procedure to assess whether the risks associated with the hiring of employees under the legal working age have been addressed and mitigated by Valeo's rules and overall policies. In 2022, 22 sites were audited.

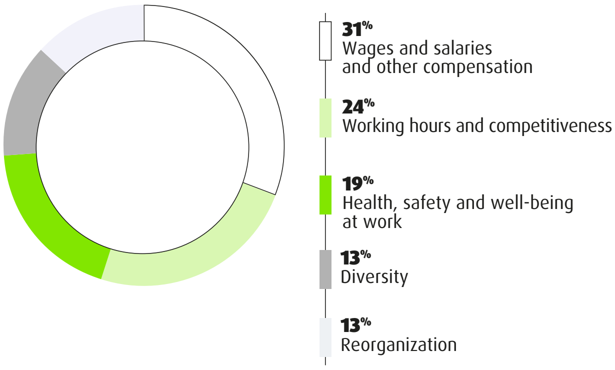
After 2020 and 2021, when social dialogue focused on managing the pandemic and the semiconductor crisis, in 2022, dialogue was focused in particular on changes in the Group's organization. The acquisition of VSeA and the transformation of the Powertrain Systems Group's structure involved meetings of the European Works Council and discussions within the framework of regulatory procedures on sites. Working time reduction measures (long-term partial working arrangements, furlough, etc.) have been extended at sites where this has been necessary.

The European Works Council represented 42% of the Group's registered headcount in 2022, or 40,970 employees. Each country sets up specific bodies in line with local laws and regulations.

In 2022, 59% of Valeo plants had formal bodies representing employees and unions. This representation at different levels of the organization has allowed Valeo to develop an active bargaining policy with the unions. Valeo must continue promoting high-quality labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions that are in the interests of all stakeholders. In 2022, 93.7% of the Group's registered headcount worked in accordance with the working organization and salary condition rules provided for in collective bargaining agreements.

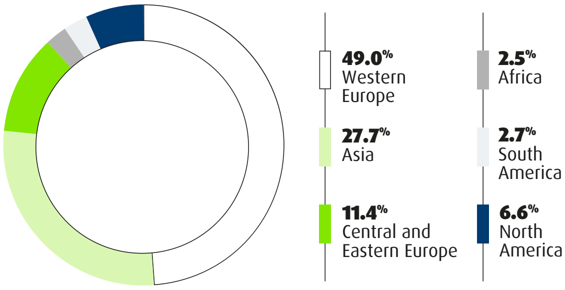
In 2022, 692 collective agreements were in force locally and nationally at Valeo's various sites worldwide. The topics covered by these agreements are as follows:

BREAKDOWN OF AGREEMENTS IN FORCE BY CATEGORY IN 2022



In 2022, the main topics covered were wages and other compensation (31%), working hours and site competitiveness (24%), health, safety and quality of life at work (19%).

BREAKDOWN OF AGREEMENTS SIGNED BY GEOGRAPHIC AREA IN 2022



The vast majority (77%) of agreements were signed in Europe and Asia. The high proportion of agreements signed in Asia demonstrates the Group's determination to promote this type of dialogue with labor organizations worldwide.

A Corporate Social Responsibility (CSR) agreement was signed on July 10, 2012 and renewed on November 4, 2016 between the Group's Management and labor organizations. The purpose of this global agreement is to ensure that an appropriate labor framework is in place to accompany the Group's international expansion, in line with its principles of responsibility, Code of Ethics and sustainable development policy. The agreement also seeks to promote labor and environmental practices that go beyond legal and regulatory obligations. The procedures and principles defined in the agreement are being phased in by the subsidiaries at the various national and local levels. This agreement is intended to be a determined reflection of the commitment to universal principles for all of the Group's companies, as well as being pragmatic, by respecting cultural, social and economic differences in the implementation of the principles. In 2022, the CSR report provided for in the CSR agreement was presented and discussed at the European Works Council.

4.3.4 The European Taxonomy and other sustainable activity indicators

Context: measuring sustainability

The national and European legal frameworks (NFRD, Taxonomy Regulation, etc.) and growth in the number of initiatives geared toward measuring business sustainability (TCFD, EFRAG, Platform on Sustainable Finance, etc.) are increasing the transparency of companies as they measure the sustainability of their business models and report on related indicators.

A key component of the European Commission's action plan on sustainable finance aimed at redirecting capital flows toward a more sustainable economy, the European Taxonomy Regulation[49] is part of this process. The European Taxonomy, a classification system for environmentally "sustainable" economic activities, is a major step toward the European Union's objective of achieving carbon neutrality by 2050.

In accordance with the new regulatory requirements, and in the interests of compliance and financial transparency, but also to reflect the Group's efforts and action in the fight against global warming, Valeo presents in this section the indicators required by the new Taxonomy Regulation for the consolidated Group scope (as presented in Note 14 to the consolidated financial statements), and also:

- a Taxonomy KPI covering all sales generated by Valeo, including 100% of the sales of the Valeo Siemens eAutomotive (VSeA) joint venture recorded before the acquisition by Valeo of the 50% stake previously held by Siemens);
- all Taxonomy KPIs fall under two approaches, one approach including activity 3.3 – Manufacture of low carbon technologies for transport for economic activities considered by Valeo to be Taxonomy-aligned, in accordance with European automotive suppliers' interpretation of the Taxonomy Regulation (see position taken by CLEPA, below), and the other approach excluding activity 3.3, which is based on one of the interpretations of the Taxonomy Regulation given in the European Commission's FAQs, dated December 19, 2022.

Summary of KPIs

Eligibility

In the following section, Valeo, as a non-financial undertaking, presents the share of the Group's sales (turnover), capital expenditure ("Capex") and operating expenditure ("Opex") associated with economic activities eligible for the European Taxonomy under the first two environmental objectives (climate change mitigation and climate change adaptation) for 2022, in accordance with Article 8 of the Taxonomy Regulation and Article 10(2) of the Article 8 Delegated Act.

Valeo has analyzed its activities in light of the Taxonomy Regulation and the European Commission's FAQs aimed at clarifying the existing provisions of the applicable legislation. In view of the essential role of automotive suppliers in achieving the automotive industry's carbon neutrality objectives, and in line with the initial Taxonomy Regulation proposals, Valeo considers that the design and production of components for electric vehicles or vehicles emitting less than 50 g of CO_2/km should be eligible. This position is shared by automotive suppliers, and has recently been reaffirmed[50]. It is based on an indicator that is both accepted within the industry (vehicle electrification) and comparable between suppliers. In accordance with this market position, which Valeo shares, this component activity is reported under activity 3.3.

Accordingly, in order to provide transparent information, Valeo presents in this report:

- KPIs for Taxonomy-eligible activities, including activity 3.3 Manufacture of low carbon technologies for transport, as summarized in the table below;
- KPIs for Taxonomy-eligible activities, excluding activity 3.3 Manufacture of low carbon technologies for transport, for which the KPIs are presented in section "Taxonomy KPI tables" (see below).

Based on Valeo's analyses, as set out below (including activity 3.3.), the Taxonomy-eligible KPIs for 2022 are as follows:

	Sales		Capex		Opex	
	2022	2021	2022	2021	2022	2021
Taxonomy-eligible portion (including 3.3)	**20%**	**11%**	**33%**	**23%**	**46%**	**50%**
3.3 Manufacture of low carbon technologies for transport	14%	9%	26%	20%	36%	44%
3.4 Manufacture of batteries	3%	2%	5%	3%	7%	6%
3.6 Manufacture of other low carbon technologies	3%	-	2%	-	3%	-
Non-Taxonomy-eligible portion (including 3.3)	**80%**	**89%**	**67%**	**77%**	**54%**	**50%**

The above KPIs include VSeA's contribution as from July 1, 2022, in accordance with the rules used for the preparation of the Group's consolidated financial statements (see section 5.4 "2022 consolidated financial statements", page 333).

(49) Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

(50) See the position taken by CLEPA, the European Association of Automotive Suppliers (https://clepa.eu/wp-content/uploads/2023/02/2023.02.15_CLEPA_Statement-on-Taxonomy-Interpretation.docx.pdf).

Additional KPI: proportion of eligible sales within the Valeo & VSeA scope

In addition to the regulatory KPIs, Valeo has decided to include an additional KPI reflecting the 2022 sales of products for electric and hybrid vehicles emitting less than 50 g of CO_2/km[51] made by its joint venture with Siemens (VSeA – Valeo Siemens eAutomotive), considered eligible under activity 3.3 (as described below).

For this KPI, 100% of the sales generated by VSeA prior to Valeo's acquisition of the 50% stake previously held by Siemens have been used.

The calculation method used is the same as that used to calculate the regulatory KPI[52] (see below "Methodology note – Analysis of European Taxonomy financial KPIs").

In 2022, the proportion of sales of products for electric or hybrid vehicles emitting less than 50 g of CO_2/km within the Valeo and VSeA scope, presented in this additional KPI, was 22%.

Alignment

To meet the regulation's alignment requirements, Valeo analyzed its compliance with the generic criteria of the "do no significant harm" principle as regards climate change adaptation, sustainable use and protection of water and marine resources, pollution prevention and control regarding use and presence of chemicals, protection and restoration of biodiversity and ecosystems, and the minimum safeguards in respect of human rights.

Following this analysis, Valeo found its products to be aligned with these generic criteria, with the exception of that relating to pollution, where the lack of detail regarding its application led Valeo to declare non-alignment pending regulatory clarification. Consequently, Valeo has not reported any Taxonomy-aligned activities for 2022.

Tables in the format proposed in the Annexes to the Taxonomy Regulation are presented in section "Taxonomy KPI tables".

Explanation of Valeo's approach to the generic criteria relating to pollution

Regarding the generic criteria relating to pollution, despite compliance as regards the use of chemical substances in accordance with the regulations applicable in the automotive industry (REACH regulation and ELV directive), Valeo has chosen not to consider this criterion met under the Taxonomy Regulation due to the lack of detail provided in the Annex as regards alignment (see methodology note below).

Analysis of Valeo's economic activities eligible for the European Taxonomy

The Delegated Act on sustainable activities for climate change adaptation and mitigation objectives sets out selection criteria that explicitly acknowledge the contribution of hydrogen, battery, and electric vehicle or low-emission vehicle manufacturing and components in achieving climate goals. However, the Delegated Act does not specifically address electric vehicle components.

Indeed, while activities specifically related to the design and production of components needed for hydrogen-powered vehicles or the manufacture of batteries for transportation are clearly Taxonomy eligible in activities 3.2 and 3.4, the NACE codes provided by the Regulation for activity 3.3 could lead to the interpretation that the design and production of components for electric vehicles or vehicles emitting less than 50 g of CO_2/km are not eligible.

Vehicles are complex systems in which each individual component is of critical importance, which is why Valeo rejects that view. The eligibility of components of electric vehicles or vehicles emitting less than 50 g of CO_2/km is the logical conclusion to be drawn from Articles 10c and 10i of Regulation (EU) 2019/2088, which clearly recognize all activities promoting clean or climate-neutral mobility as contributing substantially to climate change mitigation.

For 2022, Valeo has declared its economic activity to be Taxonomy-eligible in accordance with the conditions laid down for activities 3.3 – Manufacture of low carbon technologies for transport, 3.4 – Manufacture of batteries and 3.6 – Manufacture of other low carbon technologies.

Given the current lack of detail in the alignment criteria for activity 3.6 – Manufacture of other low carbon technologies, Valeo has built a qualification method based on an interpretation of the wording used in the Taxonomy (see below).

(51) In a WLTP (Worldwide harmonized Light Vehicles Test Procedure) test cycle.

(52) To calculate the additional KPI on the proportion of eligible sales under the Valeo and VSeA scope, 100% of the joint venture's sales were added to the numerator and denominator of the regulatory KPI, i.e., the production of its products sold that are intended to be fitted on electric or hybrid vehicles emitting less than 50 g of CO_2/km (under WLTP conditions).

The table below summarizes the activities considered by Valeo to be eligible in 2022:

Eligible activity under the Climate Delegated Act	Corresponding Valeo Group activity	Relevant KPIs		
		Sales	Capex	Opex
3.3 Manufacture of low carbon technologies for transport	Manufacture of parts for electric vehicles or vehicles emitting less than 50 g of CO_2/km	✘	✘	✘
3.4 Manufacture of batteries	Manufacture of batteries and parts necessary for the operation of batteries	✘	✘	✘
3.6 Manufacture of other low carbon technologies	Technologies that provide substantial CO_2 emissions reductions at the vehicle level and demonstrate a superior level of carbon performance compared to the best known market benchmark	✘	✘	✘

These activities are allocated to the climate change mitigation objective, which Valeo considers to be the most relevant.

Judgments and estimates used

Valeo has carried out a detailed analysis of all of the Group's activities corresponding to consolidated entities (see Note 14 to the 2022 consolidated financial statements presented in section 5.4 of this document). Companies over which the Group exercises joint control or significant influence are therefore excluded from the scope of analysis and from the calculation of the ratios defined by the Delegated Act supplementing Article 8 of the Taxonomy Regulation published on July 6, 2021.

This analysis is based on the Regulation as available at December 31, 2022.

Activity 3.3 Manufacture of low carbon technologies for transport

The description of activity 3.3 in Annex 1 of the European Delegated Act does not provide an explicit definition of low carbon technologies for transport vehicles and is therefore open to interpretation. In the absence of such a definition, within the meaning of the European Taxonomy, we have based our eligibility assessment on the criterion of a substantial contribution to climate change mitigation.

This includes components and technologies for electric vehicles (with zero CO_2 emissions) and hybrid vehicles emitting less than 50 g of CO_2/km, which are the vehicles compliant with the Taxonomy under activity 3.3.

Activity 3.4 Manufacture of batteries

Products developed and sold by Valeo that are eligible for the Taxonomy under activity 3.4 include sales of all components intended for the operation of the battery in the vehicle (battery thermal management module, packaging and casing, voltage converters, charging connector) or for its charging (charging stations).

The products selected by Valeo under activity 3.4 Manufacture of batteries have been excluded from the analysis of activity 3.3 Manufacture of low carbon technologies for transport.

Activity 3.6 Manufacture of other low carbon technologies

Given the current lack of detail in the alignment criteria for activity 3.6, Valeo has elected to include this activity in its disclosures with a view to structuring a methodological proposal aimed at applying the Taxonomy through the lens of its products.

In particular, Valeo is including technologies for which carbon footprint reduction roadmaps have been drawn up with the aim of achieving a substantial contribution to CO_2 emissions savings at vehicle level, including work to reduce upstream and downstream Scope 3 emissions. The factors allowing a carbon impact reduction of that nature (taking into account all stages of a product's life cycle) are mainly, but not exclusively, a reduction in mass, a reduction in the carbon footprint of the materials used, and an improvement in the energy performance of the component in the use. Work on these aspects is an integral part of Valeo's Carbon Neutrality Plan (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050").

Taxonomy-eligible products developed and sold by Valeo under activity 3.6 include technologies included in the area of thermal, hybrid and electric vehicles. To avoid double counting for activities eligible for more than one Taxonomy category, Valeo has elected to allocate its products in the following order: 3.4, then 3.3 and finally 3.6.

Methodology note – Analysis of European Taxonomy financial KPIs

Based on the Group's management data, Valeo can extract, for each product line, data relating to sales (turnover), investments (Capex), and non-capitalized Research and Development expenditure (included in Opex). The data used below are net of intra-group transactions.

Valeo's allocation of sales, Capex and Opex to the various Taxonomy-eligible activities avoids double counting.

Eligible sales

Assumptions used to calculate the regulatory KPI

Valeo used the following assumptions to calculate its eligible sales KPI:

The KPI's numerator comprises the sales generated by the Group's eligible activities, including:

- the proportion of sales of products and components included in activity 3.3 – Manufacture of low carbon technologies for transport. These correspond, in accordance with Valeo's interpretation, to the proportion of its products sold that are intended to be fitted to electric or hybrid vehicles emitting less than 50 g of CO_2/km (under WLTP conditions);
- the proportion of battery component sales included in activity 3.4 – Manufacture of batteries, notably including activities related to battery thermal management at Valeo;
- the proportion of sales of products and components included in activity 3.6 – Manufacture of other low carbon technologies. The products concerned are those that demonstrate a substantial reduction of CO_2 in a life cycle assessment in relation to a benchmark "best-in-class" product.

The denominator corresponds to the consolidated sales of the Valeo Group for the year ended December 31, 2022 (see Note 5.1 to the consolidated financial statements presented in section 5.4 of this document).

Eligible capital expenditure (Capex)

Calculation assumptions

The KPI's numerator comprises the Group's capital expenditure, corresponding to purchases of property, plant and equipment, and intangible assets, including right-of-use assets (IFRS 16), recorded in 2022, before depreciation and amortization, and directly linked to eligible sales-generating activities as described above (see above).

For Capex relating to activity 3.3, the numerator comprises eligible capital expenditure determined based on the proportion of order intake for 2025 relating to products intended to be fitted on electric or hybrid vehicles emitting less than 50 g of CO_2/km (under WLTP conditions).

The use of 2025 sales projections takes into account the expected average time between the occurrence of capital expenditure and the peak in the related sales.

The denominator of the Group's capital expenditure KPI corresponds to purchases of property, plant and equipment, and intangible assets, including right-of-use assets (IFRS 16), recorded in 2022, before depreciation and amortization (see Notes 7.2 and 7.3 to the consolidated financial statements in section 5.4 of this document).

Eligible operating expenditure (Opex)

Calculation assumptions

Operating expenditure (Opex) consists of non-capitalized Research and Development expenditure.

For 2022, the following expenditure, not material at Group level, was not included:

- building renovation costs;
- short-term leases;
- maintenance, upkeep and repair expenses; and
- any other direct expenses related to the routine maintenance of property, plant and equipment, and necessary for their continued proper use.

The KPI's numerator comprises the Group's non-capitalized Research and Development expenditure related to the Taxonomy-eligible activities set out above.

For Opex relating to activity 3.3, the numerator comprises eligible operating expenses determined based on the proportion of order intake for 2025 relating to products intended to be fitted on electric or hybrid vehicles, emitting less than 50 g of CO_2/km (under WLTP conditions).

The use of 2025 order intake projections takes into account the expected average time between the occurrence of Research and Development expenditure and the peak in the related sales.

The KPI's denominator corresponds to non-capitalized R&D expenditure, i.e., gross R&D expenditure less capitalized development costs (see Note 5.5.1.2 to the consolidated financial statements in section 5.4 of this document).

Methodology note – Analysis of the generic criteria relating to the "do no significant harm" principle and minimum safeguards

Generic criteria relating to the "do no significant harm" principle

The analysis of the criteria relating to the "do no significant harm" principle and the minimum safeguards is identical for the activities considered by Valeo (3.3, 3.4 and 3.6), and is set out below.

Climate change

To strengthen its understanding of the impacts of climate change on the Group's physical assets (physical risks), Valeo has carried out an analysis of its exposure to the impacts of climate change across its entire scope of consolidation, including the risks linked to changes in temperature the and the management of water, wind and soil resources in the SSP2-4.5 and SSP5-8.5 Representative Concentration Pathway (RCP) scenarios for 2030 and 2050.

This analysis, carried out using climate modeling tools developed by leading players in the field, served to characterize and assess the nature and likely intensity of the risk. It was carried out at the level of a plant or office, which at this stage is the most granular and relevant level available for a manufacturing company.

The analysis is part of broader efforts to gain a better understanding of Valeo's exposure to the risks associated with the consequences of climate change, which will regularly be supplemented by dedicated site audits and programs to strengthen on-site prevention tools and systems.

Transition to a circular economy

Valeo adopted a circular economy strategy in 2021. It is based on a 4Rs approach aimed at remanufacturing parts, i.e., reconditioning them via an industrial manufacturing process, repairing and recycling them, and ensuring that they remain robust over time.

This approach draws on careful resource consumption, eco-design policies, and the management of waste and hazardous materials (see section 4.5.3 "Environmental commitment", page 292). The main outcomes of this policy are presented in Valeo's Integrated Report.

Sustainable use and protection of water and marine resources

Valeo has a longstanding policy on water management, which includes reducing water consumption, minimizing industrial effluents and gradually phasing out the use of water from natural sources. As such, Valeo has implemented various tools to limit the risks of pollution (via check valves, retention zones, etc.) and to better understand the impact of water consumption in the areas where the Group's plants are located (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to water management", page 250). Some of these analyses are disclosed transparently via CDP Water and are available on the dedicated website.

Pollution prevention and control regarding use and presence of chemicals

Valeo has policies and tools designed to ensure that its products and those of its suppliers comply with the requirements of European regulations on the use of regulated chemicals. All of its products worldwide comply with the REACH regulation and the End-of-Life Vehicle (ELV) Directive via the IMDS system, which enables it to ensure that its suppliers meet the same requirements.

The automotive industry has progressively implemented plans to reduce and eliminate heavy metals, such as Chromium 6 (see Appendix C to Deleted Regulation (EU) No. 2021/2139) and residual use is within the limits authorized by the European Commission, as is the case with lead, which can be used in very small quantities in proportion to certain metals including aluminum and steel. In the dedicated Appendix, criteria (f) and (g) introduce the notion of "essential" use, referring to the definition of a threshold of use beyond the currently applicable regulatory framework (the REACH and ELV directives) and which makes this criterion difficult to use in the absence of sufficient clarification from the European Commission. Valeo has accordingly elected not to report sales, capital expenditure or operating expenses for this criterion.

Protection and restoration of biodiversity and ecosystems

In line with local regulations in the countries where the Group operates, Valeo has implemented policies aimed at preserving and protecting flora and fauna near its sites (such as natural areas of ecological, fauna and flora interest (ZNIEFF) in France, see section 4.5.3 "Environmental commitment", paragraph "Biodiversity", page 293). Valeo's commitment to protect biodiversity is further demonstrated by the environmental compliance analyses carried out at its sites and specifically on the Group's new acquisitions. In the event of proven damage to biodiversity and ecosystems, Valeo has implemented appropriate restoration measures.

Minimum safeguards

With regard to the minimum safeguards set out in the Taxonomy Regulation, Valeo has longstanding policies and tools that enable it to meet requirements in respect of:

- human rights, through the existence of adequate policies and risk management (see section 4.3.3, "Valeo's non-financial risks", paragraph "Risk related to fundamental rights", page 271), supported by dedicated tools, such as internal and external whistleblowing procedures for its employees and suppliers, together with a package of sanctions. In 2022, Valeo was not subject to any convictions relating to a breach of its duty of care policies in terms of human rights;
- corruption, through the existence of policies and risk management (see section 4.3.3, "Valeo's non-financial risks", paragraph "Risk of individual corruption", page 266);
- taxation, through the existence of a tax policy built on taxation in the country of production (see section 1.2.3 "Valeo's tax policy", page 52);
- compliance with competition law, through the existence of a set of anti-fraud and anti-corruption training programs, which are updated annually and are mandatory for the entire population subject to this risk (see section 4.3.3, "Valeo's non-financial risks", paragraph "Risk related to fundamental rights", page 271).

Thanks to its internal procedures, risk management policy and the absence of disputes relating to the minimum safeguards, Valeo can declare its products meet the minimum safeguards provision of the Taxonomy.

Taxonomy KPI tables

Taxonomy KPIs aligned with the FAQs

In its FAQs published on December 19, 2022, the Commission presents a specific interpretation of the Taxonomy, excluding the use of activity 3.3 for automotive suppliers. As this analysis is subject to critical review by automotive suppliers, Valeo has presented it in this Universal Registration Document for the sake of transparency.

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities	**Code(s)**	**Absolute turnover** *(in millions of euros)*	**Proportion of turnover** *%*	**Climate change mitigation** *%*	**Climate change adaptation** *%*	**Water and marine resources** *%*	**Circular economy** *%*	**Pollution** *%*	**Biodiversity and ecosystems** *%*	**Climate change mitigation** *Yes/No*	**Climate change adaptation** *Yes/No*	**Water and marine resources** *Yes/No*	**Circular economy** *Yes/No*	**Pollution** *Yes/No*	**Biodiversity and ecosystems** *Yes/No*	**Minimum safeguards** *Yes/No*	**Taxonomy-aligned proportion of turnover, year N** *%*	**Taxonomy-aligned proportion of turnover, year N-1** *%*	**Category (enabling activity)** *E*	**Category "(transitional activity)"** *T*
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**														**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.4 Manufacture of batteries		697	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		676	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**1.373**	**6%**	**6%**																
Total A (A.1. + A.2.)		**1.373**	**6%**	**6%**													**0%**			
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities (B)		**18.664**	**94%**																	
TOTAL A + B		**20.037**	**100%**																	

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities	**Code(s)**	**Absolute Capex** *(in millions of euros)*	**Proportion of Capex** *%*	**Climate change mitigation** *%*	**Climate change adaptation** *%*	**Water and marine resources** *%*	**Circular economy** *%*	**Pollution** *%*	**Biodiversity and ecosystems** *%*	**Climate change mitigation** *Yes/No*	**Climate change adaptation** *Yes/No*	**Water and marine resources** *Yes/No*	**Circular economy** *Yes/No*	**Pollution** *Yes/No*	**Biodiversity and ecosystems** *Yes/No*	**Minimum safeguards** *Yes/No*	**Taxonomy-aligned proportion of Capex, year N** *%*	**Taxonomy-aligned proportion of Capex, year N-1** *%*	**Category (enabling activity)** *E*	**Category "(transitional activity)"** *T*
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**														**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.4 Manufacture of batteries		86	5%	5%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		57	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**143**	**8%**	**8%**																
Total A (A.1. + A.2.)		**143**	**8%**	**8%**													**0%**			
B. Taxonomy-non-eligible activities																				
Capex of Taxonomy-non-eligible activities (B)		**1.549**	**92%**																	
TOTAL A + B		**1.692**	**100%**																	

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities	**Code(s)**	**Absolute Opex** *(in millions of euros)*	**Proportion of Opex** *%*	**Climate change mitigation** *%*	**Climate change adaptation** *%*	**Water and marine resources** *%*	**Circular economy** *%*	**Pollution** *%*	**Biodiversity and ecosystems** *%*	**Climate change mitigation** *Yes/No*	**Climate change adaptation** *Yes/No*	**Water and marine resources** *Yes/No*	**Circular economy** *Yes/No*	**Pollution** *Yes/No*	**Biodiversity and ecosystems** *Yes/No*	**Minimum safeguards** *Yes/No*	**Taxonomy-aligned proportion of Opex, year N** *%*	**Taxonomy-aligned proportion of Opex, year N-1** *%*	**Category (enabling activity)** *E*	**Category "(transitional activity)"** *T*
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**	**100%**													**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.4 Manufacture of batteries		93	7%	7%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		87	6%	6%						YES	YES	YES	YES	NO	YES	YES			E	
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**180**	**13%**	**13%**																
Total A (A.1. + A.2.)		**180**	**13%**	**13%**													**0%**			
B. Taxonomy-non-eligible activities																				
Opex of Taxonomy-non-eligible activities (B)		**1.240**	**87%**																	
TOTAL A + B		**1.420**	**100%**																	

Taxonomy KPIs (incorporating activity 3.3)

Alongside the KPIs and table drawn up for Taxonomy reporting purposes, in line with CLEPA's position on and interpretation of the Taxonomy Regulation, Valeo presents its tables including activity 3.3 below.

Economic activities	Code(s)	Absolute turnover *(in millions of euros)*	Proportion of turnover %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation Yes/No	Climate change adaptation Yes/No	Water and marine resources Yes/No	Circular economy Yes/No	Pollution Yes/No	Biodiversity and ecosystems Yes/No	Minimum safeguards Yes/No	Taxonomy-aligned proportion of turnover, year N %	Taxonomy-aligned proportion of turnover, year N-1 %	Category (enabling activity) E	Category "(transitional activity)" T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Sales from environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**	**0%**													**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.3 Manufacture of low carbon technologies for transport		2.769	14%	14%						YES	YES	YES	YES	NO	YES	YES			E	
3.4 Manufacture of batteries		697	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		563	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**4.029**	**20%**	**20%**																
Total A (A.1. + A.2.)		**4.029**	**20%**	**20%**													**0%**			
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities (B)		**16.008**	**80%**																	
TOTAL A + B		**20.037**	**100%**																	

Economic activities	Code(s)	Absolute Capex *(in millions of euros)*	Proportion of Capex *%*	**Substantial contribution criteria** Climate change mitigation *%*	Climate change adaptation *%*	Water and marine resources *%*	Circular economy *%*	Pollution *%*	Biodiversity and ecosystems *%*	**DNSH criteria ("Does Not Significantly Harm")** Climate change mitigation *Yes/No*	Climate change adaptation *Yes/No*	Water and marine resources *Yes/No*	Circular economy *Yes/No*	Pollution *Yes/No*	Biodiversity and ecosystems *Yes/No*	Minimum safeguards *Yes/No*	Taxonomy-aligned proportion of Capex, year N *%*	Taxonomy-aligned proportion of Capex, year N-1 *%*	Category (enabling activity) *E*	Category "(transitional activity)" *T*
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)			**0**	**0%**													**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.3 Manufacture of low carbon technologies for transport		432	26%	26%						YES	YES	YES	YES	NO	YES	YES			E	
3.4 Manufacture of batteries		86	5%	5%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		41	2%	2%						YES	YES	YES	YES	NO	YES	YES			E	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**559**	**33%**	**33%**																
Total A (A.1. + A.2.)		**559**	**33%**	**33%**													**0%**			
B. Taxonomy-non-eligible activities																				
Capex of Taxonomy-non-eligible activities (B)		**1.133**	**67%**																	
TOTAL A + B		**1.692**	**100%**																	

Economic activities	Code(s)	Absolute Opex (in millions of euros)	Proportion of Opex	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Opex, year N	Taxonomy-aligned proportion of Opex, year N-1	Category (enabling activity)	Category "(transitional activity)"
			%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.3 Manufacture of low carbon technologies for transport		506	36%	36%						YES	YES	YES	YES	NO	YES	YES			E	
3.4 Manufacture of batteries		93	7%	7%						YES	YES	YES	YES	NO	YES	YES			E	
3.6 Manufacture of other low carbon technologies		43	3%	3%						YES	YES	YES	YES	NO	YES	YES			E	
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**642**	**46%**	**46%**																
Total A (A.1. + A.2.)		**642**	**46%**	**46%**													**0%**			
B. Taxonomy-non-eligible activities																				
Opex of Taxonomy-non-eligible activities (B)		**778**	**54%**																	
TOTAL A + B		**1.420**	**100%**																	

4.4 The duty of care plan

In accordance with the provisions of the law on the duty of care of ordering companies[53], Valeo drew up a duty of care plan in 2017, covering the subsidiaries, subcontractors and suppliers with which the Group has business relations.

The duty of care plan is the fruit of joint work by the various departments concerned (Strategy Department, Internal Audit and Control Department, Legal Department, Ethics and Compliance Office, Purchasing Department, Health, Safety and Environment Department and Human Resources Department), coordinated by the Sustainable Development and External Affairs Department.

In compliance with the French legal framework, Valeo's 2022 reporting sets out the measures in its duty of care plan[54]:

- the Group's risk mapping and non-financial risk analysis conducted in 2022 (see above), which include the provisions of the duty of care law (human rights and fundamental freedoms, personal health and safety and environmental breaches);
- the procedure for evaluating the situation of subsidiaries, subcontractors and suppliers;
- measures to mitigate risks or prevent serious breaches;
- whistleblowing and reporting mechanisms concerning the existence or occurrence of risks;
- mechanisms for monitoring the measures implemented and assessing their effectiveness.

The follow-up report on the measures implemented and the assessment of their effectiveness are presented below, with references to the corresponding sections of Chapter 4 giving access to a more detailed presentation.

Identification and definition of risks

Particular attention was paid to the duty of care during interviews and various information reviews conducted as part of Valeo's extensive work to map non-financial risks following the transposition of the 2014 European Directive[55] on the disclosure of non-financial information. Gathering information served to improve the identification and definition of risks, classified based on their criticality and their possible existence prior to the introduction of the duty of care law, in the risk map.

On the basis of this analysis, Valeo provides a condensed review of its provisions relating to:

- fundamental rights and freedoms: harassment and discrimination, child labor, forced labor (see section 4.3.3, "Valeo's non-financial risks", paragraph "Risk related to fundamental rights", page 271);
- health and safety: (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", page 256);
- serious environmental breaches: (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 247 and "Risk related to atmospheric discharges and emissions", page 252).

Regular assessment of the situation of subsidiaries and suppliers

For Valeo sites, the practice of identifying risks specific to the duty of care confirmed the existence of risk factors that the Group had already identified and brought under control. This work confirmed earlier findings obtained from existing tools or assessment criteria used by the Group's subsidiaries:

- regarding fundamental freedoms, in particular the fight against harassment and discrimination, child labor and forced labor: these issues are part of the protocols for the various sites' internal audit campaigns (see section 4.3.3, "Valeo's non-financial risks", paragraph "Risk related to fundamental rights", page 271);
- in the field of workplace health and safety, particularly as regards compliance with minimum conditions governing the safety of individuals and facilities, the exposure of Valeo's sites to these risks is measured through annual "5 Axes" audits;
- regarding serious environmental breaches, particularly the risk of air, soil and water pollution, and the management of hazardous waste, the sites' environmental risk management tools ensure the regular reporting of information to the Group (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 247, and paragraph "Risk related to atmospheric discharges and emissions", page 252).

The situation of the Group's activities is assessed regularly by measuring the extent to which the various roadmaps have been rolled out, in particular the "5 Axes" roadmaps and regular internal audits. The result of the monitoring indicators is published annually in this document, and the indicators are subject to an annual audit (see section 4.8 "Independent third party's report on the consolidated non-financial information statement", page 318).

For its suppliers, the Group has applied criteria bearing on risks relating to fundamental rights, workplace health and safety and environmental breaches since the creation of its sustainable development performance assessment tools in 2012. These tools provide a regular assessment of suppliers' practices, initiatives and policies regarding duty-of-care challenges, covering a growing proportion of Valeo's supplier panel (in 2022, it covered suppliers representing 85% of the amount of direct production purchases). Supplier practices and the tools for measuring and monitoring them are described in this chapter of the Universal Registration Document (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 267).

(53) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

(54) Pursuant to the provisions of Article 1 of the aforementioned law.

(55) Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

Initiatives to prevent serious breaches and mitigate risks

In addition to assessments and audits of the Group's sites and its tier-one suppliers (see above), Valeo has implemented support and prevention tools addressing serious breaches:

- for fundamental rights, prevention tools have been rolled out. They include training in the Code of Ethics, and risk mitigation measures, notably through the existence of a whistleblowing system (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to fundamental rights", page 271 and paragraph "Risk of individual corruption", page 266);
- for workplace health and safety, new prevention tools are launched every year, along the lines of the Safety First campaign. As a complementary measure, in the event of serious breaches, appropriate action methodologies are rolled out at all of the Group's sites, in particular rapid risk management solutions, such as QRQC Safety, a rapid internal analysis approach to identify and limit the causes of a health and safety risk (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", page 256);
- for environmental risks, the Group has in particular an environmental management system with prevention and mitigation tools. To strengthen the monitoring of incidents that may have an environmental impact, the Group has been rolling out an internal tool ("Environmental Red Alert") since 2019, allowing sites to issue real-time alerts when a spill occurs and thereby inform the highest level of the Group's organization of the seriousness of the incident, monitor it and validate the resources used to minimize the impacts of the event (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 247 and "Risk related to atmospheric discharges and emissions", page 252).

Similarly, support has been provided to help the Group's suppliers control risks relating to fundamental rights, workplace health and safety and the environment (and more generally sustainable development), with their cooperation. This work was based on the exposure of their segment to certain risks and/or their respective sustainable development performance, measured through specific evaluations and audits.

In accordance with the policies in place within the Group, non-compliance with a standard set by Valeo triggers an on-site audit to confirm the situation before the implementation of appropriate action plans (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 267).

Campaigns to raise awareness about risk prevention and mitigation are conducted each year, providing a reminder of Valeo's policies and requirements in this area. Dedicated Purchasing and Health, Safety and Environment (HSE) teams are regularly mobilized to help suppliers improve their performance. At the supplier conventions held twice a year by country grouping, the Vice-President, Sustainable Development sets out the Group's requirements, and shares sustainable development recommendations and best practices with the suppliers in attendance. Since 2021, specific attention has been paid to the risks linked to suppliers' carbon challenges, as Valeo would like to be able to assess maturity across all emissions scopes (1, 2 and 3). As in previous years, Valeo continued its in-depth assessment of its suppliers' work in the field of sustainable development, based on its annual self-assessment questionnaire on sustainable development choices, with a representative sample of suppliers covering 85% of the Group's production purchases in 2022 (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 267).

A whistleblowing system

Since November 2013, Valeo has had an anonymous multilingual whistleblowing line, free of charge and open to all employees. At the end of 2017, Valeo improved and extended the whistleblowing mechanism. Since then, the system has enabled whistleblowers **inside or outside** the Group to issue alerts relating to:

- suspected or proven acts of bribery or influence peddling, anti-competitive practices, export control and economic sanctions, and data protection regulations, such as:
  - a crime or offense,
  - a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of such an undertaking, or of legal or regulatory provisions,
  - a threat or serious harm to the public interest;
- proven or suspected violations of the Valeo Code of Ethics, the Valeo Business Partner Code of Conduct or any Valeo Compliance Program;
- risks or serious violations of human rights and fundamental freedoms, personal health and safety and the environment.

The Valeo whistleblowing mechanism offers three options:

- the whistleblowing line, a dedicated and secure platform, available free of charge 24/7, which allows users to issue detailed, confidential and documented alerts by completing a pre-selected questionnaire in the language of their choice. The system is supplied through a European service provider operating in Europe and is accessible via this link: https://valeo.whistleblowernetwork.net/frontpage;
- liaison officers appointed by the Group to receive, study and deal with the alerts reaching them, either directly or via the whistleblowing system or a manager. The two liaison officers, who can be contacted by phone (+33 1 40 55 20 20) or by mail (100 rue de Courcelles, 75017 Paris) are:
  - the Group Chief Ethics, Compliance and Data Protection Officer,
  - the Group's Internal Audit and Control Vice-President;
- employees can submit an alert with their direct or indirect supervisor and stakeholders with their usual contact within the Company.

Alerts are processed by a dedicated and well-trained team with the overriding concern of keeping the name of the whistleblower and the people concerned confidential, together with the key points of the investigation.

A specific policy sets out the procedure applicable to the formulation and communication of alerts on the system for Valeo employees and third parties.

The processing of alerts received in this way is supervised by the Group Chief Ethics, Compliance and Data Protection Officer in liaison with the Internal Audit and Control Department's Fraud Unit. The Alerts Committee, chaired by the Chief Ethics, Compliance and Data Protection Officer, decides on the follow-up to be given and the sanctions to be applied as appropriate.

No retaliation of any kind whatsoever will be tolerated against a whistleblower acting in good faith.

The whistleblowing system was presented to Valeo's European Works Council in March 2018, as well as to all other works councils concerned, in accordance with the applicable industrial relations law.

Mechanisms for monitoring the measures implemented and assessing their effectiveness

The mechanisms used to monitor implemented measures and assess their effectiveness are used as regards the Group's own activities and those of its suppliers.

For Valeo's own activities, the Group has implemented monitoring actions:

- for fundamental rights, internal tools for monitoring the rollout of prevention action plans and regular monitoring tools (rolled out with the V5000 internal tools) are used across all Group sites;
- for health and safety, deployment tools, regular monitoring of alerts and alert mechanisms have been rolled out across all Group sites;
- for environmental issues, similar tools have been rolled out and are monitored as part of the regular evaluation of Valeo sites via the so-called V5000 evaluation tool.

Likewise, for Group suppliers, Valeo's expectations in terms of sustainable development and the monitoring of their action plans are monitored annually through a system blending self-assessments of suppliers' practices and targeted audits, depending on the country, specific aspects and needs involved (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 267).

4.5 Valeo's sustainable development commitments

4.5.1 A commitment to sustainable development based on strong relationships with stakeholders

A multi-stakeholder approach

Relationships between Valeo and its stakeholders span the entire product life cycle, from design (research centers, universities and engineers) to production (suppliers and employees) and sales (automakers and distribution networks).

Valeo offers a comprehensive picture of its sustainable development policy based on an analysis of its relationships with stakeholders. The analysis states the type of stakeholder, the objectives and the form of dialogue. The table below underscores the Group's responsible approach, taking into account changes in the automotive industry, stakeholders' demands and the Group's determination to meet the highest international standards in sustainable development.

TYPES OF DIALOGUE WITH STAKEHOLDERS

	Stakeholders	Objective of dialogue	Sample responses and types of dialogue undertaken
Customers	• Automakers • Distributors	• Design, develop, manufacture and market innovative products and systems for sustainable mobility	• Technology steering committees • Customer meetings • Market trend studies
Employees	• Valeo employees • Professional organizations • Administrative and governmental authorities • Employer representative bodies • Employee representative bodies and labor unions • Social security organizations	• Ensure ongoing dialogue with employees • Ensure ongoing dialogue with the leaders of the different trade unions and professional organizations	• Annual survey of employee commitment • Diversity program • Well-Being at Work program • Collective bargaining • Dialogue with labor unions and employers' associations
Research and Development partners	• Research partners and subcontractors • Start-ups and accelerators • Venture capital firms • Laboratories • Universities • Independent public bodies • Certification and control bodies	• Establish cooperative and industry-oriented Research and Development • Organize transfers and exchanges of competences, techniques and know-how	• Scientific events (conferences and congresses) • Collaborative research • Partnerships with universities and competitiveness clusters • Organization of technology days • Participation in technological platforms
Partners and suppliers	• Lessors/tenants • Suppliers • Innovative SMEs	• Cooperate and co-construct in compliance with competition law and fundamental rights	• Supplier integration • Selection committees • Calls for tender • Working groups
Institutions	• Public authorities (governments) • European Commission • International organizations (UN, ITF, IFC, OECD, etc.)	• Conduct economic, industrial and labor dialogue in compliance with national, European and international laws and regulations	• Communication on Progress of the UN Global Compact (once annually) • Dialogue with national authorities • Dialogue with the European Commission
Regions	• Local authorities • Local governments • Associations • Civil society	• Ensure positive development interaction between the Group and its local ecosystem	• Dialogue with employment agencies • Dialogue with local authorities • Dialogue with local stakeholders (associations, NGOs, etc.)
Financial community, individual and non-financial shareholders	• Shareholders/institutional investors • Individual shareholders • Banks • Insurers • Statutory Auditors (and Independent Third Party)	• Adopt a dialogue-based approach building on the relevance, rigor and transparency of information relating to the Group's results	• Meetings with investors and analysts (including SRI[(1)]) • Financial results presentations • Shareholders' Meeting • Discussions with shareholders (dedicated line and email address) • Website and digital resources (webzine, flash e-newsletter, shareholders' letters, etc.)

(1) SRI: socially responsible investment.

Dialogue with industry stakeholders

Within the Automotive Industry Platform (*Plateforme de la filière automobile* – PFA), Valeo supported entering into dialogue with stakeholders, drawing on a panel of various French and European public bodies and international organizations, representatives of local authorities, private automotive companies, infrastructure managers and urban planning agencies, as well as representatives from civil society and environmental NGOs.

The first two editions took place in 2015 and 2016. The approach has given the French automotive industry (represented in particular by Valeo, Renault, PSA, Michelin, Plastic Omnium and Delphi France) a forum for open discussion about the full range of issues currently being examined in the field of automotive mobility (carbon impact of and pollution from the automotive industry, new forms of mobility, role of the automotive industry in the regions, its social impact, relationship between contractors and suppliers, etc.).

Since then, this dialogue has been maintained and enriched in various stages, including the introduction of new themes such as reducing planned obsolescence. Valeo represented automotive suppliers (excluding tire manufacturers) on a number of themes. Another development was the opening of new discussion forums, such as the 2017, 2018 and 2019 editions of the Movin'On event (formerly Challenge Bibendum), organized by Michelin in Montreal, and the annual European research conference organized by the European Commission (TRA 2019) in Vienna. The review of the French automotive industry's Strategic Sector Agreement (*Contrat stratégique de filière* – CSF) provided an opportunity for numerous exchanges with stakeholders (government, local authorities, users, mobility players, suppliers, etc.) in 2021.

In 2022, Valeo took part in the *Mondial de l'Auto* and presented its innovations in four key automotive transformation enablers: electrification, driving assistance systems, reinventing the interior experience and lighting everywhere. The event was an opportunity for Valeo to maintain a dialogue with its stakeholders, including French President Emmanuel Macron, French Minister for Transport Clément Beaune, as well as its mobility ecosystem partners and academics. At its stand, Valeo hosted an event organized by non-profit *Elles Bougent*, which promotes engineering careers among high school and middle school girls.

Valeo, a global player in the automotive industry

As a responsible player within the French automotive industry, Valeo contributes to the Automotive Future Fund (*Fonds Avenir Automobile* – FAA).

Along with other major industry suppliers, the Group supports tier-two suppliers and those further down in the chain, helping them strengthen their activities among customers.

Placing great importance on its involvement in different consultation bodies in the automotive industry, Valeo actively participates in French, European and international working groups:

- in France, Valeo took part in creating the Automotive Industry Platform (*Plateforme de la Filière Automobile* – PFA), which works to improve customer-supplier relationships and in turn to better align research and production. It continues to play an active part;
- in Germany, Valeo participates in working groups of the *Verband der Automobilindustrie* (VDA), the German automotive industry body;
- in Europe, Valeo is involved in collaborative, precompetitive research through the European Road Transport Research Advisory Council (ERTRAC), the European Commission's technology platform for research on road transportation;
- Valeo is also a member of the French-Chinese automotive industry working group coordinated by the two countries' respective ministry of industry;
- in the United States, Valeo works with research teams from the National Highway Traffic Safety Administration (NHTSA);
- Valeo seeks to maintain relationships with major cities as a provider of solutions for smarter, low-carbon mobility facilitating the emergence of smart cities.

Participation in these national and European organizations takes place in strict compliance with the competition law applicable in each of the organization's countries of action.

4.5.2 Technological commitments

A comprehensive and partnership-based approach to Research, Innovation and Development (R&I&D)

The research, innovation and development policy serves to make the Group's strategic choices a reality. It draws on the various drivers presented below, which contribute to a partnership-based and open R&I&D policy matching Valeo's technological ambitions.

Significant intellectual property activity

Innovation is central to Research and Development activities; it results in major orders and a growing patent portfolio. In 2022, the Group had 35,648 patents, of which 1,608 were filed for new inventions during the year.

Valeo's place among major players in innovation is reflected in prestigious awards such as the CES innovation Award for its UV Air Purifier system, the Pace Award for its Pendulum Dual Mass Flywheel Gen. 2, and the Honda Supplier Award for the level 3 LiDAR.

Strategic industrial partnerships

Valeo has been involved in a research partnership on driving assistance and autonomous vehicles with **Safran** since 2013. It is ongoing, and the joint research programs focus on the interfaces between people, the machine and its environment and automation.

This industrial-scale research approach has also been developed in recent years by Valeo's various acquisitions, including **Peiker** in the field of telematics and connectivity, **Spheros**, a leader in thermal systems for buses, **FTE automotive,** a leader in the production of actuators, and **Valeo-Kapec,** a world leader in torque converters for automatic and continuously variable transmissions.

On July 4, 2022, Valeo completed a major acquisition with the integration of 100% of **Valeo Siemens eAutomotive** within its Powertrain Systems Business Group, thereby creating an electric mobility champion. With the integration, Valeo brings on board a recognized technological and industrial leader with approximately 4,000 employees, including more than 1,600 engineers and 7 plants in 4 countries (China, Germany, Hungary and Poland), as well as cutting-edge R&D (laboratories, test benches, simulation tools) and production capacities.

Valeo's strategic industrial partnerships are presented in greater detail in the Group's integrated report, page 10.

The open innovation strategy(56) and links with start-ups

Valeo innovates to anticipate trends, customer requirements and the specific characteristics emerging as markets fragment, while seeking to factor in local societal aspirations. To that end, the Group is rolling out its "open innovation for business" approach drawn from exchanges between the Valeo community and external ecosystems, across the various Business Groups, regions, functions and networks.

Innovation is encouraged and nurtured in dedicated cross-functional structures including the CarLabs, which combine design thinking, agile methodology and the Blue Ocean Strategy.

The creation in 2017 of Valeo.ai, the world's first center devoted to artificial intelligence and deep learning for automotive applications, has fostered exchanges with PhD students, academics and companies.

Based in Paris, **Valeo.ai** is a key industry player and contributes to the ongoing transformation of transportation and mobility models.

Partners including investment funds (Cathay Innovation, Cartech, Iris Capital, Maniv, Trucks VC) extend Valeo's global footprint, particularly among startups in America, Europe, Asia and Israel.

Each year, Valeo's networks and functions set out the themes on which a search for partners is desirable or necessary. More than 2,000 startups in the various ecosystems are looked at each year. The teams talk with potential partners, test concepts, build roadmaps and bring the selected startups in on projects. The partners that are selected particularly value Valeo's expertise, industrial excellence and close affinity with customers.

Partnerships with startups allow us to take ideas out of the research stage, transform them into new and innovative products, bring them into series production and place them on the market. Partnerships can take the form of cooperation, equity investment or even integration into the Group.

Academic partnerships

Valeo nurtures close ties with an extensive scientific and academic community, i.e., through its strategic partnerships with recognized players in France such as Inria (French National Institute for Research in Computer Science and Control), Télécom ParisTech, Mines ParisTech, CEA (the French Alternative Energies and Atomic Energy Commission), and Ecole Polytechnique, and more widely throughout the world through partnerships with the Fraunhofer Society institutes in Germany, Shanghai Jiao Tong University in China and the University of Madras in India.

In 2022, Valeo and the CNRS (France's National Center for Scientific Research) signed an initial framework agreement covering cooperation in shared research programs over five years. Joint research work will focus on sustainable design, artificial intelligence, smart systems, cybersecurity, data science, inclusive cities and new energies.

Valeo attaches growing importance to collaborative research. The different systems that make up a vehicle today are expanding into new scientific and technological domains, and new fields must be taken into consideration.

Collaborative research involves academic and scientific cooperation, primarily in the form of:

- supervision and funding of doctoral theses;
- bilateral projects;
- government-funded, multi-partner, collaborative projects;
- university chairs.

Many of these scientific alliances (with universities, engineering schools or research bodies) are in Europe (primarily in France and Germany) and the United States. They are also emerging in other regions where Valeo has set up new local Research and Development centers (most recently in India, China and Egypt).

Funding of doctoral theses

The Group is funding more than 50 doctoral theses in areas such as new materials and technologies, new calculation and simulation tools and methods, new system architectures and component optimization.

Support for and creation of academic chairs

Partnerships formed through academic chairs aim to promote research and innovation activities with high value creation potential. For Valeo, they offer the opportunity to deepen research and innovation activity close to academic centers, offering them subjects and areas of thinking focused on strategic areas for the industry.

(56) See sustainable development glossary, page 317.

Valeo has partnered with universities and public research bodies to create the following research and teaching units:

- an industrial teaching chair on embedded lighting systems (ELS), known as the ELS Chair, which brings together the following schools and partners including ESTACA (Graduate School of Aeronautical and Automotive Technology), Institut d'Optique Graduate School, Strate School of Design, Renault, PSA Peugeot Citroën and Automotive Lighting Rear Lamps. This chair aimed to develop expertise and skills in the field of indoor and outdoor lighting applied to transportation. The chair, under which students recruited by Valeo were able to follow training programs, has now ended;
- two chairs, one on big data and artificial intelligence and the other on connected vehicles and cybersecurity, have been established by Valeo and other technology partners with the Télécom ParisTech engineering school. The second of these chairs focuses on cybersecurity challenges in terms of the operational safety of vehicles, data protection and flows, and user identification technologies in vehicles. It also aims to address the legal and social aspects of the management of personal data and to ensure their security;
- a joint laboratory with Télécom ParisTech University was established in 2022 to use artificial intelligence in the analysis of acoustic noises. Examples of applications include the detection of emergency vehicle sirens by an autonomous vehicle in urban traffic and the analysis of electric motor noises to identify the need for preventive maintenance.

In the past, Valeo has taken part in and/or funded chairs in embedded systems, smart lighting and the Internet of Things, with laboratories in schools including ESTACA, ESCP and Mines Paris Tech.

Collaborative projects

Valeo participates in collaborative research programs in the automotive industry in the various countries and regions where it operates. 2019 took Valeo into the final phases of the eighth European framework program (H2020). The Group plans to continue participating and constructing European projects within this framework.

In 2020, as part of the Automotive Support Plan (CORAM), Valeo received government support for its R&D activities for the development of 48V electric motors. This support strengthens Valeo's industrial and research resolve to position itself as a European and world leader in this technology and to support the transformation of sites related to this activity in France. The project is receiving financial support for the 2021 to 2024 period.

In 2021, Valeo received government support for two R&D projects as part of CORAM. One was for the development of a smart cabin for autonomous vehicles (project *Sérénité*), and the other for the development and ramp-up to industrial scale of an electric motor reducer for electric bikes.

In 2022, Valeo put forward various R&D projects as part of CORAM. They are currently being examined.

Governance of institutional collaborative research organizations

European Road Transport Research Advisory Council (ERTRAC)

ERTRAC, the official technological platform of the European Commission dedicated to collaborative research in the automotive industry, is responsible for directing and coordinating land transportation research policy (excluding railroads) with EU bodies. Valeo is its Co-Chair alongside German automaker BMW.

With its industry-led governance, ERTRAC's main goal is to guide actors in land transportation to sustainable, environmentally friendly and connected solutions building on research roadmaps endorsed by all stakeholders. This requires interaction between industrial players, providers of technological solutions and representatives of society or institutions.

ERTRAC is built around public and private bodies (national governments and city associations working for mobility, the environment and consumers), the relevant European Commission directorates, industry (automakers, suppliers), and public and private research bodies. The diversity and quality of the partners involved are what drive the value of the expertise provided by ERTRAC, particularly through the regular publication of medium-term technology roadmaps on various topics relating to automotive mobility. In 2021 and 2022, the ERTRAC platform continued to prepare advice and guidance for the European Commission for the definition of new partnerships under the Horizon Europe Framework Programme dedicated to mobility. Valeo contributed actively to the following partnerships: 2ZERO, which addresses low-carbon mobility issues; CCAM, the European program dedicated to research on connected and autonomous mobility; and BEPA, the battery ecosystem research initiative.

INSIDE

Valeo has joined INSIDE (formerly Artemis-IA), an association dedicated to collaborative research into onboard and intelligent systems, bringing together industry players in these areas from a wide range of disciplines (aerospace, railways, defense, automotive, food, health and pharmaceuticals, microelectronics, etc.). Valeo was keen to take part in the governance of INSIDE as the Group wishes to promote collaborative European research projects in the fields of electronics and embedded systems. Electrification, driving range, connectivity and digital advances relating to mobility are the common core of research represented by cyber-physical and embedded components and systems.

INSIDE is one of three associations (alongside EPoSS and AENEAS) taking part in the governance of the ECSEL JU (Electronic Components and Systems for European Leadership Joint Undertaking), bringing together the European Commission and member states and industrial players along the entire electronics value chain.

The Group is considered by the Commission's services as a co-manager of these programs dedicated to collaborative research.

Research institutes

Valeo is involved in the governance of cooperative structures of which the Group is an active member, such as Vedecom's Institute for Energy Transition in France, which covers several of the Group's strategic areas.

In France, Valeo is also a member of SystemX, a French Institute for Technological Research (IRT). The two institutions have launched several projects involving Valeo, in the fields of vehicle electrification (reducing GHG emissions) and automated driving.

Valeo helped formulate proposals covering research issues related to low-carbon, connected and progressively autonomous transportation.

4.5.3 Environmental commitment

Energy consumption

Challenges

Valeo views energy, mostly still of fossil origin, as a finite and shared resource, and has for many years been committed to reducing its consumption. The environmental challenge is to reduce the impact of GHG emissions generated directly or indirectly through the consumption of fossil fuels.

However, at a time of rising oil, gas and electricity prices, and mounting inflation, the challenge of reducing energy consumption is also a financial consideration.

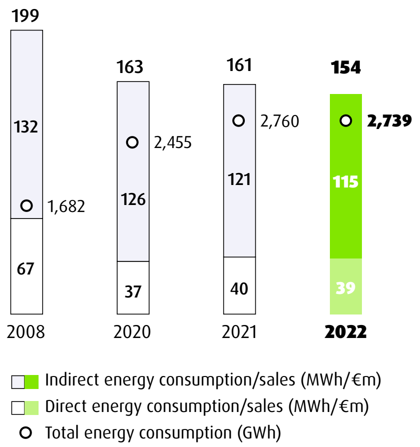
Approach

Valeo improves energy performance in line with ISO 50001:

- by carrying out energy audits;
- by monitoring consumption reduction work through monthly site committee meetings, quarterly Business Group committee meetings and quarterly Group committee meetings;
- by closely monitoring the consumption of these processes by means of dedicated meters;
- by making sure not to leave unused machines running;
- by sharing a matrix of cross-cutting actions and best practices across all sites;
- by optimizing consumption through the consideration of energy saving aspects when purchasing new, less energy-intensive equipment;
- by optimizing energy consumption through the installation of LED lighting;
- by regularly detecting compressed air leaks;
- by reducing temperatures in buildings by subjecting heating and air conditioning to a frugality plan;
- by reducing and replacing gas-based processes that emit greater volumes of GHGs.

Performance

ENERGY CONSUMPTION

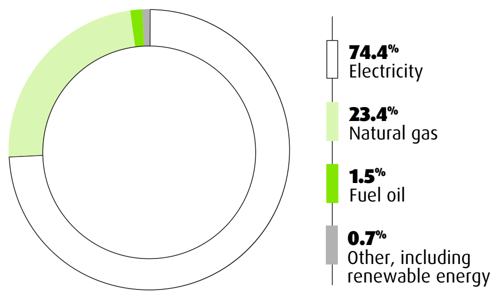


In 2022, 40% of Valeo's sites had ISO 50001 energy management certification (see "Evaluation and certification processes" in section 4.1.4 "Environmental policy", page 218).

Energy consumption fell in absolute terms by 0.8% between 2021 and 2022. Total energy consumption as a proportion of sales decreased by 5%. Since 2008, total energy consumption relative to sales has fallen by 23%.

In 2022, the Group's direct energy consumption (gas, fuel oil) was 39 MWh per million euros of sales, a decline of 4% compared with 2021, and down nearly 43% since 2008.

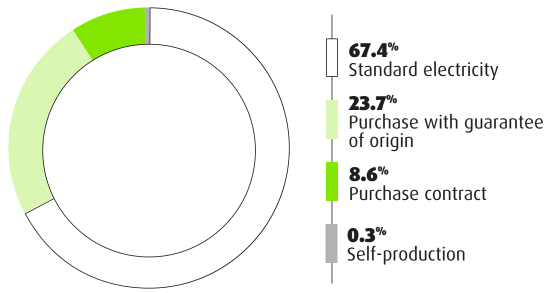
BREAKDOWN OF ENERGY SOURCES IN 2022



Electricity represents almost three-quarters of the Group's consumption. The proportion of gas used was stable between 2021 and 2022, at 23.0% and 23.4% respectively. This covers all types of gas, including natural gas, propane, butane, and liquefied petroleum gas (LPG).

Under the Carbon Neutrality Plan, Valeo is increasing its consumption of low-carbon energy, primarily in the form of low-carbon electricity, and is prioritizing the installation of new industrial electrical equipment that can run on this cleaner energy.

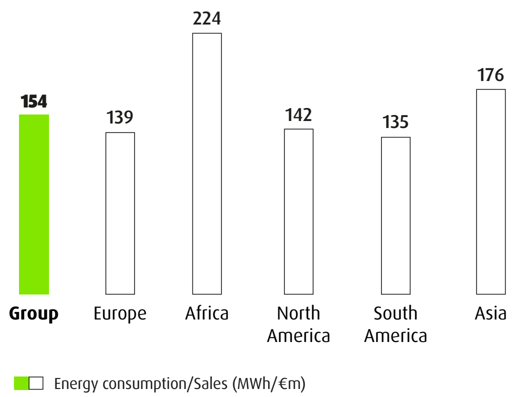
ORIGIN OF ELECTRICITY IN 2022



In 2022, the overall share of low-carbon electricity was 32%, derived from three sources:

- purchases with guarantees of origin;
- long-term contracts for the supply of low-carbon energy from solar or wind farms;
- more recently, the installation of solar panels for self-production.

REGIONAL BREAKDOWN OF ENERGY CONSUMPTION AS A PROPORTION OF SALES IN 2022 (IN MWH/€M)



Energy consumption as a proportion of sales is markedly higher at the Group's African and Asian sites than in Europe. With the exception of Europe, the ratio of energy consumption to sales remains above the performance target set for 2025. Commitments made as part of Valeo's Carbon Neutrality Plan – overseen by the energy committees set up on the Valeo sites – will enable the Group to achieve an energy performance in line with its 2025 objective.

Biodiversity

Challenges

The 156 sites in the reporting scope occupy a total area of approximately 1,559 hectares, with eight sites located in areas with protected biodiversity. 41% of the overall surface is used for buildings. The rest is used for traffic and green spaces.

Almost all of the sites occupied by Valeo, i.e., nearly 90% of its operating plants, are located in urban areas or areas zoned for industrial use, and the remaining 10% are located in agricultural or natural areas. In any event, its activities are not liable to significantly alter ecological processes (no extraction or spraying, for instance).

To more accurately understand its potential impacts, the Group conducts an annual biodiversity inventory at plants located in or near (within 10 km of) protected areas. Eight such sites were identified in 2022: two in South America, two in Africa, two in Asia and two in Europe.

Approach

Prior to the acquisition or leasing of land or buildings, a study is conducted to identify and list protected areas and species.

As part of their ISO-14001 environmental management system and in accordance with Group directives, Valeo's sites implement **preventive measures** including the precise identification of significant direct impacts on biodiversity. A study is conducted across sites through environmental analysis.

The "Biodiversity" Directive lays down guidelines to regulate practices in terms of biodiversity conservation during selection, construction and closure of plants. For site operation, initiatives are promoted to encourage adoption across all of our sites:

- recovery and reuse of food waste to make compost and supply neighboring farms;
- elimination of the use of phytosanitary products;
- tightened audit of the storage of chemical products;
- reduction in the consumption and discharge of heavy metals (e.g., lead; see section 4.3.3 "Non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil" of this chapter, pages 247 to 249).

To better prevent potential impacts on biodiversity, Valeo decided to extend the monitoring of metal discharges in effluents to copper, zinc, nickel and manganese from 2022. A plan to reduce these metal discharges at the relevant sites will be undertaken by adopting changes to treatment plant processes validated by automakers and required by local authorities.

Achievements during the year

In 2022, 17 sites formalized their commitment to biodiversity through the following initiatives:

- greening and tree planting at the Czechowice (Poland) and Puebla (Mexico) sites of the Powertrain Systems Business Group, and the Itatiba (Brazil) and Zebrak (Czech Republic) sites of the Thermal Systems Business Group;
- introduction of eco-pastures on the Amiens and Saint Florine (France) sites of the Powertrain Systems Business Group;
- organization of cleanups of surrounding natural areas at the Timisoara (Romania) and Atsugi-shi (Japan) sites of the Visibility Systems Business Group;
- development of a shrub nursery for planting for the staff of the San Luis Potosi (Mexico) site of the Powertrain Systems Business Group;
- organization of late mowing at the Ebern (Germany) site of the Powertrain Systems Business Group.

In line with the Group's 2022 strategy:

- 9 sites have stopped using plant protection products in favor of more environmentally friendly approaches or the use of certified organic products;
- 19 sites have implemented food waste recovery systems to recycle food waste:
  - either in a composting facility, such as the Amiens, Étaples-sur-mer (France), Chennai (India), Erlangen (Germany) sites of the Powertrain Systems Business Group and the Skawina (Poland) site of the Thermal Systems Business Group,
  - in anaerobic digestion processes, such as the Friedrichsdorf and Wemding (Germany) sites of the Comfort & Driving Assistance Systems Business Group, the Ebern (Germany) site of the Powertrain Systems Business Group, and the Humpolec (Czech Republic) site of the Thermal Systems Business Group, or
- to be fed directly to animals or fish on livestock farms, such as the Chonburi (Thailand) site of the Comfort & Driving Assistance Systems Business Group.

Circular economy

Challenges

Valeo's activities entail the consumption of protected resources such as water and raw materials. They also generate a significant amount of waste, most of which results from the use of metals or the consumption of packaging.

Always in keeping with local regulations, the Group is committed to a circular economy approach aimed at reducing the consumption of natural resources stemming from its growth and its waste-related environmental impact, and at building a more eco-friendly and economically viable development model.

Valeo has adopted the **4Rs** approach – **Robust Design, Remanufacturing, Repair, Recycle(d)** – and the four principles perfectly sum up the Group's commitment to circularizing its operations and value chain.

The challenges are highly varied, and involve:

- finding dismantling solutions (dismantling without damage, thereby allowing reuse), and separating the different materials assembled together through a process that transforms the nature of the waste and optimizes recycling;
- developing partnerships with local communities and businesses;
- validating with all stakeholders the quality of repaired and recycled products, reusing them and giving them a new life cycle.

Approach

The Group has made a commitment to the circular economy in the following areas:

- prevention and management of waste (food, domestic and industrial);
- short-circuit recovery of food waste from catering services through composting, anaerobic digestion, or on farms;

- centralized collection of damaged or obsolete assembled products to recover and reuse the noble or precious metals used to make them;
- recycling of waste related to the production process (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 247 to 249);
- reuse of packaging materials (see paragraph "Packaging" in this section, page 296);
- sustainable use of resources, with policies and action plans covering:
  - water consumption and water supply through on-site treatment (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to water management", pages 250 to 252),
  - consumption of raw materials and more efficient use thereof (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-achievement of Valeo's Carbon Neutrality Plan commitments", pages 238 to 246),
  - energy consumption and increased energy efficiency, energy sufficiency and the use of renewable energies (see paragraph "Energy consumption" in this section, pages 292 to 293).

In line with its strategy to minimize its impact on the environment, Valeo and its partners locally study the collection, repair and recovery of products, such as the starter-alternator remanufacturing program (see section 4.3.3 "Valeo's non-financial risks", paragraph "Examples of recyclability of two Valeo products", page 241).

Achievements during the year

Several Valeo sites have introduced employees to the notion of circular economy with the organized collection of small electrical and electronic devices, such as telephones, computers and media players, in order to give them a second life or recover the precious metals contained inside them.

In particular, the Nevers site has created a hub for collecting, reallocating and recycling obsolete electronic components. This initiative has enabled the site to generate more than €10 million in additional sales, and demonstrates the ability to seize the full range of opportunities offered by the circular economy.

As a player in the aftermarket through Valeo Service, and with its strong presence in emerging countries, the Group's positioning is based on its determination to market products at the best price, across its entire multiproduct, multi-region and multichannel strategy, without compromising the environment.

The specific features of these products position Valeo as a key player in mobility access in markets characterized by a high proportion of second-hand vehicles, predominantly emerging regions (parts of Southeast Asia, Africa, etc.). More generally, the aftermarket in these regions is creating economic opportunities for various automotive-related businesses.

The existence of replacement products has a substantial impact on the safety of vehicle users, since they offer an economically viable alternative to repaired, rebuilt or reworked parts, often in traditional or semi-industrial settings, which are often not subject to any form of harmonized or standardized quality control. The remanufacturing market is currently dominated by European players.

Valeo remanufactured more than 1 million products in 2022, marketed under more than 8,000 product references in our European portfolio (8,186 active references as of November 29, 2022).

Valeo, a participant in the remanufacturing market

Through its remanufacturing activity, Valeo puts its original equipment parts design and manufacturing expertise at the service of the remanufacturing market, for which the Group has developed a high-quality, environmentally friendly range of products. Valeo only offers remanufactured products, as opposed to reused, repaired, rebuilt, refurbished, reworked or reconditioned products, and uses quality processes and standards to ensure the quality of the products offered for sale[(1)].

Valeo offers two ranges of parts – one new and one remanufactured. Remanufactured systems mainly include alternators and starters as well as clutches and air conditioning compressors. Valeo has set up an efficient system called e-CORPS.

The system permits the immediate identification of product references (type of part, origin, size, production year, etc.). Once parts have been retrieved, Valeo disassembles, inspects and cleans them, and subjects them to electrical and electronic tests. Valeo then initiates a remanufacturing process, which most importantly involves eliminating any traces of hazardous substances to guarantee personal protection. With more than 40 testing points for rotating machines on test benches, Valeo meets the standards of the original equipment market, and tests all remanufactured products before packaging them for sale on the aftermarket.

This industrial expertise has enabled Valeo to offer a full range of remanufactured parts, and thereby to champion environmental protection in the remanufacturing market.

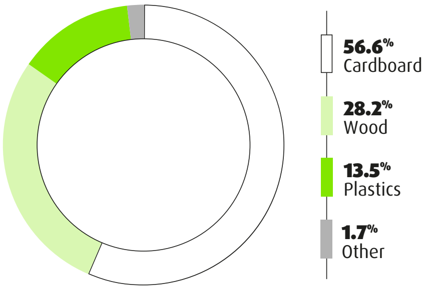
(1) *The definition of remanufactured products is common to the entire industry (ACEA, APRA, CLEPA, FIRM, VDA): "A remanufactured part fulfills a function which is at least equivalent compared to the original part. It is restored from an existing part (core), using standardized industrial processes in line with specific technical specifications. A remanufactured part is given the same warranty as a new part, and it clearly identifies the part as a remanufactured part and the remanufacturer."*

Packaging

Challenges

Packaging is essential for product handling. It is required for transporting, storing and protecting products and, in the case of aftermarket products, selling them. For these various purposes, Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for more than 85% of packaging materials used.

BREAKDOWN OF PACKAGING MATERIALS CONSUMPTION IN 2022



Approach

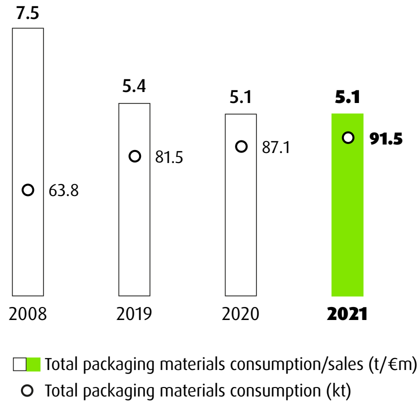
For several years, Valeo has worked to reduce its consumption of packaging materials in two main ways:

- using reusable containers or pallets, made from either cardboard, wood or plastic;
- improving the fill rate of the packages containing the products.

This work is being conducted in partnership with Valeo's suppliers and customers.

Performance

PACKAGING MATERIALS CONSUMPTION



Between 2021 and 2022, packaging consumption increased by 5.0% in absolute terms, but total consumption of packaging material was stable as a proportion of sales.

To reduce its environmental footprint, Valeo pays particular attention to the use of recycled materials. In 2022, 1,198 metric tons of packaging materials were recovered internally and reused. Since 2008, total packaging consumption as a proportion of sales has fallen by 32%.

Achievements during the year

In general, Valeo sites are working on replacing disposable packaging with reusable packaging so as to reduce their use of packaging materials.

This policy can be adopted both for customer packaging and packaging for the storage of semi-finished products. The sites in Wuhan (Thermal Systems Business Group, China), Martos (Visibility Systems Business Group, Spain) and Hampton (Valeo Services Business Group, United States) offer examples of initiatives of this nature in 2019. This can also involve the packaging of parts or components delivered by suppliers, which are either reused directly for packaging intended for products, or returned to suppliers so that they can reuse it for their deliveries. Due to the exceptional situation since 2020, no new actions were initiated during the year.

4.5.4 Employee-related commitments

Quality of life at work

Challenges

Quality of life at work is an integral part of Valeo's Human Resources strategy to attract, develop and retain talent. The Group works to continuously improve the quality of life at work for its employees by guaranteeing:

- an accident-free work environment by offering ergonomic workstations and preventing psychosocial risks;
- a balance between professional and personal life by promoting the right to disconnect and facilitating working from home;
- actions to promote physical and sporting activities;
- recognition and support in their work;
- prevention of harassment and discrimination;
- autonomy.

Approach

Operational excellence specific to Valeo's culture is based on the "5 Axes" system. The system is designed to achieve total customer satisfaction, with the goal of becoming a preferred partner. Each of the "5 Axes" is subdivided into several work processes, and translated into roadmaps. A roadmap is made up of key objectives and a predefined list of actions to ensure its application as well as a series of questions allowing the manager and auditor to evaluate its proper rollout.

Employee engagement is the first pillar of operational excellence at Valeo. A healthy and pleasant working environment is key to guaranteeing the safety of employees. Valeo therefore wishes to maintain an achievement rate for the "Building a well-being environment" roadmap of more than 75% by 2025.

Aware of the need to formalize its quality of life at work policy, Valeo rolled out a Human Resources procedure entitled "Building a well-being environment" in 2018. The purpose of this procedure is to define the quality of life at work, the means of improving it and the tools needed. It is then implemented on each site by a multidisciplinary Quality of Life at Work Committee comprising the site manager, employee representatives, members of the HR network, the Health, Safety and Environment network and members of the site's medical team. It is tasked with defining the site's Quality of Life at Work policy in accordance with its specific challenges and ensuring communication with employees.

Valeo uses two distinct processes to monitor its Quality of Life at Work policy and evaluate actions implemented locally, including:

- annual labor-related CSR reporting;
- the "Building a well-being environment" Employee Engagement roadmap. By 2022, Valeo plants had achieved 74.2% compliance with the roadmap, compared with 65% in 2021.

Performance

In 2022, Valeo continued its actions in terms of quality of life at work:

- working from home has become an option for eligible employees since business resumed: 62% of Managers and Professionals worked from home in 2022, compared with 57% of the eligible population in 2021;
- 89% of plants implemented at least one action to promote quality of life at work;
- 15,975 employees attended training/awareness-raising on quality of life at work;
- 33% of sites have set up a fund to assist employees experiencing financial hardship;
- 73% of plants promote physical and sporting activities, and 59% help finance them.

Achievements during the year

Wishing to adapt to changes in society and to improve quality of life at work for its employees in France, in 2014 Valeo introduced a Homeworking Charter. A Group agreement signed on October 17, 2018, applicable in France, takes note of the shared desire of Management and all representative trade union organizations to promote working from home. It makes working from home more accessible for the well-being of employees, to make work organization more flexible and to reinforce the Group's attractiveness. Management wishes to see the practice develop throughout the Group.

In 2022, the Group continued to allow its employees whose position permits to work from home. More than 20,000 employees worked from home during the year, compared with approximately 18,000 in 2021. Valeo aims to offer the conditions for a good work-life balance, and firmly believes that promoting work-from-home arrangements is a solution that resonates with the aspirations of its employees. The widespread adoption of work-from-home arrangements will also allow us to reach our goal of carbon neutrality by 2050.

Launch of an annual global engagement and satisfaction survey

In 2021, Valeo launched a new global engagement and satisfaction survey of its technician, manager and professional employee categories. Drawing on the lessons it provided and in view of the impact of the pandemic, Valeo has now decided to conduct a survey every year. Surveys are an essential tool for employee engagement and appropriation of the Group's policies.

Employees are asked to share their perception and assessment of the Group's strategy, organization and management on a set of 23 themes, seven of which were explicitly related to the quality of life at work. For the 2022 edition, two major changes were made to provide the Group with a more comprehensive view of the needs of all employees. First, all Group operators were called on to take part; second, a number of open-ended questions were added to the survey so as to obtain a more exhaustive view of individual perceptions. In total, 77% of employees responded: 80% of respondents were managers and 20% were operators and technicians.

In 2022, overall employee satisfaction was 66%, an increase of 6 percentage points compared with 2021.

The rate for office-based staff (66%) is consistent with that of operators (67%). All employees are broadly satisfied with the work environment. Their satisfaction was mainly expressed in the areas of safety (75%), overall commitment (67%), quality of life at work (67%) and business management and leadership (67%). Based on these results, each country and each site established specific action plans to improve their performance in 2023.

Respecting and promoting diversity, equity and inclusion

Challenges

Valeo firmly believes in the importance and relevance of the diversity of its employees at all levels and in all areas of the Company. A key element of its culture, Valeo works for diversity, equity and inclusion on four themes: gender equality, cohesion between generations, cultural diversity and the inclusion of people with disabilities. In a competitive environment and diverse society, encouraging diversity among employees and ensuring their inclusion is a means of driving performance, and attracting and retaining talent.

Approach

To ensure greater diversity across the Group, Valeo has set targets for each of the four themes to be achieved by 2025:

- **Gender:**
  - reach 90 points globally on the gender equity index;
- **Disability:**
  - increase the number of employees with disabilities to 2.5% of the headcount;
- **Cultural:**
  - increase the proportion of plants run by a local director, bringing it above 80%,
  - continue to reduce the proportion of expatriates among total Managers and Professionals to less than 0.75%,
  - reduce the share of French expatriates in the total proportion of the Group's workforce to less than 55%;
- **Generational:**
  - ensure that the proportion of hires of people under 25 years of age is greater than 35%.

To evaluate the measures taken and define the Group's objectives, a Diversity Committee was established in 2012 at the initiative of General Management. Chaired by the Chief Human Resources Officer, assisted by the champions of each of the four diversity themes, it has four specialized sub-committees: Gender, Disability, Culture, and Generations.

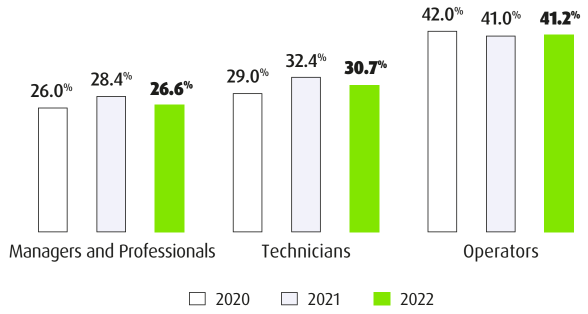
Firmly believing in the importance of diversity in non-financial and financial results, the Group decided in 2018 to incorporate the criterion of diversity into the compensation of its Chief Executive Officer. Since 2021, the gender equity index(57) has in turn been integrated into the calculation of the variable compensation not only of the Chief Executive Officer, but of all Group managers. The aim of this approach is to send a strong signal to the teams to encourage them to continue their actions in favor of diversity.

The Group's goal is to promote diversity everywhere. To ensure that the definition of diversity, its scope and the practical initiatives stemming from it are taken into account at all plants, a Human Resources "Valuing Diversity" policy applying to all employees is shared with the entire Human Resources network and is accessible to everyone on the intranet.

Performance

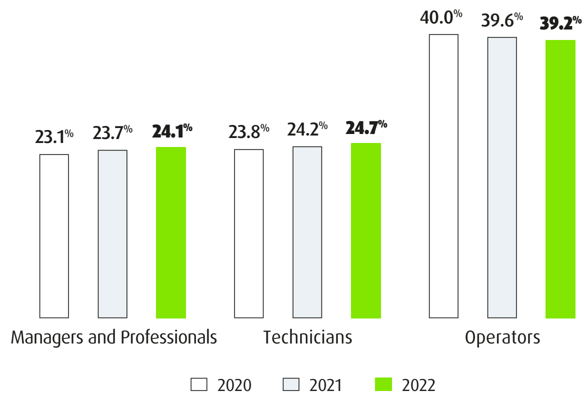
Gender

PERCENTAGE OF WOMEN AMONG NEW HIRES



In 2022, despite efforts made, women represented 35.5% of new hires, a 1 percentage point decline from 36.4% in 2021. The decline reflects the under-representation of women in the areas in which Valeo recruits, where job markets remain very tight.

PROPORTION OF WOMEN PER SOCIO-PROFESSIONAL CATEGORY – REGISTERED HEADCOUNT



The percentage of women among all Valeo employees is 31.8%. The percentage of women Managers and Professionals is 24.1%, including 16.2% in R&D. Valeo is committed to promoting and developing female talent. The proportion of women in the executive population(58) increased by 0.5 percentage points, rising from 14.4% to 14.9% between 2021 and 2022. By contrast, the Group saw the percentage of female operators fall by 0.4% between 2021 and 2022, which is a consequence of the drop in the overall percentage of operators in the Group.

(57) The gender equity index covers all sites worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.

(58) The executive population corresponds to employees in the two highest of the six grades in the Managers and Professionals category of the Valeo scale.

Valeo is committed to gender equality(1)

A pioneer in this approach, in March 2019 Valeo decided to extend the gender equity index (mandatory in France) to all countries where it operates. Based on five indicators, the index measures the weighted gaps in pay, pay rises and promotions, as well as the percentage of women in the ten highest paid positions. To improve the continuous monitoring of this index in the various countries, the Group has developed an automated tool for calculating outcomes at all levels (site, country, Business Group).

In 2022, the Group obtained an average score of 87.9/100, an increase of 0.7 percentage points year on year*. The lowest score was 66, and the highest was 90. Thanks to action plans implemented in each country, Valeo has made progress on most criteria, and has achieved its 2020 objective of ensuring that all women returning from maternity leave receive a pay rise. In a longer-term perspective, Valeo's priorities include increasing the proportion of women earning the highest salaries.

Valeo has set itself the Group objective of achieving an average score of 88/100 by 2023 and 90/100 in 2025.

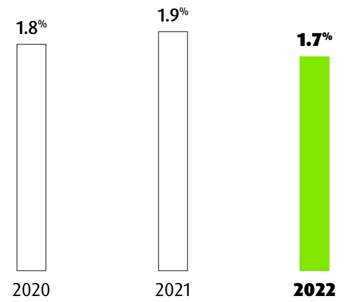
In addition to this index, Valeo has decided to measure the percentage of women on the management committees of its operating entities. The Group has prepared a "Gender Diversity by Design" program with the ambitious goal of having 32% women on management committees by 2030. In 2022, the rate was 20.6%.

(1) The gender equity index covers all sites worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.

** The data consolidation methodology at Group level changed between 2020 and 2021. Since 2021, the Group has been using the weighted consolidation method based on the number of employees taken into account in the calculation of the index by country.*

Disability

PROPORTION OF EMPLOYEES WITH DISABILITIES WORLDWIDE (DIRECT EMPLOYMENT)



The proportion of employees with disabilities fell by 8% in 2022, from 1.9% of the total workforce in 2021 to 1.7% in 2022. The number of disabled workers declined from 1,796 in 2021 to 1,716 in 2022. In this period of contraction in the workforce, it was harder to replace disabled employees who retired or took early retirement.

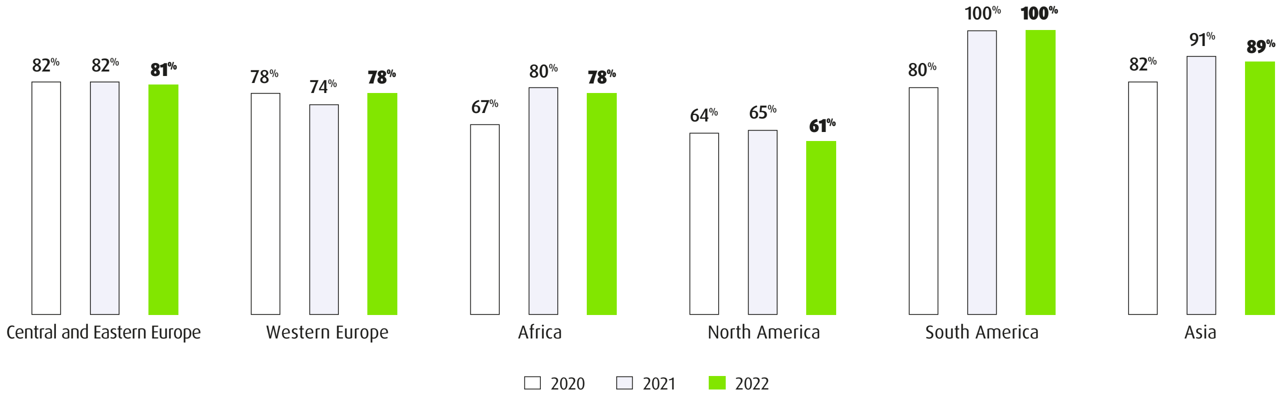
Culture

In 2022, Valeo had 208 expatriates in its ranks, compared with 218 in 2021. The decline is encouraged by the Group, which wants to allow local managers to access key management positions. The countries hosting the largest number of expatriates are France (41 expatriates), the United States (29), Japan (21), China (15), and Germany (15).

The proportion of expatriates in the total number of Managers and Professionals was stable compared with 2021 (0.70% in 2021 and 2022). French expatriates accounted for 50% of total Valeo expatriates in 2022. Expatriates working in Research and Development account for 24% of the Group's expatriates.

The Group included employees of 141 different nationalities in 2022. The ten most widely represented nationalities within the Group are Chinese, French, Mexican, German, Polish, Indian, Spanish, Japanese, American and Czech.

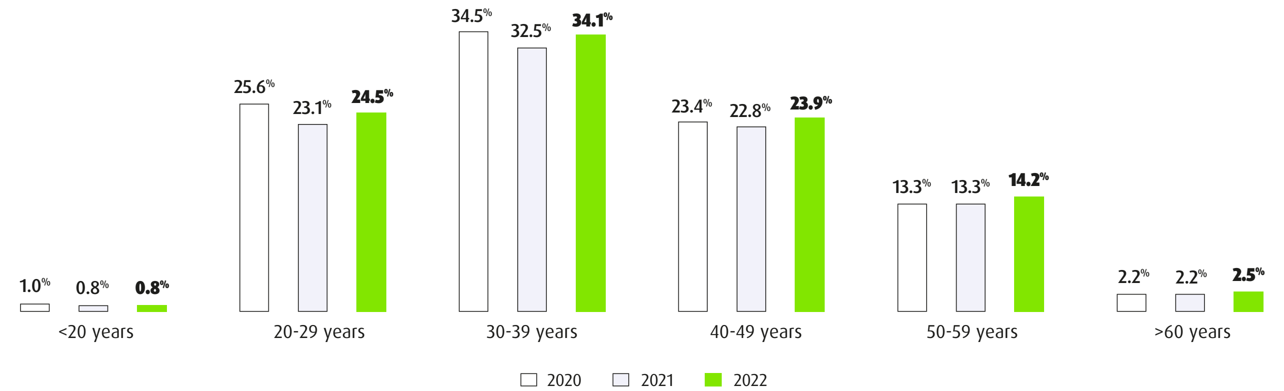
BREAKDOWN OF SITES RUN BY LOCAL DIRECTORS



In 2022, Valeo continued its efforts to strengthen the ranks of local employees among its directors, with 81% of its sites run by a local director, compared with 82% in 2021. The increase in the percentage of sites run by a local manager in Western Europe is attributable to the replacement of an expatriate manager by a local. But succession plans allow Valeo to ensure the gradual replacement of expatriate site directors with local directors.

Generational

BREAKDOWN OF REGISTERED HEADCOUNT BY AGE GROUP



At December 31, 2022, Valeo had a total of 16,974 employees aged over 50, and 25,742 aged under 30, representing 16.7% and 25.3% of the registered headcount respectively. In 2021, Valeo had a total of 15,757 employees aged over 50, and 24,285 aged under 30, representing 15.5% and 23.9% of the registered headcount respectively.

- In 2022, Valeo recruited 11,110 employees under the age of 25, representing 39.2% of new hires.
- The average age of the registered headcount was 38 in December 2022.

Achievements during the year

Gender

Actively in favor of gender equality and the promotion of this facet of diversity, the entire Group achieved the following in 2022:

- 77% of the Group's plants implemented at least one initiative in favor of gender equality: organization of seminars and conferences, organization of photo exhibitions or sports tournaments, etc.;
- particularly attentive to the quality of life at work, 71% of the plants have introduced specific measures for pregnant women: adjustments to workstations or working hours, etc.;
- aware that women are less represented than men in its industry, Valeo continues its partnership with association *Elles Bougent* and had 83 sponsors in 2022.

The Group also brought its employees together for key events during the year. On March 8, to mark 2022 International Women's Day, more than a thousand employees from nearly 90 sites shared photos in the #BreakTheBias pose, in a global campaign to combat bias in the workplace. A conference on gender equality was also held and streamed for all employees. Hosted by the Group's CSR team from Human Resources, it featured internal and external industry experts. Christophe Périllat, Valeo's Chief Executive Officer, and Cheryl Thompson, a 30-year automotive industry veteran and founder of the Center for Automotive Diversity, Inclusion and Advancement, shared their commitments and expertise in terms of gender equality.

The conference also gave rise to a dedicated in-house training course available to all employees.

Disability

To develop the approach launched in France in other countries, a Group approach known as the Disability Management Approach was drafted and implemented in 2020. It is a policy designed to respect the customs of each country in which Valeo operates. To this end, Valeo relies on the United Nations definition (Convention on the Rights of People with Disabilities), plus the concept of the working environment. The Group considers that an employee with a disability is one whose interaction with his/her work environment is undermined by his/her disability or impairment. Valeo is implementing an organization aimed at inclusiveness for all employees. From now on, and based on the existing French model, a duo of disability liaison officers is present on each site. Composed of an employee from Human Resources and a volunteer employee, they have an advisory role for employees identified as workers with disabilities, and oversee their needs.

In November 2022, Valeo held various training and awareness-raising sessions on disability, open to all employees. Led by a CSR manager and an external consultant, the sessions gave participants insight into the various types of disability, regulations and internal policies.

HandiTech Trophy

In 2022, for the sixth year in a row, Valeo took part in the HandiTech Trophy. As in 2021, Michel Forissier, Valeo's Chief Engineering Officer, was on this year's project selection panel. Sébastien Lecointre, Valeo's Electronics Simulations Leader, took part in selecting the finalists. He brought a different perspective to the other panel members with his expertise and experience with wheelchairs and technical aids. All French employees had a chance to vote in six project categories: Mobility, Health, Digital, Education and Caregivers, Employment and Sport.

Culture

In 2022, Valeo continued to promote cultural and social diversity as a real performance driver:

- 65% of the plants implemented at least one initiative in favor of cultural diversity: celebration of the World Day for Cultural Diversity, introduction of pairs formed by employees from different countries, organization of meals from different countries on site, etc.;
- to attract talented young people from diverse backgrounds, Valeo has launched the Insertion Process. Currently piloted in France, it aims to integrate a greater number of young people from priority neighborhoods in urban policy(59), especially for school work experience or work-study programs for college students. To meet its goal of welcoming ninth grade work experience students, Valeo has become a partner of Tous en Stage.

Generational

The Group takes care to create an environment in which four generations can work together as the retirement age increases and members of generation Z arrive on the labor market. This generational diversity is a factor of human enrichment for the Group, but it questions the perception of Valeo's management model by each generation. In 2022, Valeo implemented a number of measures in favor of generational diversity:

- 49% of the plants implemented at least one action in favor of generational diversity, especially to mark generational diversity day: activities, workshops, open days for high schools;
- extension of the policy of selective partnerships with higher education institutions at the international level, to promote diversity within teams. These initiatives in favor of youth employment and the integration of young people in the workplace allowed the Group to welcome 1,516 interns, 1,746 apprentices and trainees, and 120 *Volontariat International en Entreprise* (VIE) program applicants.

A reverse mentoring program to overturn generational stereotypes in the United States

Valeo launched a pilot reverse mentoring program in the United States in 2019. The goal was to create generationally inclusive work environments and drive organizational change by engaging in dialogue based on reverse mentoring.

The success of the pilot program prompted Human Resources teams to develop a more extensive program in 2021: 28 employees are still involved in 2022, either as mentors or mentees.

(59) Priority neighborhoods in urban policy are characterized by a significant economic and social development gap with the other parts of the cities in which they are located.

4.5.5 Social commitment

Proactive commitment to local communities

Challenges

Consistent with its size and worldwide scope, Valeo takes a firm stance on responsibility and commitment in its relationships with its many and varied stakeholders.

The quality of the initiatives implemented at Valeo's sites is a major factor in Valeo's corporate citizenship endeavor. The table below lists the main initiatives undertaken in 2022.

MAIN CORPORATE CITIZENSHIP INITIATIVES AT VALEO SITES

Commitment	Partners	Focus of the initiatives
Action with local communities	• Local populations • Local government • Local schools (primary/secondary) • Higher education and research organizations	• Support for local economic fabric and development • Partnerships with the world of education and local training • Partnerships with the local research ecosystem
Action with local populations	• Local populations	• Dialogue with local stakeholders • Solidarity initiatives through donations to local populations

Approach and achievements during the year

Valeo, a partner in academic research in social fields, in addition to research for the development of its technological mobility solutions

EHESS France-Japan Foundation

In 2014, for the 50th anniversary of the *Maison franco-japonaise* in Tokyo, the EHESS Social Sciences University set up the Advanced French-Japanese Studies Center in Paris, which runs programs inviting Japanese research scientists and specialists from Japan to Paris.

Valeo created and finances the center's "innovative technologies for sustainable transport" chair. The chair's aim is to support exchanges between universities in France and Japan, including visits to France by Japanese academics in the fields of technology companies for an aging society, robotics and human-machine interfaces for connected and automated mobility solutions.

For 2019-2020, the exchange program was awarded to Haruki Sawamura, a doctoral student at the Interdisciplinary Institute for Innovation at the Center for Research in Management (CRG) at École Polytechnique, and a graduate of the School of Engineering of the University of Tokyo and the School of Advanced Science and Engineering of Waseda University. As part of the CEAFJP/Valeo chair, he studied the spread of connectivity technologies such as detection, IT and telecommunications and how these technologies facilitate the move to other automated products and services. His research focuses on the interaction between humans and infrastructure, including information and communication technology (ICT) infrastructure, allowing better access and wider spread of automated products and services within the Company.

For 2020-2021, the exchange program welcomed Kulacha Sirikhan, PhD in Urban Planning from the University of Tokyo, whose research work focuses on the emergence of new mobility technologies and the construction of patterns of sustainable urban mobility in Southeast Asian cities.

In 2021 and 2022, Valeo continued to fund a Franco-Japanese chair on the future challenges of mobility. Valeo has conducted several workshops on the changes and challenges of mobility in the major cities of Southeast Asia, using the work of a Thai urban planner from the University of Tokyo.

The funding of this chair and its interaction with interested stakeholders are essential to provide a substantial volume of scientific production (publications of papers and doctoral theses), but also to coordinate and lead the program's international team and intensify scientific links between France, Europe and Japan (Japan Science and Technology Agency, JST, University of Tokyo) and Asia (Seoul National University, South Korea). Also in 2021, Valeo's Sustainable Development department took part in two online workshops on autonomy and the challenges of electrification with Japanese academics under the aegis of the JST and the French-Japanese Cultural Institute (Villa Kujoyama in Kyoto). With the research teams of the France-Japan Foundation, Valeo has also contributed to the design of programs for the coming years. The two areas selected are global cities, and health and innovation, both of which are a major focus of Valeo's innovations.

For the 2021-2022 academic year, Valeo will continue to support the development of scientific policy at the *École des hautes études en sciences sociales* (EHESS), a renowned French doctoral school, through its involvement in the EHESS France-Japan Foundation (see below).

Valeo also maintains special relationships with Japanese economic communities as part of the Franco-Japanese business club that Jacques Aschenbroich, former Chairman and Chief Executive Officer of Valeo, has co-chaired since 2013.

IFRI (French Institute of International Relations)

Valeo has accepted the invitation of the IFRI (French Institute of International Relations) to join the think tank dedicated to the geopolitics of technology, which includes a series of technology groups with ambitions and projections on global issues. The aim here is to develop a research focus on technologies informed by international relations, and to promote interaction with other similar think tanks in Germany, the United States, China and Japan. Financial contributions from companies will fuel the production of papers and studies by the IFRI on such subjects as data management policies in different major regions of the world, connectivity (5G) and space ambitions, technological ambitions of emerging powers (India, African countries and the Middle East), and the scarcity and security of electronic component supplies.

Action by sites with local communities

Valeo has a policy of accountability for its sites, and supports local initiatives around the world. For initiatives in the local economy, Valeo sets the following two guidelines for all Group sites:

- form partnerships with the world of education and local training;
- participate in setting up and running local research ecosystems.

Relationships with local educational and training bodies

As a global group with a strong R&D dimension and structured networks (see section 4.5.2 "Technological commitments", pages 289 to 292), Valeo also encourages the Group's sites to join specific local initiatives covering relationships with local educational and training institutions (engineering schools, universities, technical institutes, etc.).

As such, 81.71% of sites worldwide initiated partnerships and exchanges with higher education structures (universities/engineering schools) in 2022. The diversity of relationships and partnerships with these teaching institutions reflects the wide range of relationships sites have with the surrounding area, depending on the specific local teaching and training environment.

The aim of this approach is to promote the Group's visibility, experience-sharing and collaborative relationships beyond the simple opportunity to develop industry-oriented projects.

Valeo is committed to promoting industrial jobs among women

Valeo maintains its well-established link with *Elles Bougent*, an association whose purpose is to promote gender equality and diversity in companies in the industrial and technological sectors. Several projects have been carried out in collaboration with the association, and other partners, on the promotion of the place of women in the industry.

For example, the La Verrière site (France) supported female senior high school students from two schools for an entire academic year, as well as female students from the ESTACA engineering school, giving them an overview of the various professions that exist in automotive and engineering industries.

The Group took an active part in the *Elles Bougent* initiative at the 2022 *Mondial de l'Auto* in Paris, where female ambassadors presented R&D professions in Valeo's four Business Groups. They spoke about the exciting and enriching aspects of their professions, in the aim of inspiring young girls to pursue careers in these fields.

The initiative attracted high-level interest, with the Valeo stand receiving a visit from Clément Beaune, France's Minister for Transport.

There are also plans to partner with *Elles Bougent* for a female talent recruitment forum in 2023.

SHARE OF SITES PARTNERING WITH LOCAL UNIVERSITIES/ENGINEERING SCHOOLS IN 2022

Similarly, at the primary school level, the Group first called on sites to build closer relationships with elementary and high schools in 2016, as a means of increasing Valeo's visibility as a local economic actor and potential future employer.

The outcomes four years after the introduction of this objective reflect sites' awareness of the importance of visibility for industrial players at all levels of the education system. Collaborations of this nature can take various forms, predominantly site visits and introductions to industrial professions.

SHARE OF SITES PARTNERING WITH LOCAL ELEMENTARY/SECONDARY SCHOOLS IN 2022

Signature of a sponsorship agreement to support the development of the Espérance Banlieues school in Angers, France

In December 2019, Valeo signed an agreement to support the development of the Cours Le Gouvernail primary school in Angers, a member of the Espérance Banlieues network, through the sponsorship of one of the school's classes. Espérance Banlieues schools, which are set up in underprivileged neighborhoods, introduce cultural and humanist teaching into the curriculum so that children can find their place in society and grow up with the confidence and desire to succeed. Convinced that perseverance and self-confidence are the drivers of success, and that teaching combined with continuous innovation lead to excellence, Valeo supports the innovative learning methods applied in educating these young people from disadvantaged neighborhoods.

In 2020, support continued for a second year, with the development of ties between the management of the Angers site and the Espérance Banlieues school in Angers.

This sponsorship agreement was renewed for two years in 2021. Dedicated meetings were organized between the Espérance Banlieues school in Angers and Valeo's Angers site in 2022.

Relationships with local research ecosystems

Despite a strong industrial footprint in the geography of its sites, Valeo encourages its plants to become more involved in local Research, Innovation and Development (R&I&D) ecosystems. This action serves to support, facilitate and anticipate current and future development needs closer to local markets, particularly in countries with growth potential.

This type of approach is also encouraged by the Group for the knock-on effect it can generate on a local ecosystem in favor of greater cooperation between local skills and expertise, and the gradual emergence of cross-sector synergies.

In 2022, more than one-third of sites in North America (United States, Mexico) were part of a local research ecosystem (local competitiveness clusters, participation in collaborative research projects, etc.). The aim is to increase the numbers in the future.

Valeo employees, actors of CSR initiatives with their regions

As part of the One Plant, One Initiative programs, whose themes are left to the initiative of the employees of the sites in view of local issues, we can note the following initiatives shared by certain sites on the themes of:

- health and safety;
- education;
- environment;
- volunteering.

In China, when the government announced a lockdown in March 2022, employees at the Shanghai site assumed responsibility for preventing the spread of the disease during a month of closed-loop management. More than 500 employees returned to the company at night to secure production during lockdown. People ranging from key-position employees, product operators, security guards and cleaners to management teams all spontaneously stepped up to lead Puxi's closed-loop management in Pudong.

The Penang site in Malaysia also did its bit for Covid-19 prevention in 2022. The site opened an internal vaccination center on its premises, thereby allowing all site employees, both internal and external, as well as their family members, to receive boosters. By March 2022, 100% of employees had received their first and second dose, and 88% a booster.

In addition, in response to the ongoing crisis in Ukraine in 2022, the Group is providing support to Valeo's Ukrainian employees working on sites in Poland, the Czech Republic and Hungary (see boxed text below).

Valeo's support for Ukraine and its Ukrainian employees

- Solidarity with Ukrainian colleagues

Although the Group has no direct operations in Ukraine, it has many Ukrainian employees on various sites, chiefly in Poland, the Czech Republic and Hungary. To support them and their families, the Group offers special paid leave to any Ukrainian employee needing to travel to the border to meet family members and bring them to safety.

- Support for people in need

The Group has provided additional assistance to Ukrainian people in the form of a collective donation of €200,000 to three different NGOs: Polish Humanitarian Action (*Polska Akcja Humanitarna*), Czech non-profit People in Need (*Clovek vtisni*) and the International Committee of the Red Cross. Polish Humanitarian Action and People in Need are providing food, shelter and support for refugees, while the International Committee of the Red Cross is providing humanitarian assistance and protection on the ground in Ukraine.

- Volunteer initiatives

Volunteer initiatives and donations of supplies are organized at country and site levels in Poland, the Czech Republic, Hungary, and other Group host countries that are coordinating additional efforts.

Plants' initiatives alongside local populations

Valeo sites involved in dialogue with local stakeholders

In 2022, more than 52% of employees at Valeo Group sites worldwide volunteered on operations to help local communities. Their contribution mainly involved time spent on educational activities or as expert speakers at local seminars, schools and universities, as well as at technical training sessions. Initiatives like this are part of local community involvement programs at many Valeo sites.

Open days at Valeo sites

To boost their local operations and their openness to members of local communities, many sites hold annual open days to showcase their activities, unique features and products to local communities. However, no events of this nature were held in 2021 in view of the global health crisis. These activities resumed gradually in 2022, with 19.5% of sites holding open days.

In Poland, the Skawina and Chrzanow sites opened their doors to young science enthusiasts on Małopolska Scientists' Night, in an event designed to allow young people to meet scientists in laboratories where knowledge and technology cohabit. Young scientists of all ages can learn from the robots used to create automotive parts, seeing how materials are transformed and learning about the various manufacturing techniques.

Valeo Mexico, an advocate for children's access to books

For apprenticeship week, and as a team, Valeo Telematica y Acustica delivered an initial donation of roughly 90 books to the Cuitlahuac elementary school in Veracruz, giving it its first library. With the energy channeled by all sectors and employees, the site was able to provide the children with a variety of books to develop their knowledge and foster a love of reading.

Valeo employees, working with the local community

With a view to establishing a lasting relationship with their local communities, Valeo sites and their employees are committed to solidarity actions in local regions. In 2022, actions of this nature took place on nearly 52% of sites throughout the Group, mainly around the following themes:

- awareness-raising on critical illnesses and disabilities, such as Alzheimer's disease, breast cancer and visual impairment (including on-site testing), and fundraising events including charity races, flea markets and other initiatives;
- initiatives to help address public health issues, such as vaccination campaigns organized in host countries around the world in 2022;
- charity targeting the poorest populations, primarily in the form of donations of clothing, toys and eyeglasses, as well as food bank initiatives;
- awareness-raising around sustainable development, during the "sustainable development week" held every June in a large number of the Group's sites.

These initiatives are the result of proactive commitment by the sites and their employees.

They demonstrate the importance of links with local communities.

In 2022, 80% of sites took part in the annual CSR report in which they shared societal commitments in their home countries:

- 45% of sites took part in or organized sponsorship events;
- 46% of sites took part in or organized health or safety initiatives targeting local communities (vaccination, first aid, firefighting, etc.);
- 34% of sites took part in or organized local environmental initiatives;
- 20% of sites took part in local training initiatives (teaching at schools and universities, on-site technical and scientific days, on-site local talks and training, etc.).

Valeo Hungary stands up in support of Ukrainian people

In March 2022, the Veszprém site in Hungary delivered donations to the Ukrainian border on weekends to support people impacted by the humanitarian crisis. This initiative was organized in collaboration with Valeo Siemens eAutomotive. The site continues to support Ukrainian colleagues by:

- facilitating their communication with their families;
- offering them days off to travel to the border and bring their families closer to the plant;
- providing financial assistance for housing and the needs of families.

The site has also offered assistance to Ukrainian immigrants by:

- partnering with the mayor of Veszprém to provide housing and a school;
- assessing job vacancies at Valeo;
- delivering charity boxes to the Ukrainian border.

Valeo Malaysia, a CSR committee working with local communities

In Malaysia, the CSR committee of the Penang site of the Comfort & Driving Assistance Business Group organized a donation campaign to provide the homeless with food, drink and sanitary kits. The response from site employees was encouraging, with about 40 bags of kits distributed to struggling local people.

In addition to solidarity campaigns initiated by site employees and in-kind donation campaigns (basic necessities for disadvantaged populations, school materials, clothing, etc.), 22% of the Group's sites donated money or equipment for local solidarity or charity initiatives in 2022.

Valeo teams raise funds to support Ukraine

In July 2022, employees in Auburn Hills, Highland Park, and Troy, Michigan, came together for a 5k run to raise money for emergencies related to the conflict in Ukraine. Runners made donations to UNICEF and the International Committee of the Red Cross. The funds were intended for those organizations' programs dedicated to supporting people affected by the Ukrainian crisis. More than 40 Valeo employees took part.

Valeo's historic link with the Garches Foundation

The Group is a founding member of Institut Garches, which was created in 1988 and became a Foundation in May 2005. Its purpose is to help people with motor or cognitive impairments in their daily lives after a hospital stay.

The Foundation has put together a considerable network of expertise, including teachers, doctors, heads of motor disability associations and heads of partner companies. Valeo works alongside professionals from the foundation's wheelchair selection and test center.

Public and regulatory policies

Challenges

As a major innovator in the automotive industry operating in many countries, Valeo is committed to transforming the automotive industry and to making a positive impact in the regions where it operates.

Approach and achievements during the year

In its relations with public organizations, the approach adopted is to support the Group in becoming involved in the three revolutions that are currently redefining the automotive industry: vehicle electrification, autonomous and connected vehicles, and digital mobility.

Relationships with public bodies

Valeo develops institutional relationships with relevant administrations (at international, national and local levels), through regular dialogue, such as:

- dialogue with international organizations (UN Global Compact, OECD, World Bank);
- consultations on request:
  - from the European Commission (Directorates-General for Industry, Research, Transport, and the Environment, Directorate-General for Communications Networks, Content and Technology [DG CONNECT]),
  - from ministries of industry (France, China, Spain), the economy (France, Poland, Japan, Germany), research (France, China), energy (France, United States), transportation (France, Germany, United States) and employment (all countries where there are Valeo sites);
- co-construction/co-management of jointly financed projects, especially through participation in the governance bodies of European Union public-private partnerships (European Green Vehicle Initiative Association – EGVI);
- participation in the creation of roadmaps, under Valeo's co-chairmanship (since 2014) of the European Road Transport Research Advisory Council (ERTRAC), the European Commission technology platform (see section 4.5.2 "Technological commitments", pages 289 to 292).

In 2017, in compliance with the French legal framework(60), Valeo filed an entry in the register of interest groups, which has since been posted online by the French High Authority for Transparency in Public Life (*Haute Autorité pour la Transparence dans la Vie Publique* – HATVP) and is publicly available. For 2022, Valeo sent the HATVP a summary of the activities to be declared.

Organization of the Valeo Group in public affairs and main items of expenditure

Institutional relationships are coordinated under the responsibility of three people at Valeo's headquarters, and relayed locally, as required, by national directorates in the country or region concerned.

Membership of professional organizations

As an independent, global tier-one automotive equipment supplier, Valeo is a member of the main organizations that represent the interests of original equipment and aftermarket equipment suppliers on the world's main automotive markets:

- in Europe: CLEPA (European Association of Automotive Suppliers);
- in the United States: OESA (Original Equipment Supplier Association);
- in France: PFA (*Plateforme de la Filière Automobile*);
- in Germany: VDA (*Verband der Automobilindustrie*);
- in Spain: Sernauto (*Asociación Española de Proveedores de Automoción*);
- in Italy: ANFIA (*Associazione Nazionale Filiera Industria Automobilistica*);
- in Japan: JAPIA (Japan Autoparts Industries Association);
- in Brazil: Sindipeças (*Sindicato Nacional da Indústria de Componentes para Veículos Automotores*).

Valeo is a member of the International Transport Forum's Corporate Partnership Board, as well as the French Association of Private Enterprises (AFEP).

It contributed a total of 500,000 euros to these entities during the year.

The Group's main items of expenditure are:

- membership of the main bodies managing the interests of original equipment manufacturers and aftermarket suppliers of the main global automotive markets, which represent Valeo's main financial contribution to interest groups and its only activities that qualify as lobbying;
- personnel expenses of the External Affairs Department (fewer than three FTEs(61) per year).

As in previous years, the Group did not use public affairs consultancy services in 2022. Moreover, in accordance with its Code of Ethics, Valeo does not make any donations or give any support to political parties in any countries where the Group operates.

(60) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.

(61) Full-time equivalent.

4.6 Methodology and international guidelines

4.6.1 Sustainable development reporting methodology

Reporting methodology for environmental indicators

In view of the lack of public guidelines applicable to the automotive supplier business, environmental indicators were reported in compliance with internal procedures developed by the Group. The main methodology rules used to prepare the indicators published in this Universal Registration Document are described below.

Scope and consolidation

Scope

The environmental data reported and the calculation of ISO 14001, ISO 50001 and ISO 45001 certification indicators cover all plants and distribution platforms managed by Valeo worldwide from the third year of their consolidation within the Group, excluding research centers not located on plants, administrative sites, sites located directly on automakers' sites or nearby (such as front-of-vehicle assembly sites) and the subsidiaries in which the Group has a non-controlling interest. In all, a total of 156 sites report their environmental indicators.

Until 2015, Valeo considered that the reporting year began on December 1 of the prior year and ended on November 30 of the reporting year. In order to publish more reliable data within the required time frame, Valeo amended its reporting period in 2016. It now considers that the reporting year begins on October 1 of the prior year and ends on September 30 of the reporting year. The 2020, 2021 and 2022 figures published in this document correspond to the new year.

Data for sites newly consolidated in a given year (i.e., new sites or sites in which the Group increases its interest and gains control) are only consolidated as of the following year. An exception was made in 2022 with the integration of the seven historical VSeA joint venture sites ahead of schedule.

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

The environmental impacts generated by sites in which Valeo holds an interest of 50% are included on the basis of a 50% share. The impacts of sites in which Valeo holds an interest of more than 50% are included in full. Most indicators are expressed in absolute value terms (total quantity) as well as in relation to sales. 2022 sales are calculated on the basis of a year beginning on October 1, 2021 and ending on September 30, 2022 so as to match the reporting period of the indicators. The ratio per million euros is calculated by dividing total quantity by sales for the relevant sites. Across all indicators, the lowest coverage rate is 98%. The majority of environmental indicators have a response rate of 100%.

Source of data

Environmental data are collected by a centralized online tool (Valeo Environmental Indicators, VEI), except for environmental indicators relating to the consumption of raw materials, ISO 14001, ISO 50001 and ISO 45001 certification and indirect greenhouse gas emissions relating to logistics, inputs and the use of products sold by Valeo. The other aforementioned data are collected from the relevant internal department and consolidated by the Health, Safety and Environment (HSE) Department. Financial data (sales) and those relating to raw materials for the Scope 3 calculation are sent directly by the Group's Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that existed prior to this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

Consistency checks on data for each site in the scope are performed by the Business Groups' and Valeo Service's HSE managers, the HSE Department and an external service provider. These controls include reviews of year-on-year changes, comparisons between sites in the same Business Group, and an analysis of major events during the year. Furthermore, VEI applies automatic upstream controls designed to prevent data entry errors and allow sites to provide reporting information with regard to material differences versus previous years.

Certain environmental data are also subject to external verification by the Statutory Auditors.

From 2022, independent audit firm Mazars will take over the engagement of verifying the environmental data, giving rise to a report including a statement of completeness and an opinion as to the accuracy of the information contained therein.

Methodological limits

Methodologies relating to certain environmental indicators may be limited due to:

- the absence of harmonized national or international definitions, especially on hazardous substances and waste;
- use of estimates where measurements are not possible, for example for atmospheric VOC[62] emissions;
- the limited availability of external data required in particular for calculating indirect greenhouse gas emissions (logistics and transportation);
- the absence of a confirmed methodology for calculating indirect emissions related to the use of the Group's products.

Precise definitions of indicators included in VEI and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They are regularly updated and distributed to all contributors.

Reporting methodology for labor-related indicators

The labor-related indicators were prepared using the obligations and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code resulting from the "Grenelle II" decree of April 24, 2012.

Scope and consolidation

Scope

The Group includes in its worldwide scope of consolidation its 183 plants, 21 research centers, 44 development centers and 18 distribution platforms located in 31 countries. As such, all countries and Business Groups are concerned, including Valeo Service and Valeo Siemens eAutomotive. Health and safety indicators only cover plants. Valeo reports its labor-related indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Changes in scope

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

Reporting on labor-related indicators only includes the data of fully consolidated companies for which Valeo has operational responsibility.

Source of data

Labor-related indicators are collected by the Business Groups' and Valeo Service's Human Resources departments and the Group's Human Resources Department via a personal data management application, PeopleSoft.

Financial data are sent directly by the Group Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

Consistency checks on data for each site in the scope are performed by the site and the Business Group Human Resources Department. The labor-related data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm Mazars and are also subject to an external audit by the Statutory Auditors. Precise definitions of indicators included in the tool and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They are regularly updated and distributed to all contributors.

Reporting methodology for social indicators

The social indicators were prepared in accordance with the commitments and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code, as well as the Global Reporting Initiative (GRI).

Scope and consolidation

The Group includes in its worldwide scope of consolidation the 183 plants, 21 research centers, 44 development centers and 18 distribution platforms located in 31 countries, except for the Fuzhou Niles Electronic Co. joint venture. As such, all countries and Business Groups are concerned, including Valeo Service and Valeo Siemens eAutomotive. Valeo reports its social indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Source of data

Social data are collected as follows:

- data on local plant initiatives, which allow the Group to monitor initiatives aimed at local populations and communities, are reported through a single centralized tool used by Human Resources departments. 87% of the sites surveyed responded to the annual questionnaire. The data reported accordingly concern 164 sites of the scope selected, which covers 188 sites;
- data concerning Valeo's purchases and suppliers were collected and analyzed jointly by the Purchasing and Sustainable Development and External Affairs departments. The sustainable development performance of the Group's suppliers was assessed based on a survey entitled "Supplier Evaluation on Sustainable Development Practices", with an online questionnaire to be completed by the supplier. Valeo has established a representative sample of its main suppliers, covering 85% of the total value of the Group's production purchasing;

(62) *See sustainable development glossary, page 317.*

- data concerning fair practices and compliance were collected by the Ethics and Compliance Office. Quantified data on training on risks related to corruption and anti-competitive practices were collected by the Human Resources network, which regularly records training data (see reporting methodology for labor-related indicators).

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

The social data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm EY & Associés in the form of a statement of completeness and a limited assurance report, and are also subject to verification by the Statutory Auditors.

4.6.2 Cross-reference with national and international guidelines

SASB (Sustainability Accounting Standards Board) industry standard

Sustainability disclosure topics and accounting metrics

Themes	Accounting indicators	Category	Unit of measure	Code	Chapters/Sections	Pages
Energy management	(1) Total energy consumed, (2) share of grid electricity, (3) share of renewable energy	Quantitative	Gigajoules *(GJ)*, Percentage *(%)*	TR-AP-130a.1	4.5.3 – Environmental commitment	292-296
Waste management	(1) Total amount of industrial waste, (2) Proportion of hazardous waste, (3) Proportion of recycled waste	Quantitative	In metric tons *(t)*, Percentage *(%)*	TR-AP-150a.1	4.3.3 – Valeo's non-financial risks 4.5.3 – Environmental commitment	236-273 292-296
Product safety	Number of customer recalls, number of products recalled	Quantitative	Number	TR-AP-250a.1		
Energy-efficient design	Sales derived from products contributing to energy efficiency and/or reducing GHG emissions[(1)]	Quantitative	Euros	TR-AP-410a.1	4.5.3 – Environmental commitment	292-296
Purchases of raw materials	Description of the management of risks associated with the use of hazardous materials	Discussion and Analysis	n/a	TR-AP-440a.1	4.3.3 – Valeo's non-financial risks 4.5.3 – Environmental commitment	236-273 292-296
Material recycling	Share of products sold that are recyclable	Quantitative	Percentage *(%)*	TR-AP-440b.1	4.5.3 – Environmental commitment	292-296
	Share of supplies containing recycled or reconditioned materials	Quantitative	Percentage *(%)*	TR-AP-440b.2	4.5.3 – Environmental commitment	292-296

(1) See sustainable development glossary, page 317.

Activity metrics

Activity metric	Category	Unit of measure	Code	Chapters/Sections	Pages
Number of parts produced	Quantitative	Number	TR-AP-000.A		—
Weight of parts produced	Quantitative	Metric tons *(t)*	TR-AP-000.B		—
Area of manufacturing plants	Quantitative	Square meters *(sq.m)*	TR-AP-000.C		—

Cross-reference table with the Global Reporting Initiative (GRI)

GRI code	Description of the indicator	Chapters/Sections	Pages
STRATEGY AND ANALYSIS			
G4-1	Statement on sustainable development and the Group's strategy by the Chief Executive Officer	4 – Interview with Christophe Périllat	206 - 207
G4-2	Key impacts, risks and opportunities	4.3.3 – Valeo's non-financial risks	236 - 273
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	7.1.1 – Company name and headquarters	482
G4-4	Primary brands, products and services	1.3 – Operational organization	53 - 82
G4-5	Headquarters	7.1.1 – Company name and headquarters	482
G4-6	Countries where the organization operates and which are specifically relevant to the sustainability topic covered in the report	7.2 – Information on subsidiaries and affiliates	484 - 485
G4-7	Ownership and legal form	7.1.2 – Legal structure and governing law 6.6.1 – Changes in share capital	482 476
G4-8	Markets served (geographic breakdown, sectors served and types of customers and beneficiaries)	Integrated Report – Group positioning Integrated Report – Strategy 1.3 – Operational organization	9 - 18 19 - 29 53 - 82
G4-9	Scale of the organization (number of employees, locations)	Integrated Report – Strategy 1.3 – Operational organization 4.1.4 – Sustainable development policies	19 - 29 53 - 82 216 - 227
G4-10	Breakdown of employees by employment type, employment contract, region and gender	4.1.4 – Sustainable development policies	216 - 277
G4-11	Percentage of total employees covered by collective bargaining agreements	4.5.4 – Employee-related commitments	296 - 301
G4-12	Description of the organization's supply chain	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders 4.1.4 – Sustainable development policies	288 - 289 216 - 227
G4-13	Significant changes during the reporting period	1.1 – History and development of the Group 5.1.4 – Investments over the past two years 6.4 – Share ownership	50 - 51 331 469 - 472
G4-14	Precautionary principle and actions in this area	4.3.3 – Valeo's non-financial risks	236 - 273
G4-15	External charters, principles and initiatives to which the Group subscribes	4 – Interview with Jacques Aschenbroich 4.5.4 – Employee-related commitments	206 - 207 296 - 301
G4-16	Membership of associations and/or advocacy organizations	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders 4.5.5 – Social commitment	288 - 289 302 - 304
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List of entities included in the consolidated financial statements and list of those not included in the report	4.6.1 – Sustainable development reporting methodology	308 - 310
G4-18	Procedure for defining report content	4.1.2 – Sustainable development challenges and non-financial risks	209 - 213
G4-19	List of material aspects	4.1.2 – Sustainable development challenges and non-financial risks	209 - 213
G4-20	Boundary of each material aspect within the organization	4.1.4 – Sustainable development policies 4.5.5 – Social commitment	216 - 227 302 - 307
G4-21	Boundary of each material aspect outside the organization	4.1.4 – Sustainable development policies 4.5.5 – Social commitment	216 - 227 302 - 307
G4-22	Restatements of information provided in previous reports	No restatements in 2022	
G4-23	Changes in the scope and aspect boundaries	No substantial changes were observed in 2022	

GRI code	Description of the indicator	Chapters/Sections	Pages
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholders	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	288 - 289
G4-25	Basis for the identification and selection of stakeholders	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	288 - 289
G4-26	Stakeholder engagement	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	288 - 289
G4-27	Topics raised through stakeholder engagement and how the organization has responded	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	288 - 289
REPORT PROFILE			
G4-28	Reporting period	4.6.1 – Sustainable development reporting methodology	308 - 310
G4-29	Date of most recent previous report	04/07/2022	
G4-30	Reporting cycle	4.6.1 – Sustainable development reporting methodology	308 - 310
G4-31	Contact point	6.2 – Investor relations	467 - 468
G4-32	"Compliance" option chosen and GRI G4 index	4.6.2 – Cross-reference with national and international guidelines	310 - 316
G4-33	Independent verifier's report	4.8 – Independent third party's report on the non-financial information statement	318 - 320
GOVERNANCE AND COMMITMENTS			
G4-34	Governance structure	4.1.1 – Sustainable development governance	208 - 209
G4-35	Process for delegating authority for economic, environmental and social topics from the Board of Directors to senior executives and other employees	1.3 – Operational organization	53 - 82
G4-36	Senior executives responsible for economic, environmental and social issues, and relationship with the Board of Directors	4.1.1 – Sustainable development governance	208 - 209
G4-37	Stakeholder consultation by the Board of Directors	7.1.10 – Shareholders' Meetings	483
G4-38	Composition of the Board of Directors and its committees	3.2 – Composition of the Board of Directors, and preparation and organization of its work	117 - 165
G4-39	Independence of the Chairman of the Board of Directors	3.2.1 – Composition of the Board of Directors	117 - 146
G4-40	Nomination and selection processes for the Board of Directors and its specialized committees, and the experience and expertise of its members	3.2.1 – Composition of the Board of Directors 3.2.2 – Preparation and organization of the Board of Directors' work	117 - 146 147 - 159
G4-41	Process established by the Board of Directors to avoid and manage conflicts of interest; disclosure of conflicts of interest to stakeholders	3.2.3 – Declarations concerning the Group's corporate officers	159 - 160
G4-42	Role of the Board of Directors and senior executives in the development, approval and review of the tasks, values or mission statements, strategies, organizational policies and objectives relating to economic, environmental and social impacts	3.2.2 – Preparation and organization of the Board of Directors' work	147 - 159
G4-43	Measures taken to develop and improve the collective knowledge of the Board of Directors on economic, environmental and social impacts	4.1.1 – Sustainable development governance	208 - 209
G4-44	Evaluation of the Board of Directors on economic, environmental and social topics	4.1.1 – Sustainable development governance	208 - 209
G4-45	Role of the Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities	3.2.2 – Preparation and organization of the Board of Directors' work	147 - 159

GRI code	Description of the indicator	Chapters/Sections	Pages
G4-46	Role of the Board of Directors in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	3.2.2 – Preparation and organization of the Board of Directors' work	147 - 159
G4-47	Frequency of reviews of economic, environmental and social impacts, risks and opportunities by the Board of Directors	4.1.1 – Sustainable development governance	208 - 209
G4-48	Committee or highest-level position that formally reviews and approves the sustainable development report	5.6.5 – The Sustainable Development Report is an integral part of the Management Report, reviewed and approved by the Board of Directors	457 - 460
G4-49	Process for communicating critical concerns to the Board of Directors	7.1.10 – Shareholders' Meetings	483
G4-50	Nature and total number of critical concerns communicated to the Board of Directors and the mechanism used to address and resolve them	-	
G4-51	Compensation policy of the members of the Board of Directors and senior executives; relationship between compensation and performance (including labor-related and environmental performance)	3.3 – Compensation of corporate officers, Board members and other Group executive managers	166 - 203
G4-52	Process of determining compensation and participation in compensation committees	3.3 – Compensation of corporate officers, Board members and other Group executive managers	166 - 203
		3.2.2 – Preparation and organization of the Board of Directors' work	147
G4-53	Method used to seek and take into account the views of stakeholders on compensation	7.1.10 – Shareholders' Meetings	483
G4-54	Ratio of the annual total compensation of the highest-paid individual in the organization to the median total annual compensation	3.3.2 – Compensation of corporate officers in respect of the 2022 financial year	182 - 201
G4-55	Ratio of the percentage increase of the annual total compensation of the highest-paid individual in the organization to the median percentage increase in annual total compensation	3.3.2 – Compensation of corporate officers in respect of the 2022 financial year	182 - 201
INNOVATION			
G4-DMA	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN7	Reduction in energy requirements of products and services	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN2	Percentage of materials used that are recycled input materials (packaging only)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN27	Extent of mitigation of environmental impacts of products and services	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	4.5.3 – Environmental commitment	292 - 296
G4-DMA	Management approach	4.1.4 – Sustainable development policies	216 - 227
G4-EC8	Significant indirect economic impacts, including extent of impacts	4.1.4 – Sustainable development policies	216 - 227
		4.5.2 – Technological commitments	289 - 292
ENVIRONMENTAL ECO-EFFICIENCY			
G4-DMA	Management approach	4.5.3 – Environmental commitment	292 - 296
G4-EN3	Direct energy consumption by primary energy source	4.5.3 – Environmental commitment	292 - 296
G4-EN4	Indirect energy consumption by primary energy source	4.5.3 – Environmental commitment	292 - 296
G4-EN5	Energy intensity	4.5.3 – Environmental commitment	292 - 296
G4-EN6	Reduction of energy consumption	4.5.3 – Environmental commitment	292 - 296
G4-EN15	Direct greenhouse gas emissions (Scope 1)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN16	Energy-related indirect greenhouse gas emissions (Scope 2)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	4.3.3 – Valeo's non-financial risks	236 - 273

GRI code	Description of the indicator	Chapters/Sections	Pages
G4-EN18	Greenhouse gas emissions intensity	4.1.3 – Valeo's Carbon Neutrality Plan for 2050	214 - 216
		4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN19	Reduction of greenhouse gas emissions	4.1.3 – Valeo's Carbon Neutrality Plan for 2050	214 - 216
		4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	Management approach	4.1.3 – Valeo's Carbon Neutrality Plan for 2050	214 - 216
		4.3.3 – Valeo's non-financial risks	236 - 273
		4.5.3 – Environmental commitment	292 - 296
G4-EN20	Emissions of ozone-depleting substances (ODS)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN21	Emissions of nitrogen oxides (NO_x) and sulfur oxides (SO_x) and other significant atmospheric emissions	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN22	Total water discharge by quality and destination	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN23	Total weight of waste by type and disposal method	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN24	Total number and volume of significant spills	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	Management approach	4.5.3 – Environmental commitment	292 - 296
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN1	Consumption of raw materials (packaging only)	4.5.3 – Environmental commitment	292 - 296
G4-DMA	Management approach	4.5.3 – Environmental commitment	292 - 296
G4-EN8	Total water withdrawal by source	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN9	Water sources significantly affected by withdrawal of water	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN10	Percentage and total volume of water recycled and reused	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	Management approach	4.5.3 – Environmental commitment	292 - 296
G4-EN11	Operational sites owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.5.3 – Environmental commitment	292 - 296
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Not disclosed	
G4-EN13	Habitats protected or restored	4.5.3 – Environmental commitment	292 - 296
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	Not disclosed	
EMPLOYEES			
G4-DMA	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on workplace health and safety programs	4.5.4 – Employee-related commitments	296 - 301
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by geographic area and by gender	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA8	Health and safety topics covered in formal agreements with trade unions	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
-	Response rate to the Employee Feedback Survey	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	4.3.3 – Valeo's non-financial risks	236 - 273

GRI code		Description of the indicator	Chapters/Sections	Pages
G4-LA9	●	Average hours of training per year, per employee, by gender and by employee category	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA10	●	Programs for competences management and lifelong learning that support the continued employability of employees and assist them in managing career endings	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA11	●	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	●	Management approach	4.5.4 – Employee-related commitments	296 - 301
G4-LA12	●	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	4.5.4 – Employee-related commitments	296 - 301
COMMITMENT TO CORPORATE CITIZENSHIP				
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-PR1	●	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EN32	●	Percentage of new suppliers that were screened using environmental criteria	4.3.3 – Valeo's non-financial risks	236 - 273
G4-LA14	●	Percentage of new suppliers that were screened using labor practices criteria	4.3.3 – Valeo's non-financial risks	236 - 273
G4-SO9	●	Percentage of new suppliers that were screened using criteria for impacts on society	4.3.3 – Valeo's non-financial risks	236 - 273
G4-HR10	●	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	4.3.3 – Valeo's non-financial risks	236 - 273
G4-EC9	●	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	4.1.4 – Sustainable development policies	216 - 227
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	236 - 273
G4-56	●	Codes of conduct and ethics	4.3.3 – Valeo's non-financial risks	236 - 273
G4-57	●	Advisory mechanisms (ethical and lawful behavior)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-58	●	Alert mechanisms (unethical and unlawful behavior)	4.3.3 – Valeo's non-financial risks	236 - 273
G4-SO4	●	Communication and training on anti-corruption policies and procedures	4.3.3 – Valeo's non-financial risks	236 - 273
G4-DMA	●	Management approach	4.5.5 – Social commitment	302 - 304
G4-DMA	●	Management approach	4.5.5 – Social commitment	302 - 304
G4-SO6	●	Total value of political contributions by country and recipient/beneficiary	4.5.5 – Social commitment	302 - 304
G4-DMA	●	Management approach	4.5.5 – Social commitment	302 - 304
G4-SO1	●	Percentage of operations with implemented local community engagement, impact assessments and development programs	4.5.5 – Social commitment	302 - 304
G4-EC6	●	Proportion of senior executives hired from the local community at significant operation sites	4.5.5 – Social commitment	302 - 304

Legend:
General elements of information that are part of the core reporting option are in bold.
- ● *Full indicator.*
- ● *Partial indicator.*
- ● *Indicator not applied.*

Task Force on Climate-related Financial Disclosures (TCFD) cross-reference table

TCFD Recommendations		Chapters/Sections	Pages
GOVERNANCE			
Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	4.1.1 – Sustainable development governance	208 - 209
	b) Describe management's role in assessing and managing climate-related risks and opportunities	4.1.1 – Sustainable development governance	208 - 209
STRATEGY			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	4.3.1 – Analysis of non-financial risks	234 - 235
	b) Describe the impact of climate-related risks and opportunities on the organizations' businesses, strategy and financial planning	4.3.3 – Valeo's non-financial risks	236 - 273
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	4.1.3 – Valeo's Carbon Neutrality Plan for 2050	214 - 216
		4.3.2 – Business model	235
RISK MANAGEMENT			
Disclose how the organization identifies, assesses and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks	4.3 – Non-financial information statement	234 - 284
	b) Describe the organization's processes for managing climate-related risks	4.3 – Non-financial information statement	234 - 284
	c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's risk management	4.3 – Non-financial information statement	234 - 284
METRICS AND TARGETS			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is significant	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	4.2 – Non-financial performance objectives and indicators	228 - 234
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	4.3.3 – Valeo's non-financial risks	236 - 273
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	4.3.3 – Valeo's non-financial risks	236 - 273

4.7 Sustainable development glossary

ADEME	French Environment and Energy Management Agency (*Agence de l'environnement et de la maîtrise de l'énergie*): public body undertaking operations with the aim of protecting the environment and managing energy. www.ademe.fr
CDP	Carbon Disclosure Project: an independent, non-profit organization working to drive greenhouse gas emissions reductions for companies and cities by collecting, environmental data and analyzing their carbon emissions policy. www.cdproject.net
CMR	Substances classified as carcinogenic, mutagenic, or reprotoxic.
VOC	Volatile organic compound: VOCs are composed of carbon, oxygen and hydrogen and are readily found as atmospheric gases.
ELV Directive	Directive No. 2000/53 of the European Parliament and of the Council of September 18, 2000, aiming to reduce end-of-life vehicle waste through prevention, collection, treatment and recycling measures.
NFIS	Introduced by Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations, the non-financial information statement (NFIS) reflects the current legal and regulatory framework for the disclosure of sustainable development information for companies in France. It supersedes the sustainable development information disclosure system previously existing in France (known as "Grenelle II" reporting in reference to Law No. 2010-788 of July 12, 2010 on the national commitment for the environment).
GHG	Greenhouse gas: gases which absorb infrared rays emitted by the Earth's surface, contributing to the greenhouse effect.
GRI	Global Reporting Initiative: a non-profit organization that develops globally applicable guidelines on corporate sustainability policy and reporting. www.globalreporting.org
ISO 14001	International standard on environmental management systems.
ISO 50001	International standard on energy management systems.
OHSAS 18001	International standard on occupational health and safety management systems.
Open Innovation	Open Innovation is a concept that involves promoting innovation by deriving the maximum possible benefit from the ecosystem surrounding the Company, primarily through collaboration between various players (governmental organizations, private companies, academic and research companies, innovative start-ups, etc.).
QRQC	Quick Response Quality Control: four-step problem resolution method: Detection, Communication, Analysis and Verification.
REACH Regulation	European Regulation No. 1907/2006 of December 18, 2006 (Registration, Evaluation, Authorisation and Restriction of Chemicals).
RMI	The Responsible Minerals Initiative, formerly the Conflict-Free Sourcing Initiative, helps companies and organizations make informed choices about responsibly sourced minerals in their supply chains. The initiative, which brings together more than 360 companies from ten different industries, has defined common principles and provides shared monitoring of high-risk suppliers.
SAE International	Society of Automotive Engineers International: a US-based association. Similarly to the VDA (see below), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required). Levels 3 and 4 correspond respectively to conditional automation driving and high automation driving.
Seveso	The Seveso European Directive requires European Union member states to industrial sites which present risks of major accidents. Companies can be Seveso-classified based on the quantities and types of hazardous products on site.
Scopes 1, 2 and 3	Scope 1 covers GHG emissions directly emitted by the Group's activities (including combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as the incineration of VOCs, and direct fugitive emissions relating to refrigerant leaks. Scope 2 covers GHG emissions related to the consumption of electricity, steam, compressed air and other sources. Scope 3 covers other GHG emissions related to purchases of products used in industrial processes, and the transportation of goods and people, as well as indirect GHG emissions related to the use of Valeo products.
VDA	*Verband der Automobilindustrie* is a German automotive industry association. Similarly to SAE International (see above), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required).

4.8 Independent third party's report on the consolidated non-financial statement

For the year ended December 31, 2022

This is a free translation into English of the independent third party 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 standards applicable in France.

To the Shareholders,

In our capacity as independent third party, member of Mazars Group, statutory auditor of Valeo (hereinafter the "Entity"), and accredited by COFRAC Inspection under number 3-1058 (scope of accreditation available on www.cofrac.fr), we have performed work to provide a reasoned opinion that expresses a limited level of assurance on the historical information (observed and extrapolated, hereinafter the "Information") of the consolidated non-financial statement (hereinafter the "Statement"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for the financial year ended December 31, 2022, presented in the management report of the Entity, in application of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

Conclusion

Based on the procedures we performed, as described in the "Nature and scope of our work" and the evidence we collected, nothing has come to our attention that causes us to believe that the Statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Preparation of the Statement

The lack of a commonly used framework or established practice on which to base the assessment and evaluation of information allows for the use of alternative accepted methodologies that may affect comparability between entities and over time.

The Information has been prepared in accordance with the Guidelines, the main elements of which are presented in the Statement.

Restrictions due to the preparation of the Information

The Information may contain inherent uncertainty about the state of scientific or economic knowledge and the quality of external data used. Some of the information is dependent on the methodological choices, assumptions and/or estimates made in preparing the Information and presented in the Statement.

The Entity's responsibility

The board of directors is responsible for:

- selecting or setting appropriate criteria for the preparation of the Information;
- preparing the Statement with reference to legal and regulatory requirements, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators where applicable: and also, the Information required by Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- and implementing internal control procedures deemed necessary to the preparation of information, free from material misstatements, whether due to fraud or error.

Responsibility of the independent third party

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of Information provided in accordance with article R. 225 105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks.

As it is our responsibility to express an independent conclusion on the Information prepared by management, we are not authorized to be involved in the preparation of such Information, as this could compromise our independence.

This is not our responsibility to express an opinion on:

- the Entity's compliance with other applicable legal and regulatory requirements (in particular with regard to the information required by Article 8 of Regulation (EU) 2020/852, the French duty of care law and anti-corruption and tax evasion legislation);
- the fairness of the information n required by Article 8 of Regulation (EU) 2020/852;
- the compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional standards

The work described below was performed with reference to the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000 [63] (revised).

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and the professional doctrine of the French National Association of Auditors.

Means and resources

Our work was carried out by a team of 5 people between September and February and during 10 weeks. We conducted interviews with the people responsible for preparing the Statement, representing purchasing, human resources, and environmental departments.

Nature and scope of our work

We planned and performed our work considering the risks of significant misstatement of the Information.

We estimate that the procedures we have carried out in the exercise of our professional judgment enable us to provide a limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, when appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III, as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including when relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important and presented in Appendix 1; concerning certain risks related to social dialogue, business ethics, sustainable supply chain, product quality and safety and climate transition, our work was carried out at consolidation level, for the others risks, our work was carried out at consolidation level and entity level;
- we verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures implemented by the Entity and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, in Appendix 2, and covers between 14% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We are convinced that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, March 3, 2023

French original signed by: Independent Verifier

Mazars SAS

Gonzague SENLIS	Tristan MOURRE
Partner	Partner, CSR & Sustainable Development

(63) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

Appendix 1: Information considered most important and selected entities

The qualitative information (actions and results) that we considered most important were those relating to the following main risks:

- risk of not meeting the commitments of the carbon plan;
- risk of accidental water and/or soil pollution;
- risk related to water management (cut-off and restrictions);
- risk related to discharges and emissions in the air;
- risk related to transport and logistics;
- health and safety risk;
- talent attraction, development and retention risk;
- human rights risk;
- supplier sustainability practices risk.

The key performance indicators and other quantitative results that we considered most important:

Theme	Audited indicators	Selected entities
Social	• Number of accidents with lost time • Frequency rate of accidents at work with lost time • Severity rate of accidents at work • Average number of training hours per employee • Absenteeism rate • Voluntary departure rate of engineers and managers • Share of women in management positions	• VLS Wemding (Germany) • TPT Jinghzou - China • PES Kyong Ju (1+2) – South Korea • ICHIKO Fujioka (1+2) – Japan • TPT Greensburg - US • VLS Seymour – US • PES Etaples-sur-mer – France • PTR Limoges - France
Environment	• Quantity of hazardous and non-hazardous waste • Share of waste recovered • Energy consumption • Atmospheric emissions of volatile organic compounds (VOCs) • Number of accidental spills • Consumption of raw materials (metals, plastic, and resin) • Zinc and nickel discharge	
	• Life cycle assessment • Share of products contributing to the reduction of CO_2 emissions • GHG emissions Scope 1 and Scope 2 • GHG emissions Scope 3 upstream (materials) and downstream (product use)	• Group (Sustainability Department)
Societal	• Share of production purchases where suppliers are assessed for their sustainability practices • Share of target population that has completed the online training module on corruption	

5

FINANCIAL AND ACCOUNTING INFORMATION

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

5.1 Analysis of 2022 consolidated results AFR

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS as adopted by the European Union can be consulted on the European Commission's website.

The financial statements include the information deemed material as required by the ANC in Standard No. 2016-09.

5.1.1 2022 business review

Change in sales

In 2022, automotive production climbed 7%[1] compared to 2021.

During the year the automotive industry had to contend with (i) tensions in the supply chain for electronic components, which, as expected, are gradually easing; (ii) the Russia-Ukraine crisis, which had a negative impact on the activity of certain manufacturers in March and April; and (iii) the lockdown measures in China, which significantly impacted sales in April – business recovered quickly and returned to normal levels by early June – and December.

Sales *(in millions of euros)*	As a % of 2022 sales	2022	vs. 2021 2021	LFL* change	Change
Original equipment	84%	16,748	14,151	+10%	+18%
Aftermarket	11%	2,256	2,068	+9%	+9%
Miscellaneous	5%	1,033	1,043	-5%	-1%
TOTAL	**100%**	**20,037**	**17,262**	**+9%**	**+16%**

* *Like for like[2].*

Total sales came in at 20,037 million euros, up 16% compared with 2021, and rose 9% over the period on a like-for-like basis.

Changes in exchange rates had a positive 4% impact, primarily due to the depreciation of the euro against the US dollar and the yuan.

Changes in Group structure had a positive 3% impact for the period. This mainly resulted from the integration of the high-voltage electric powertrain business (formerly Valeo Siemens eAutomotive) as of July 1, 2022. This business represented sales of 644 million euros in the second half of 2022. Sales for the **high-voltage electric powertrain business** totaled 1 billion euros for the year as a whole, up 34% year on year.

Original equipment sales were up 10% on a like-for-like basis, lifted by the recovery in global automotive production, an increase in content per vehicle, notably in **ADAS** (original equipment sales up 29% like for like), as well as compensation from customers for the impact of inflation on our costs.

On an adjusted basis[2], consolidated sales accelerated, rising 11% compared with 2021.

Aftermarket sales moved up 9% on a like-for-like basis, fueled by the increased number and age of vehicles on the road, a more attractive offering with a shift towards more value-added products (transmissions systems kits), and the impact of price increases.

"Miscellaneous" sales (tooling and customer contributions to R&D) contracted by 5% like for like.

(1) Based on S&P Global Mobility automotive production estimates released on February 16, 2023.

(2) See financial glossary, page 47.

Original equipment sales by destination region

Original equipment sales*** *(in millions of euros)*	**As a % of 2022 sales**	**2022**	**vs. 2021**		
			2021	**LFL* change**	**Outperf. ****
Europe & Africa	44%	7,403	6,375	+10%	+10 pts
Asia, Middle East & Oceania	34%	5,618	4,838	+9%	+1 pt
o/w China	*17%*	*2,837*	*2,261*	*+7%*	*+1 pt*
o/w Japan	*7%*	*1,112*	*1,024*	*+14%*	*+14 pts*
o/w South Korea	*6%*	*1,072*	*1,084*	*+2%*	*-6 pts*
o/w India	*1%*	*204*	*198*	*-6%*	*-29 pts*
North America	20%	3,363	2,677	+13%	+3 pts
South America	2%	364	261	+25%	+17 pts
TOTAL	**100%**	**16,748**	**14,151**	**+10%**	**+3 PTS**

* *Like for like(3).*
** *Based on S&P Global Mobility automotive production estimates released on February 16, 2023.*
*** *Original equipment sales by destination region.*

In 2022, original equipment sales delivered strong like-for-like growth in all automotive production regions. Worldwide, original equipment sales outperformed global automotive production by 3 percentage points (by 5 percentage points on an adjusted basis including the high-voltage electrification business):

- **in Europe and Africa**, like-for-like original equipment sales were up 10%, outperforming automotive production by 10 percentage points, mainly driven by sales in the Comfort & Driving Assistance Systems Business Group (**ADAS**/cameras) and in **Thermal Systems in the field of high-voltage electrified vehicles** (battery cooling systems, dedicated air conditioning systems for electric vehicles, heat pumps, etc.) with German and French customers. The Visibility Systems Business Group saw an acceleration in original equipment sales in the fourth quarter (with growth expected to continue in 2023, powered by the start of production on a very large number of projects and an improved product mix as electronic component supplies return to normal). On an adjusted basis(1), the Group's performance was boosted by the acceleration in the high-voltage electric powertrain business;
- **in Asia**, original equipment sales advanced 9% on a like-for-like basis, outperforming global automotive production by 1 percentage point:
  - **in China**, like-for-like original equipment sales were up 7%, outperforming global automotive production by 1 percentage point. The Comfort & Driving Assistance Systems Business Group saw a significant acceleration in its cameras business with Chinese and international customers. The Thermal Systems Business Group's performance was lifted by a surge in sales to German and Chinese customers. Conversely, the Powertrain Systems Business Group was impacted by the slowdown in the truck market, while the Visibility Systems Business Group was penalized by an unfavorable customer and product mix (lower electronics content),
  - **in Japan**, original equipment sales were up 14% on a like-for-like basis, outpacing global automotive production by 14 percentage points thanks to an acceleration in sales to Japanese customers by the Comfort & Driving Assistance (front cameras) and Thermal Systems (notably electric compressors) Business Groups;
- **in North America**, like-for-like original equipment sales climbed 13%, outperforming global automotive production by 3 percentage points. This performance was mainly attributable to the ramp-up of numerous projects in ADAS and to market share gains in the powertrain segment. Conversely, the Thermal Systems Business Group was affected by the expiry of a contract for front-end modules with a Japanese automaker, while the Visibility Systems Business Group was penalized by an unfavorable product mix (lower electronics content);
- **in South America**, original equipment sales expanded by 25% on a like-for-like basis, outperforming automotive production by 17 percentage points.

(3) See financial glossary, page 47.

Balanced geographic positioning and customer portfolio

Production regions	2022	2021
Western Europe	29%	31%
Eastern Europe & Africa	16%	15%
China	18%	16%
Asia excluding China	15%	18%
United States	8%	8%
Mexico	12%	11%
South America	2%	1%
TOTAL	**100%**	**100%**
Asia and emerging countries	**63%**	**61%**

Customers	2022	2021
German	31%	30%
Asian	32%	33%
American	19%	18%
French	13%	14%
Other	5%	5%
TOTAL	**100%**	**100%**

5.1.2 2022 segment reporting

Sales by Business Group

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group *(in millions of euros)*	2022	vs. 2021			
		2021	Change	Change in OE sales*	Outperf.**
Comfort & Driving Assistance Systems***	4,234	3,417	+24%	+18%	+11 pts
Powertrain Systems	5,689	4,651	+22%	+8%	+1 pt
Thermal Systems	4,543	3,926	+16%	+12%	+5 pts
Visibility Systems	5,363	5,094	+5%	+5%	-2 pts

* *Like for like*[(4)]*.*
** *Based on S&P Global Mobility automotive production estimates released on February 16, 2023 (2022 global production growth: 7%).*
*** *Excluding the TCM (Top Column Module) business.*

The Comfort & Driving Assistance Systems Business Group outperformed global automotive production by 11 percentage points, thanks to the start-up of numerous **ADAS** projects (particularly for cameras) in the main production regions (Europe, North America and China), thereby strengthening its position as a world leader. Like-for-like original equipment sales were up by 29% for ADAS and by 2% for the reinvention of the interior experience, to 2.5 billion euros and 1.3 billion euros, respectively.

The Powertrain Systems Business Group delivered an outperformance of 1 percentage point, supported by market share gains in North America and the acceleration of its original equipment business in South Korea in the second half of the year. In China, original equipment sales were affected by the slowdown in the truck market.

On an adjusted basis[(1)], i.e., including the **high-voltage electric powertrain business**, original equipment sales for the Powertrain Systems Business Group were lifted by the acceleration in electrification, resulting in an outperformance of 5 percentage points.

The Thermal Systems Business Group outperformed global automotive production by 5 percentage points, thanks to strong sales of its systems for **high-voltage electrified vehicles** (battery cooling systems, dedicated air conditioning systems for electric vehicles, heat pumps, etc.) in Europe with German and French customers. The Business Group also benefited in China from an acceleration in sales to German and Chinese customers. In North America, the Business Group was negatively impacted by the expiry of a front-end modules contract with a Japanese automaker.

(4) See financial glossary, page 47.

The Visibility Systems Business Group underperformed global automotive production by 2 percentage points in 2022. Note that original equipment sales accelerated in the fourth quarter, driving a 6 percentage point outperformance. This trend is expected to continue in 2023, propelled by the start of production on a very large number of projects and an improved product mix (electronics content) as electronic component supplies return to normal.

EBITDA[(5)] by Business Group

EBITDA *(in millions of euros and as a % of sales by Business Group)*	**2022**	**2021**	**Change**
Comfort & Driving Assistance Systems	671	587	+14%
	15.8%	17.2%	-1.4 pts
Powertrain Systems	619	566	+9%
	10.9%	12.2%	-1.3 pts
Thermal Systems	333	428	-22%
	7.3%	10.9%	-3.6 pts
Visibility Systems	705	675	+4%
	13.1%	13.3%	-0.2 pts
Other*	73	52	+40%
GROUP	**2,401**	**2,308**	**+4%**
	12.0%	**13.4%**	**-1.4 PTS**

* *Including the Top Column Module business.*

High inflation dented profitability in all Business Groups. In an effort to curb the impact of inflation (electronic components, raw materials, energy, transportation and wages) on their earnings, the Business Groups negotiate compensation with their customers. These negotiations also aim to increase the use of price indexation clauses and the frequency of price indexation in commercial contracts.

At Group level, the net impact of the increase in the cost of raw materials, energy and transportation in 2022 was around 200 million euros. The net impact of the increase in wages was around 60 million euros.

In accordance with the Move Up strategic plan, the **Comfort & Driving Assistance Systems Business Group** is leveraging its leading-edge ADAS technologies, which are currently seeing robust growth linked to higher penetration rates for new driving assistance solutions. In this environment, Comfort & Driving Assistance Systems posted an EBITDA margin of 15.8%, lifted by sales of ADAS and products related to the reinvention of the interior experience, which reported margins of 18.0% and 11.2%, respectively.

Profitability for the **Powertrain Systems Business Group** was in line with the trajectory set out in the Move Up strategic plan, with a 50% year-on-year reduction in losses in the high-voltage business (formerly Valeo Siemens eAutomotive) and synergies unlocked (pooling of R&D and industrial organization costs for the low- and high-voltage electrification businesses) after the integration of the business on July 1, 2022. In the second half of the year, the Business Group's profitability was affected by the integration of the high-voltage electrification business, whose earnings dragged down those for the Powertrain Systems Business Group as a whole.

The Thermal Systems Business Group was the hardest hit due to sluggish production volumes for certain vehicles in Europe and to the higher price paid for aluminum supplies (including the cost of premiums, additives, processing and transportation as well as anti-dumping taxes), which was out of step with the benchmark index (LME).

The Visibility Systems Business Group saw its margins hold firm (EBITDA margin down 0.2 percentage points at 13.1%) thanks to the strong momentum of its aftermarket business and good cost discipline.

(5) *See financial glossary, page 47.*

5.1.3. 2022 earnings

In an environment impacted by lower volumes due to the shortage of electronic components and lockdown measures in China, as well as by the increase in raw material prices, wages, EBITDA and EBIT margins stood at 12.0% and 3.2% of sales respectively.

		2022	2021	Change
Sales	*(in millions of euros)*	20,037	17,262	+16%
Gross margin	*(in millions of euros)*	3,447	3,040	13%
	(as a % of sales)	*17.2%*	*17.6%*	*-0.4 pts*
EBITDA*	*(in millions of euros)*	2,401	2,308	+4%
	(as a % of sales)	*12.0%*	*13.4%*	*-1.4 pts*
Operating margin excluding share in net earnings of equity-accounted companies	*(in millions of euros)*	635	699	-9%
	(as a % of sales)	*3.2%*	*4.0%*	*-0.8 pts*
Share in net earnings of equity-accounted companies	*(in millions of euros)*	115	(243)	-147%
	(as a % of sales)	*0.6%*	*(1.4%)*	*+2.0 pts*
Operating margin including share in net earnings of equity-accounted companies*	*(in millions of euros)*	750	456	64%
	(as a % of sales)	*3.7%*	*2.6%*	*+1.1 pts*
Net attributable income	*(in millions of euros)*	230	175	+31%
	(as a % of sales)	*1.1%*	*1.0%*	*+0.1 pts*

* *See financial glossary, page 47.*

Gross margin narrowed by 0.4 percentage points year on year to 17.2% of sales, breaking down as follows:

- volume effect (positive 0.5 percentage point impact);
- the net negative 0.9 percentage point impact of inflation (excluding wages) on our costs, in line with the guidance of 200 million euros;
- the net negative 0.3 percentage point impact of pay increases (in addition to the increase in 2021), in line with the guidance of 60 million euros;
- a favorable product mix effect of 1.1 percentage points;
- net effect of -0.4 percentage points, resulting from the dilution impact, partially offset by operational efficiency programs;
- the negative 0.4 percentage point Group structure impact following the integration (as from July 1, 2022) of Valeo Siemens eAutomotive within the Powertrain Systems Business Group.

As in 2021, the Group continued its Research and Development efforts in 2022 in order to fulfill the order intake recorded over the past few years and in line with its strategy geared to products incorporating innovative technologies. Gross Research and Development expenditure represented 10.4% of sales (up 0.5 percentage points on 2021), in line with the Group's business and project momentum.

		2022	2021	Change
Gross Research and Development expenditure	*(in millions of euros)*	**(2,077)**	**(1,704)**	**+22%**
	(as a % of sales)	*(10.4%)*	*(9.9%)*	*-0.5 pts*
IFRS impact*	*(in millions of euros)*	**87**	**52**	**+67%**
Subsidies and grants, and other income	*(in millions of euros)*	122	142	-14%
Research and Development expenditure	*(in millions of euros)*	**(1,880)**	**(1,510)**	**+25%**
	(as a % of sales)	*(9.4%)*	*(8.7%)*	*-0.7 pts*
Customer contributions to R&D	*(in millions of euros)*	524	385	36%
Net R&D expenditure	*(in millions of euros)*	**(1,356)**	**(1,125)**	**21%**
	(as a % of sales)	*(6.8%)*	*(6.5%)*	*-0.3 pts*
Capitalized development expenditure	*(in millions of euros)*	657	586	12%
	(as a % of sales)	*3.3%*	*3.4%*	*-0.1 pts*
Amortization, net of the impact of investment subsidies, and impairment losses**	*(in millions of euros)*	(570)	(534)	7%
	(as a % of sales)	*(2.8%)*	*(3.1%)*	*+0.3 pts*
IFRS impact*	*(in millions of euros)*	**87**	**52**	**+67%**
	(as a % of sales)	*0.4%*	*0.3%*	*+0.1 pts*

* *Impairment losses recorded in operating margin only.*
** *Difference between capitalized development expenditure and amortization, net of the impact of investment subsidies, and impairment losses.*

The IFRS impact (the difference between capitalized development expenditure and amortization, net of the impact of investment subsidies, and impairment losses) increased by 0.1 percentage points year on year to a positive 0.4%, underlining the quality of the Group's earnings composition. In the statement of income, Research and Development expenditure represented 9.4% of sales, a rise of 0.7 percentage points compared to 2021.

Net Research and Development expenditure (after taking into account contributions from customers) represented 6.8% of sales, in line with the Move Up strategic plan, which sets a target of around 6.5% of sales in 2025.

Administrative and selling expenses came out 0.1 percentage points down on 2021, at 4.7% of sales.

EBITDA margin came in at 2,401 million euros, or 12.0% of sales, in line with 2022 guidance (EBITDA margin of between 11.8% and 12.3% of sales).

Operating margin excluding the share in net earnings of equity-accounted companies came in at 635 million euros, or 3.2% of sales, in line with 2022 guidance (between 3.2% and 3.7% of sales). In the second half of the year, operating margin amounted to 3.6% of sales, up 0.9 percentage points on first-half 2022. This increase was driven by compensation from customers applied retroactively as from January 1, 2022 and an improvement in production volumes compared with the first half.

The share in net earnings of equity-accounted companies represented income of 115 million euros, taking into account:

- the share in first-half net losses (-82 million euros) of the Valeo Siemens eAutomotive joint venture (fully consolidated in Valeo's financial statements from July 1, 2022);
- the 181 million euros gain on disposal relating to the remeasurement at fair value of the Group's previously-held 50% interest in Valeo Siemens eAutomotive (IFRS 3) prior to the takeover;
- the share in net earnings of other joint ventures (16 million euros), affected by lockdown measures in China.

Operating margin including the share in net earnings of equity-accounted companies amounted to 750 million euros, or 3.7% of sales.

Operating income came to 644 million euros. This includes other income and expenses for an overall amount of -106 million euros, or -0.5% of sales, including 43 million euros in impairment charged against Valeo's assets relating to Russia.

Amid rising interest rates and the refinancing of Valeo Siemens eAutomotive debt, cost of debt increased to 131 million euros (compared with 60 million euros in 2021), following the issue of 700 million euros' worth of bonds in July 2021 and the drawdown of (in two tranches of 300 million euros each, in June 2021 and February 2022) of the 600 million euros in financing granted by the European Investment Bank (EIB).

Other financial items represented a net expense of 4 million euros in 2022 versus net income of 96 million euros in 2021 which had been boosted by a good performance from the Group's investments in various innovation funds.

The effective tax rate came out at 37%.

The Group recorded net attributable income of 230 million euros for the period, or 1.1% of sales, after deducting non-controlling interests in an amount of 65 million euros.

Return on capital employed (ROCE) and **return on assets** (ROA) stood at 12% and 6%, respectively.

5.1.4 Cash flow and financial position

Stockholders' equity

At December 31, 2022, consolidated stockholders' equity amounted to 4,612 million euros versus 4,491 million euros at December 31, 2021. The sharp 121 million euros increase was mainly attributable to:

- consolidated net income for 2022 of 295 million euros;
- actuarial gains on pension obligations, net of deferred taxes, of 242 million euros;
- 41 million euros in favorable changes in cash flow hedges;
- share-based payments of 21 million euros and the 14 million euros share capital increase linked to the 2022 Shares4U employee share ownership plan;
- a translation adjustment representing a positive 28 million euros.

These positive factors were partially offset by:

- the adverse 346 million euros impact of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets". These amendments specify the costs to include in estimating provisions for onerous contracts;
- dividends paid to Group shareholders in an amount of 84 million euros and to non-controlling interests in an amount of 52 million euros;
- the impacts of the share buyback program implemented in the first half of 2022 in an amount of 50 million euros; and
- the remeasurement of long-term investments for 4 million euros.

Provisions

(in millions of euros)	December 31, 2022	December 31, 2021
Provisions for pensions and other employee benefits	775	1,043
Provisions for product warranties	460	401
Provisions for onerous contracts(1)	329	10
Provisions for restructuring costs	51	43
Provisions for unfavorable contracts(2)	186	—
Provisions for employee-related and other disputes	110	155
Provisions for tax-related disputes	25	40
Environmental provisions	15	13
PROVISIONS	**1,951**	**1,705**
Of which long-term portion (more than one year)	1,429	1,311

(1) For the year ended December 31, 2022, the application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" resulted in an increase in provisions for onerous contracts of 183 million euros at January 1, 2022. An amount of 380 million euros was also recognized at July 1, 2022 following the integration of Valeo Siemens eAutomotive.

(2) Following the takeover of Valeo Siemens eAutomotive, the Group conducted an analysis at the acquisition date (July 4, 2022) to determine whether or not the third-party agreements entered into by the joint venture were favorable in light of market conditions. This analysis led the Group to set aside a provision for onerous contracts.

Net provisions for pensions and other employee benefits decreased by 268 million euros between December 31, 2021 and December 31, 2022, mainly thanks to net actuarial gains before taxes totaling 249 million euros in 2022, primarily reflecting the increase in discount rates in most regions of the world. These net actuarial gains consist of actuarial gains on pension obligations of 408 million euros, partly offset by actuarial losses on financing assets of 159 million euros.

Provisions for product warranties increased by 59 million euros over the year, from 401 million euros at December 31, 2021 to 460 million euros at December 31, 2022.

Provisions for onerous contracts amounted to 329 million euros at December 31, 2022. The increase compared with December 31, 2021 was mainly due to the application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" at January 1, 2022, which led to a 183 million euros increase, as well as the acquisition of the Valeo Siemens eAutomotive joint venture on July 4, 2022, which increased this item by 380 million euros. The transaction also gave rise to the recognition of 186 million euros in provisions for unfavorable contracts at December 31, 2022, reflecting the fair value measurement of the joint venture's contractual relationships with third parties prior to its acquisition by the Valeo Group.

The total amount of provisions for restructuring costs rose by 8 million euros to 51 million euros at December 31, 2022 versus 43 million euros at December 31, 2021. In 2022, restructuring provisions were impacted by expenses relating to early retirement plans in Germany and Japan, along with new restructuring plans, mostly in Europe.

Provisions for tax-related disputes were down at December 31, 2022, amounting to 25 million euros, compared with 40 million euros at end-2021, mainly due to the resolution of a customs dispute in the United States at the end of the year. Environmental provisions were virtually stable year on year.

Provisions for employee-related and other disputes decreased by 45 million euros in 2022, mainly after settlements were reached with two automakers in connection with antitrust investigations. At a total of 110 million euros at end-2022, said provisions cover risks arising in connection with former employees (relating to asbestos), intellectual property disputes and various other disputes related to Valeo's operating activities across the globe.

Cash flows and debt

(in millions of euros)	2022	2021
Gross operating cash flows	1,968	2,183
Income taxes paid	(291)	(237)
Change in operating working capital	231	(319)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,908**	**1,627**
Net payments for purchases of intangible assets and property, plant and equipment	(1,409)	(1,264)
Net payments for the principal portion of lease liabilities[1]	(101)	(86)
Elimination of change in non-recurring sales of accounts and notes receivable[2]	(10)	15
FREE CASH FLOW[3]	**388**	**292**
Change in non-recurring sales of accounts and notes receivable[2]	10	(15)
Net change in certain non-current financial asset items[1][3]	(174)	(277)
Acquisitions of investments with gain of control, net of cash acquired	(352)	(8)
Disposals of investments with loss of control, net of cash transferred	—	(31)
Dividends paid to owners of the Company and to non-controlling interests of consolidated subsidiaries	(143)	(101)
Capital increase in cash	14	16
Sale (purchase) of treasury stock	(50)	—
Net interest paid/received	(100)	(28)
NET CASH FLOW[3]	**(407)**	**(83)**

(1) The net cash inflow of 8 million euros in respect of lease receivables was set off against payments for the principal portion of lease liabilities.
(2) Valeo carries out recurring and one-off sales of its accounts and notes receivable to banks. An agreement at a specific date is drawn up for one-off, or non-recurring, transactions of this type. Each contract is analyzed in light of the principles set out in IFRS 9 on the derecognition of financial assets in order to determine whether the risks and rewards inherent to ownership of the receivables has been transferred (see section 5.4.6 of this chapter, Note 5.2 "Accounts and notes receivable" to the 2022 consolidated financial statements, pages 355 to 356).
(3) See financial glossary, page 47.

Gross operating cash flows fell from 2,183 million euros in 2021 to 1,968 million euros in 2022. However, net cash flows from operating activities rose significantly from 1,627 million euros in 2021 to 1,908 million euros in 2022, driven by an improvement in operating working capital.

Changes in working capital reflect cash generated in an amount of 231 million euros in 2022 compared with cash consumed in an amount of 319 million euros in 2021. The improvement in 2022 was recorded despite the Group having maintained a high level of inventory during the year to supply customers.

Income taxes paid rose to 291 million euros in 2022 from 237 million euros in 2021.

Net payments for purchases of property, plant and equipment and intangible assets in 2022 generated a net cash outflow of 1,409 million euros, representing a year on year increase of 145 million euros. As a percentage of sales, this item was down slightly compared to 2021. The level of total investment in Europe was relatively higher, reflecting the region's greater weighting in the Group's Research and Development program.

In an environment marked by an increase in production costs and the ongoing impact of the electronic components shortage on global automotive production, Valeo generated positive free cash flow[6] of 388 million euros in 2022, up from 292 million euros in 2021.

(6) See financial glossary, page 47.

Free cash flow[7] totaling 388 million euros for the year partly helped to fund:

- the net change in non-current financial assets, representing a negative 174 million euros, mainly comprising additional loans of 112 million euros granted to the Valeo Siemens eAutomotive joint venture in the first half of the year, investments net of dividends received in long-term investments for 10 million euros, and the 55 million euros outflow relating to the acquisition of the non-controlling interests in Valeo Shanghaï Automotive Electric & Wiper Systems Co Ltd. after STEC, the non-controlling shareholder, exercised its put option on its entire stake in the company in 2021. At December 31, 2021, the exercise of the option resulted in the recognition of a short-term liability in the Group's financial statements, which was settled in the first half of 2022;
- the acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture, which resulted in a net cash outflow to the co-shareholder of 350 million euros;
- dividends paid to Group stockholders in an amount of 84 million euros and to non-controlling interests in consolidated subsidiaries in an amount of 59 million euros;
- share buybacks in an amount of 50 million euros;
- net interest paid in 2022, representing an outflow of 100 million euros. The sharp increase in this item compared to 2021 is mainly attributable to the increase in interest rates during the year and the cash inflow of 41 million euros in 2021 relating to foreign currency hedges entered into to hedge the 575 million US dollar non-dilutive convertible bond redeemed in June 2021.

After taking into account the 14 million euros capital increase carried out in connection with the Shares4U employee share plan, net cash flow for the year represented an outflow of 407 million euros in 2022 versus 83 million euros in 2021.

Net cash flows from financing activities in 2022 include (i) subscriptions of long-term loans and borrowings in an amount of 1,474 million euros, mainly corresponding to a 750 million euros bond issue maturing in May 2027, the issue of two *Schuldschein* loans for a total amount of 341 million euros, made up of seven repayment tranches with maturities from 2025 to 2029, the drawdown of the second 300 million tranche of the 600 million euros in financing granted by the EIB (European Investment Bank) in 2021 and a bilateral bank loan set up for 100 million euros, maturing in August 2026, ii) repayments of long-term loans and borrowings of 744 million euros, corresponding mainly to the redemption of the 600 million euros bond issued in 2017 as part of the Euro Medium Term Note program and 101 million euros in lease liabilities recognized in accordance with IFRS 16 – "Leases". The change in short-term financing in 2022 represented a positive 411 million euros. Short-term financing mainly includes Negotiable European Commercial Paper (NEU CP), formerly "commercial paper", and is presented in net cash flows from financing activities in the consolidated statement of cash flows. After taking into account these items along with the impact of changes in exchange rates (negative 4 million euros impact), consolidated net cash and cash equivalents increased by 837 million euros in 2022, compared to a decrease of 530 million euros in 2021.

Net debt rose from 3,104 million euros at December 31, 2021 to 4,002 million euros at December 31, 2022, an increase of 898 million euros. The leverage ratio (net debt/EBITDA[7]) came out at 1.67, compared with 1.34 at December 31, 2021, while the gearing ratio (net debt/stockholders' equity) stood at 105%, an increase compared with December 31, 2021. Net debt at December 31, 2022 amounting to 4,002 million euros includes 617 million euros in lease liabilities and 12 million euros in liabilities resulting from put options granted to non-controlling interests, namely Marco Polo which owns 40% of the Brazilian company Spheros Climatizaçao do Brasil SA and the founders of Asaphus Vision Gmbh, which own a 40% interest in the startup.

EBITDA[7] can be reconciled to free cash flow[7] as follows:

(in millions of euros)	**2022**	**2021**
EBITDA[7]	2,401	2,308
Change in operating working capital*	99	(460)
Restructuring costs	(80)	(78)
Income tax	(291)	(237)
Provisions for pensions and other employee benefits	(31)	(18)
Payments for the principal portion of lease liabilities	(101)	(86)
Other operating items	(1,621)	(1,693)
Investments in property, plant and equipment and intangible assets	—	—
FREE CASH FLOW[7]	**388**	**292**
CASH CONVERSION RATE (% EBITDA)	**16%**	**13%**

* *Change in working capital excluding (i) changes in non-recurring sales of accounts and notes receivable in a positive amount of 15 million euros compared with a negative amount of 21 million euros in 2021 and (ii) the restatement of cash contributions to R&D reclassified within investments in property, plant and equipment and intangible assets.*

(7) See financial glossary, page 47.

Investments over the past two years

Investments *(in millions of euros)*	2022	2021
Property, plant and equipment	1,001	961
Intangible assets	691	604
Including capitalized development expenditure	*657*	*586*
TOTAL	**1,692**	**1,565**
as a % of sales	8.4%	9.1%

Investments *(as a % of sales by geographic area)*	2022	2021
Europe & Africa	9.9%	11.8%
North America	6.1%	5.7%
South America	2.1%	2.0%
Asia & other	7.2%	6.9%

2022

Group investments amounting to 1,692 million euros fell by 0.7 percentage points of sales between 2021 and 2022. By Business Group, investments increased in 2022 in the Comfort & Driving Assistance Business Group and decreased or remained stable in the other Business Groups.

The level of total investment in Europe was relatively higher, mainly reflecting the region's greater weighting in the Group's Research and Development program.

Commitments

The table below shows the main commitments given:

(in millions of euros)	December 31, 2022	December 31, 2021	December 31, 2020
Lease commitments	22	23	85
Guarantees given	7	—	2
Non-cancelable asset purchase commitments	620	416	464
Other commitments given	52	72	28
TOTAL	**701**	**511**	**579**

At December 31, 2022, future minimum commitments on outstanding leases excluded from the scope of IFRS 16 and on leases signed but not yet in force, represented 22 million euros. compared to 23 million euros at December 31, 2021.

Binding asset purchase commitments given by the Group rose from 416 million euros at December 31, 2021 to 620 million euros at December 31, 2022, reflecting the increase in business and the integration of Valeo eAutomotive in the second half of the year.

Other commitments given mainly relate to guarantees granted by Valeo in connection with its operating activities (10 million euros at December 31, 2022 compared with 17 million euros at end-2021). Valeo also granted a 31 million euros guarantee within the scope of its reinsurance operations, also included in other commitments.

5.2 Subsequent events

None.

5.3 Trends and outlook

5.3.1 2023 outlook

Given the uncertainty regarding automotive production in our main business regions, and taking into account net inflation and cost reduction measures, we are setting the following objectives for 2023 (see below).

These objectives lead to:

- a 0.8 to 1.6 percentage point improvement compared with 2022 adjusted profitability (i.e., operating margin including the high-voltage electric powertrain business within the Powertrain Systems Business Group as of January 1, 2022);
- a significant improvement in free cash flow generation (compared with 2022 adjusted free cash flow);
- with a significant improvement of our financial performance in second-half 2023 compared to the first half of the year.

	2022	2022 adjusted*	2023 guidance**
Sales *(in billions of euros)*	20.0	20.4	22.0-23.0
Operating margin *(as a % of sales)*	3.2%	2.4%	3.2%-4.0%
EBITDA *(as a % of sales)*	12.0%	11.4%	11.5%-12.3%
Free cash flow *(in millions of euros)*	388	205	>320

* *2022 data has been adjusted to include the integration of the high-voltage business (formerly Valeo Siemens eAutomotive) within the Powertrain Systems Business Group as of January 1, 2022.*
** *Based on the following assumptions:*
- *growth in global automotive production of between 0% and 3.3% in 2023 (3.3% = S&P Global Mobility estimates released on February 16, 2023);*
- *an acceleration in automotive production in the second half of the year (in line with the S&P Global Mobility scenario released on February 16, 2023);*
- *price increases (in relation to cost inflation) and internal cost reduction measures.*

The financial statements for the year ended December 31, 2022 were authorized for issue by the Board of Directors on February 23, 2023.

5.3.2 Impacts of the Russia-Ukraine conflict

The Group is closely monitoring the situation and is doing everything it can to support its customers and employees while acting in the strictest compliance with the sanctions imposed by governments around the world.

Before the conflict broke out, the Group's activities in Russia represented less than 1% of its total sales.

As indicated in the press release of February 23, 2023, Valeo wrote down all of its assets relating to Russia in 2022, recognizing an impairment charge of 43 million euros in its financial statements.

5.4 2022 consolidated financial statements AFR

In accordance with Article 19 of Regulation (EU) 2017/1129, of the European Parliament and of the Council of 14 June 2017 the following information is incorporated by reference in this Universal Registration Document:

- the consolidated financial statements and the Statutory Auditors' report for the year ended December 31, 2021, set out on pages 326 to 408 and 409 to 414 of the Universal Registration Document registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022 under number D.22-0254;
- the consolidated financial statements and the Statutory Auditors' report for the year ended December 31, 2020, set out on pages 312 to 392 and 393 to 398 of the Universal Registration Document registered with the AMF on April 6, 2021 under number D.21-0260.

5.4.1 Consolidated statement of income

(in millions of euros)	Notes	2022	2021
SALES	*5.1*	**20,037**	**17,262**
Cost of sales	*5.3*	(16,590)	(14,222)
Research and Development expenditure	*5.5.1.2*	(1,880)	(1,510)
Selling expenses		(286)	(259)
Administrative expenses		(646)	(572)
OPERATING MARGIN		**635**	**699**
as a % of sales		*3.2%*	*4.0%*
Share in net earnings of equity-accounted companies	*5.5.3.1*	115	(243)
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*5.5*	**750**	**456**
as a % of sales		*3.7%*	*2.6%*
Other income and expenses	*5.6.2*	(106)	(50)
OPERATING INCOME INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*5.6.1*	**644**	**406**
Cost of net debt	*9.2*	(131)	(60)
Other financial income and expenses	*9.2*	(4)	96
INCOME BEFORE INCOME TAXES		**509**	**442**
Income taxes	*10.1*	(214)	(197)
NET INCOME FOR THE YEAR		**295**	**245**
Attributable to:			
• Owners of the Company		230	175
• Non-controlling interests	*11.1.3*	65	70
Attributable earnings per share:			
• Basic earnings per share *(in euros)*	*11.2*	0.95	0.73
• Diluted earnings per share *(in euros)*	*11.2*	0.94	0.72

The Notes are an integral part of the consolidated financial statements.

5.4.2 Consolidated statement of comprehensive income

(in millions of euros)	2022	2021
NET INCOME FOR THE YEAR	**295**	**245**
Share of changes in comprehensive income from equity-accounted companies that may subsequently be recycled to income	9	(5)
o/w income taxes	—	—
Translation adjustment	28	277
Cash flow hedges:		
• Gains (losses) taken to equity	41	53
• (Gains) losses transferred to income for the year	2	(66)
o/w income taxes	*(10)*	*2*
OTHER COMPREHENSIVE INCOME THAT MAY SUBSEQUENTLY BE RECYCLED TO INCOME	**80**	**259**
Share of changes in comprehensive income from equity-accounted companies that may not subsequently be recycled to income	—	1
o/w income taxes	—	—
Actuarial gains on defined benefit plans	242	80
o/w income taxes	*(7)*	*9*
Remeasurement of long-term investments	(4)	(7)
o/w income taxes	—	—
OTHER COMPREHENSIVE INCOME THAT MAY NOT SUBSEQUENTLY BE RECYCLED TO INCOME	**238**	**74**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**318**	**333**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**613**	**578**
Attributable to:		
• Owners of the Company	551	492
• Non-controlling interests	62	86

The Notes are an integral part of the consolidated financial statements.

5.4.3 Consolidated statement of financial position

(in millions of euros)	Notes	December 31, 2022[(1)]	December 31, 2021
ASSETS			
Goodwill	*7.1*	3,245	2,552
Other intangible assets	*7.2*	2,774	2,367
Property, plant and equipment	*7.3*	5,309	4,962
Investments in equity-accounted companies	*5.5.3.2*	110	110
Other non-current financial assets	*9.1.5.1*	483	742
Assets relating to pensions and other employee benefits	*6.3*	49	29
Deferred tax assets	*10.2*	555	526
NON-CURRENT ASSETS		**12,525**	**11,288**
Inventories, net	*5.4*	2,383	1,990
Accounts and notes receivable, net	*5.2*	2,759	2,377
Other current assets		829	664
Taxes receivable		30	27
Other current financial assets	*9.1.5.2*	96	74
Cash and cash equivalents	*9.1.3.2*	3,329	2,415
Assets held for sale	*3.2.2*	78	—
CURRENT ASSETS		**9,504**	**7,547**
TOTAL ASSETS		**22,029**	**18,835**
EQUITY AND LIABILITIES			
Share capital	*11.1.1*	244	243
Additional paid-in capital	*11.1.1*	1,573	1,560
Translation adjustment	*11.1.2*	175	(14)
Retained earnings		1,830	1,906
STOCKHOLDERS' EQUITY		**3,822**	**3,695**
Non-controlling interests	*11.1.3*	790	796
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**4,612**	**4,491**
Provisions for pensions and other employee benefits – long-term portion	*6.3*	747	990
Other provisions – long-term portion	*8.1*	682	321
Long-term portion of long-term debt	*9.1.2*	5,074	4,350
Other financial liabilities – long-term portion	*9.1.4*	35	25
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	*9.1.2.2*	7	12
Subsidies and grants – long-term portion		120	99
Deferred tax liabilities	*10.2*	58	63
NON-CURRENT LIABILITIES		**6,723**	**5,860**
Accounts and notes payable		5,586	4,633
Provisions for pensions and other employee benefits – current portion	*6.3*	77	82
Other provisions – current portion	*8.1*	494	341
Subsidies and grants – current portion		68	23
Taxes payable		103	148
Other current liabilities		1,986	1,697
Current portion of long-term debt	*9.1.2*	1,029	781
Other financial liabilities – current portion	*9.1.4*	42	26
Liabilities associated with put options granted to holders of non-controlling interests – current portion	*9.1.2.2*	5	5
Short-term financing	*9.1.2.3*	1,162	748
Bank overdrafts	*9.1.2.3*	77	—
Liabilities held for sale	*3.2.2*	65	—
CURRENT LIABILITIES		**10,694**	**8,484**
TOTAL EQUITY AND LIABILITIES		**22,029**	**18,835**

(1) The consolidated statement of financial position at December 31, 2022 takes into account the impacts of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" (see Note 1.1.1, page 339) and of applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" to Turkish entities for the first time (see Note 2.4, page 346) as from January 1, 2022 without restatement of comparative periods.

The Notes are an integral part of the consolidated financial statements.

5.4.4 Consolidated statement of cash flows

(in millions of euros)	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		295	245
Share in net earnings of equity-accounted companies		(115)	243
Net dividends received from equity-accounted companies		16	17
Expenses (income) with no cash effect	*12.1*	1,427	1,421
Cost of net debt		131	60
Income taxes (current and deferred)		214	197
GROSS OPERATING CASH FLOWS		**1,968**	**2,183**
Income taxes paid		(291)	(237)
Changes in working capital	*12.2*	231	(319)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,908**	**1,627**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(682)	(601)
Acquisitions of property, plant and equipment		(807)	(749)
Investment subsidies and grants received		50	25
Disposals of property, plant and equipment and intangible assets		30	61
Net change in non-current financial assets	*12.3*	(166)	(269)
Acquisitions of investments with gain of control, net of cash acquired(1)	*12.4*	(352)	(8)
Disposals of investments with loss of control, net of cash transferred	*12.5*	—	(31)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,927)**	**(1,572)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(84)	(72)
Dividends paid to non-controlling interests in consolidated subsidiaries		(59)	(29)
Capital increase	*11.1.1*	14	16
Sale (purchase) of treasury stock	*11.1.1.3*	(50)	—
Issuance of long-term debt	*12.6*	1,474	993
Interest paid		(154)	(99)
Interest received		54	71
Repayment of long-term debt	*12.6*	(744)	(632)
Change in short-term financing	*9.1.2.3*	411	(889)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**862**	**(641)**
CASH AND CASH EQUIVALENTS RELATING TO OPERATIONS HELD FOR SALE	*3.2.2*	**(2)**	**1**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4)**	**55**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**837**	**(530)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,415**	**2,945**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,252**	**2,415**
Of which:			
• Cash and cash equivalents		3,329	2,415
• Bank overdrafts		(77)	—

(1) For 2022, the net cash flows resulting from the acquisition of Siemens' 50% interest in the Valeo Siemens eAutomotive joint venture include the 403 million euros paid by the Group in consideration for the transfer by Siemens of its equity interests and financial receivables relating to the joint venture (see Note 2.2, pages 343 to 345).

The Notes are an integral part of the consolidated financial statements.

5.4.5 Consolidated statement of changes in stockholders' equity

Number of shares outstanding	*(in millions of euros)*	Share capital	Additional paid-in capital	Cumulative translation adjustment	Retained earnings	Total stockholders' equity including non-controlling interests – restated(1)(2)		
						Stockholders' equity	Non-controlling interests	Total
240,250,718	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2020(1)**	**242**	**1,545**	**(271)**	**1,727**	**3,243**	**756**	**3,999**
	Dividends paid(3)	—	—	—	(72)	(72)	(37)	(109)
—	Treasury shares	—	—	—	—	—	—	—
857,378	Capital increase	1	15	—	—	16	—	16
618,069	Share-based payment	—	—	—	28	28	—	28
	Put options granted(5)	—	—	—	1	1	—	1
	Other movements	—	—	—	(13)	(13)	(9)	(22)
	TRANSACTIONS WITH OWNERS	**1**	**15**	**—**	**(56)**	**(40)**	**(46)**	**(86)**
	Net income for the year	—	—	—	175	175	70	245
	Other comprehensive income, net of tax	—	—	257	60	317	16	333
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**257**	**235**	**492**	**86**	**578**
241,726,165	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2021**	**243**	**1,560**	**(14)**	**1,906**	**3,695**	**796**	**4,491**
	Application of amendments to IAS 37(2)	—	—	—	(343)	(343)	(3)	(346)
	First-time application of IAS 29(2)	—	—	—	12	12	—	12
241,726,165	**STOCKHOLDERS' EQUITY AT JANUARY 1, 2022**	**243**	**1,560**	**(14)**	**1,575**	**3,364**	**793**	**4,157**
	Dividends paid(3)	—	—	—	(84)	(84)	(52)	(136)
(3,031,189)	Treasury shares(4)	—	—	—	(50)	(50)	—	(50)
927,163	Capital increase(6)	1	13	—	—	14	—	14
1,494,228	Share-based payment	—	—	—	21	21	—	21
	Put options granted(5)	—	—	—	7	7	(2)	5
	Other movements	—	—	—	(1)	(1)	(11)	(12)
	TRANSACTIONS WITH OWNERS	**1**	**13**	**—**	**(107)**	**(93)**	**(65)**	**(158)**
	Net income for the year	—	—	—	230	230	65	295
	Other comprehensive income, net of tax	—	—	189	132	321	(3)	318
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**189**	**362**	**551**	**62**	**613**
241,116,367	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2022**	**244**	**1,573**	**175**	**1,830**	**3,822**	**790**	**4,612**

(1) The consolidated statement of stockholders' equity differs from that presented in the 2020 consolidated financial statements published in February 2021 since it has been adjusted to reflect the impacts of retrospectively applying IFRIC interpretations relating to the periods of service to which an entity attributes benefit for certain defined benefit plans, as from January 1, 2020, with restatement of comparative periods. The application of these interpretations by Valeo as from the second half of 2021 constitutes a change in accounting method, resulting in a 17 million euros increase in the Group's retained earnings at January 1, 2020.

(2) The consolidated statement of changes in stockholders' equity at December 31, 2022 takes into account the impact of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" (see Note 1.1.1 pages 339 to 340) and of applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" to Turkish entities for the first time (see Note 2.4, page 346) as of January 1, 2022 without restatement of comparative periods.

(3) A cash dividend of 0.35 euros per share was paid in June 2022, representing a total payout of 84 million euros. The per-share amount paid in July 2021 was 0.30 euros.

(4) Changes in stockholders' equity attributable to treasury stock for 2022 include the impact of the share buyback program entered into with an investment services provider on March 24, 2022 in an amount of 50 million euros (see Note 11.1.1.3 pages 412 to 413).

(5) This item includes changes in the fair value of liabilities associated with put options granted to holders of non-controlling interests (see Note 9.1.2.2 pages 396 to 397).

(6) The terms and conditions of the November 17, 2022 capital increase reserved for employees are detailed in Note 11.1.1.1 , page 412.

The Notes are an integral part of the consolidated financial statements.

5.4.6 Notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements of the Valeo Group for the year ended December 31, 2022 include:

- the accounts of Valeo;
- the accounts of its subsidiaries;
- Valeo's share in the net assets and earnings of equity-accounted companies (joint ventures and associates).

Valeo is an independent group fully focused on the design, production and sale of components, systems and services for greener, safer and smarter mobility. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of driving assistance systems. Valeo is one of the world's leading automotive suppliers and is a partner to all automakers across the globe.

Valeo is a European company listed on the Paris Stock Exchange. Its head office is located at 100, rue de Courcelles, 75017 Paris, France.

Valeo's consolidated financial statements for the year ended December 31, 2022 were authorized for issue by the Board of Directors on February 23, 2023.

They will be submitted for approval to the next Annual Shareholders' Meeting.

1.1 Accounting standards applied

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The standards can be consulted on the European Commission's website[8].

The financial statements include the information deemed material as required by the ANC in Standard no. 2016-09.

1.1.1 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2022

The following standards, amendments and interpretations have been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations	**Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract** Effective as of January 1, 2022
Presentation and general principles	On May 14, 2020, the IASB published amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", specifying which costs to include in estimating the cost of fulfilling a contract. These costs include both the incremental costs of fulfilling the contract, such as direct labor costs, and an allocation of other costs that relate directly to fulfilling the contract, such as an allocation of the depreciation charge for equipment used. The European Union adopted these amendments on June 28, 2021.
Impacts for the Group	The main impacts of these amendments were analyzed during the second half of 2021 in order to identify any necessary adjustments. The main change observed relates to the fact that the Group previously used incremental costs to estimate the cost of fulfilling its contracts. The amendments clarified which costs directly relate to a contract and identified other costs such as an allocation of the depreciation charge for generic fixed assets and overheads, which were not previously included in the Group's measurements. The impacts of the application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" on the Group's consolidated financial statements at January 1, 2022 are as follows:

(8) *https://ec.europa.eu/info/law.*

- Consolidated statement of financial position

(in millions of euros)	December 31, 2021	Amendments to IAS 37	January 1, 2022
Investments in equity-accounted companies	110	(1)	109
Other non-current financial assets[1]	742	(169)	573
Deferred tax assets	526	20	546
NON-CURRENT ASSETS		**(150)**	
Accounts and notes receivable, net[2]	2,377	(14)	2,363
CURRENT ASSETS		**(14)**	
TOTAL ASSETS		**(164)**	
Retained earnings	1,906	(343)	1,563
Non-controlling interests	796	(3)	793
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**(346)**	
Other provisions – long-term portion	321	118	439
Deferred tax liabilities	63	(1)	62
NON-CURRENT LIABILITIES		**117**	
Other provisions – current portion	341	65	406
CURRENT LIABILITIES		**65**	
TOTAL EQUITY AND LIABILITIES		**(164)**	

(1) For Valeo Siemens eAutomotive, the methodology used to identify onerous contracts and estimate the impact on the joint venture's financial statements at the transition date is the same as that used within the Valeo Group. As its share in the losses of Valeo Siemens eAutomotive exceeds its interest in the joint venture, the Group allocates said share to the other components of its share in the joint venture, in accordance with IAS 28. Accordingly, at January 1, 2022, the impacts of applying these amendments to Valeo Siemens eAutomotive were allocated to the value of the loans granted to the joint venture by the Group, leading to an increase in the Group's net debt of 169 million euros at that date.

(2) Of which contract assets.

Standards, amendments and interpretations	**IFRIC interpretation on accounting for configuration or customization costs in a Software as a Service arrangement** Effective as of January 1, 2021
Impacts and applications for the Group	In 2019 and April 2021, the IFRS Interpretations Committee ("IFRIC") issued two decisions on IAS 38 – "Intangible Assets". The April 2021 decision concerned the accounting for costs of configuring or customizing software made available in the cloud in a Software as a Service (SaaS) arrangement. The decision states that software configuration and customization costs incurred in an SaaS arrangement should be recognized as an expense either on the date the services are received or spread over the term of the SaaS arrangement, depending on the analysis carried out. The Group conducted work to identify SaaS arrangements for which costs have been capitalized and whose carrying amount was material at January 1, 2021 and December 31, 2021. No material impacts were identified in the application of the IFRIC decisions. The provisions set out in these decisions were applied by the Group in preparing its financial statements for the year ended December 31, 2022.

The following standards, amendments and interpretations have also been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022	
Annual Improvements to IFRSs – 2018-2020 Cycle	Various provisions
Amendments to IFRS 3	Updating a Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use

These new publications did not have a material impact on the Group's consolidated financial statements.

1.1.2 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2023 and not early adopted by the Group

The following standards, amendments and interpretations have been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2023	
Amendments to IAS 1	Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Valeo does not expect these amendments to have a material impact on the Group's consolidated financial statements.

1.1.3 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The IASB has also published the following guidance, which is not expected to have a material impact on the Group's consolidated financial statements at the date of this document:

Standards, amendments and interpretations		Effective date[1]
Amendments to IAS 1	Presentation of Financial Statements: • Classification of Liabilities as Current or Non-current; • Non-current Liabilities with Covenants.	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024

(1) Subject to adoption by the European Union.

1.2 Basis of preparation

The financial statements are presented in euros and are rounded to the nearest million.

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions concern both risks specific to the automotive supply business, such as those relating to quality and safety, as well as more general risks to which the Group is exposed on account of its industrial operations across the globe.

The Group exercises its judgment based on past experience and all other factors considered to be decisive given the environment and the circumstances. The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in Valeo's future financial statements may differ from the amounts resulting from these current estimates.

In addition to the main events having a significant impact on the financial statements for the year, presented in Note 2, pages 343 to 346, the significant estimates, judgments and assumptions adopted by the Group to prepare its financial statements for the year ended December 31, 2022 chiefly concern:

- the measurement of goodwill as well as assets and liabilities recognized as part of the allocation of the purchase price of Valeo eAutomotive (see Note 2.2, pages 343 to 345);
- the conditions for capitalizing development expenditure (see Note 5.5.1.1, page 358);
- the estimation of provisions (see Notes 6.3, pages 366 to 372 and 8.1, pages 387 to 388);
- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see Note 7, pages 375 to 386);
- lease terms, as regards optional periods, and determination of discount rates (see Note 7.3, pages 378 to 381);
- the likelihood that deferred tax assets will be able to be utilized (see Note 10.2, pages 410 to 411).

1.3 Consideration of the impacts of climate change

Under its Carbon Plan, which sets out the Group's environmental strategy, Valeo has committed to achieving carbon neutrality across its entire value chain by 2050. With the integration of Valeo Siemens eAutomotive into its Powertrain Systems Business Group, the Group will cover all low- and high-voltage technologies and solutions, accelerating its technological roadmap and cementing its global leadership in the electrification market. Valeo enjoys a competitive edge thanks to its positioning in both electric powertrain and thermal systems, which are essential for developing high-performing and comfortable electric vehicles with an attractive travel range.

The Group has not identified any significant impact relating to the implementation of the Carbon Plan on the useful life or value of its assets, customer portfolio, cash flows generated by existing activities or provisions for contingencies and charges.

The free share plans for Group executive managers set up in 2021 and 2022 (see Note 6.4, pages 373 to 374) include a carbon footprint objective for the end of 2023 and 2024, respectively. In 2021 and 2022, Valeo also set up financing linked to a carbon footprint objective for end-2025. The carrying amount of these liabilities at December 31, 2022 amounts to 1.6 billion euros (see Note 9.1.2.1, pages 392 to 396). In preparing the financial statements for the year ended December 31, 2022, Valeo considered that these 2023, 2024 and 2025 emissions reduction targets would be met.

New regulations and very proactive government strategies are also accelerating the electric mobility market. The medium-term business plan, used as the basis for impairment testing of non-current assets (see Note 7.4, pages 381 to 385), takes into account the profound transformation of the industry expected over the next two decades and is an integral part of the "Move Up" plan, in which electrification is a strategic pillar.

As part of its risk management, Valeo has commissioned an independent expert to assess the physical risks to its assets in relation to climate change. This assessment, based on two IPCC global warming scenarios (RCP2-4.5 and RCP5-8.5), analyzed the risks inherent to the location and geography of each of the Group's sites through to 2030 and 2050. This analysis will be developed further in 2023 to assess the impact of the climate adaptation measures already implemented and identify those that need to be rolled out in the coming years. This will allow Valeo to assess the accounting impact of these risks.

NOTE 2 SIGNIFICANT EVENTS OF THE YEAR

Consolidated sales for the year advanced 9.1% on a like-for-like basis compared to 2021, to 20,037 million euros (see Note 5.1, pages 354 to 355). Changes in exchange rates had a positive 3.6% impact on sales, while changes in Group structure had a positive impact of 3.4%. Changes in Group structure mainly reflect the consolidation, as of July 1, 2022, of the high-voltage business following the takeover of Valeo Siemens eAutomotive (see Note 2.2, pages 343 to 345).

2022 was shaped by inflation, the electronic components shortage, lockdown measures in China and the conflict in Ukraine.

2.1 Going concern basis and liquidity management

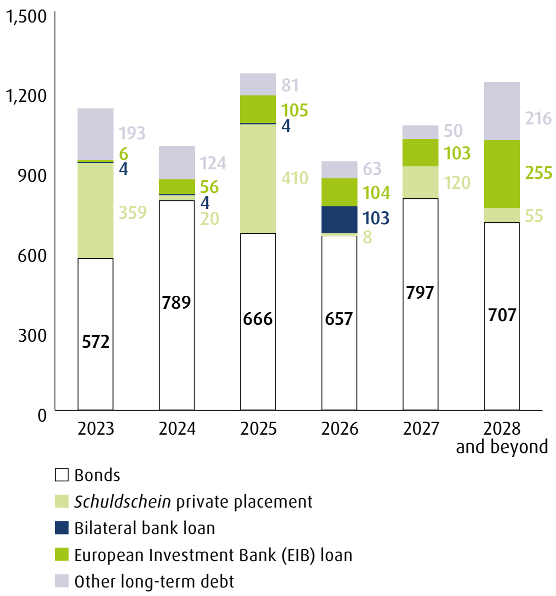
At December 31, 2022, the Group had 2.5 billion euros available in undrawn credit lines, plus a stable financial position:

- net cash and cash equivalents of 3.3 billion euros;
- average debt maturity of three years;
- net debt to EBITDA ratio (EBITDA calculated over a 12-month rolling period) of 1.67, i.e., below the 3.5 threshold.

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile.

Contractual maturity of long-term debt

(in millions of euros)



The future cash outflows presented above, comprising both interest payments and principal repayments, are not discounted. The forward curve at December 31, 2022 was used for variable-rate interest.

The Group completed several financing transactions in 2022:

- in February, Valeo drew down the second 300 million euros tranche of the 600 million euros in financing approved by the European Investment Bank (EIB) to finance research and development projects in Europe. This loan, which matures in 2030, carries fixed-rate interest of 1.083% and is repayable in six equal annual installments from February 2025;
- in September, Valeo arranged a 100 million euros bilateral bank loan maturing in 2026;
- also in September, the Group redeemed the 600 million euros' worth of bonds issued in 2017 under the Euro Medium Term Note program;
- in October and December, the Group issued two Schuldschein loans (private placement under German law) for a total nominal amount of 341 million euros. The debt comprises seven tranches, maturing between 2025 and 2029;
- in November, as part of the Euro Medium Term Note financing program, Valeo issued 750 million euros' worth of six-year bonds maturing in 2027 and paying a fixed coupon of 5.375%.

Details of the Group's borrowings and debt and significant transactions during the year are presented in Note 9, pages 390 to 408.

Based on the above, the use of the going concern basis of accounting was appropriate at the date on which the consolidated financial statements for the year ended December 31, 2022 were authorized for issue.

2.2 Acquisition of Valeo Siemens eAutomotive

Background

On February 9, 2022, Valeo announced that it had signed an agreement with Siemens to acquire Siemens' 50% stake in Valeo Siemens eAutomotive, its joint venture specialized in high-voltage electric powertrain solutions. Since its acquisition by Valeo, Valeo Siemens eAutomotive has been renamed Valeo eAutomotive.

Valeo eAutomotive is fully consolidated in the Valeo Group's financial statements (Powertrain Systems Business Group) with effect from July 1, 2022, as the time lag between July 1, 2022 and the date of the takeover (July 4, 2022) was not considered material.

As part of this transaction, Valeo paid an amount of 403 million euros in consideration for the transfer by Siemens of its equity interests and financial receivables relating to the joint venture. This amount corresponds to the debt-free value of Valeo Siemens eAutomotive at December 31, 2021 representing 277 million euros, and to an additional 126 million euros in respect of the increase in Siemens' outstanding financing in the first half of 2022 (interest and new loans granted).

Accounting treatment and purchase price allocation

The impacts of this takeover on the Group's consolidated financial statements at December 31, 2022 are outlined below:

- the interest in the company previously held by the Group and accounted for by the equity method was remeasured at fair value as of June 30, 2022. This resulted in the recognition of a gain of 181 million euros within share in net earnings of equity-accounted companies (see Note 5.5.3.1, page 360);
- the recognition of all of the assets acquired and liabilities assumed from Valeo eAutomotive at fair value.

In accordance with IFRS 3 – "Business Combinations", the Group recognized 231 million euros of additional intangible assets in respect of technologies using the "royalties" method (see Note 3.1.3, page 348). These will be amortized over a period of five to ten years. The additional amortization to be recognized in future periods reduces the economic benefits expected to derive from contracts in progress at the date of the takeover. As a result, additional provisions were booked on certain contracts already considered as onerous prior to the acquisition. The Group also applied the "excess earnings" method (described in Note 3.1.3, page 348) to assess whether or not the contracts entered into by Valeo Siemens eAutomotive were favorable in relation to expected market profitability. Based on this analysis, it recognized 169 million euros in intangible assets related to the order book and 198 million euros in provisions for unfavorable contracts.

In accordance with IFRS 3, the purchase price was allocated to the assets and liabilities on a provisional basis at December 31, 2022. Provisional goodwill resulting from the acquisition represented 684 million euros. The value of goodwill mainly reflects the operating synergies expected from the integration of the activities acquired within the Powertrain Systems Business Group, particularly in Research and Development. In accordance with IFRS 3, the purchase price accounting will be finalized within 12 months of the acquisition, i.e., no later than the June 30, 2023 accounts close.

(in millions of euros)	**Allocation at December 31, 2022**
PURCHASE PRICE/FAIR VALUE OF CONSIDERATION TRANSFERRED (INCLUDING FAIR VALUE OF PREVIOUSLY-HELD INTEREST)(1)	**(1,619)**
Identifiable assets acquired at the acquisition date	993
Identifiable liabilities assumed at the acquisition date	(3,342)
Order book(2)	169
Technology(3)	231
Unfavorable contracts(4)	(198)
Other provisions	(141)
Other individually non-material fair value remeasurements(5)	(15)
FAIR VALUE OF IDENTIFIABLE NET ASSETS	**(2,303)**
PROVISIONAL GOODWILL ARISING ON THE ACQUISITION	**684**

(1) The fair value of the consideration transferred was determined on the basis of (i) the purchase price of 403 million euros paid by Valeo net of financial receivables amounting to 1,226 million euros transferred by Siemens, (ii) plus 27 million euros corresponding to the value of the call option held by Valeo at December 31, 2021.
(2) Intangible assets recognized in respect of the order book are amortized over an average period of five years and are presented within customer relationships and other intangible assets (see Note 7.2, pages 376 to 377).
(3) Technology is amortized over a period of five to ten years.
(4) Amounts will be written back from provisions for unfavorable contracts as the contracts concerned are executed.
(5) Other fair value remeasurements include non-current assets, lease liabilities and provisions for pensions and other employee benefits.

(in millions of euros)	**Allocation at December 31, 2022**
Net cash and cash equivalents acquired	53
Consideration transferred	(403)
NET CASH FLOWS RELATING TO THE ACQUISITION	**(350)**

Valeo eAutomotive opening statement of financial position

Valeo eAutomotive's opening statement of financial position taking into account the aforementioned adjustments is as follows:

(in millions of euros)	Opening balance sheet at July 1, 2022
ASSETS	
Goodwill	684
Intangible assets	421
Property, plant and equipment	493
Investments in equity-accounted companies	9
Other non-current financial assets	1
Assets relating to pensions and other employee benefits	1
Deferred tax assets	7
NON-CURRENT ASSETS	**1,616**
Inventories, net	140
Accounts and notes receivable, net	153
Other current assets	84
Taxes receivable	—
Other current financial assets	—
Cash and cash equivalents	55
CURRENT ASSETS	**432**
TOTAL ASSETS	**2,048**

(in millions of euros)	Opening balance sheet at July 1, 2022
EQUITY AND LIABILITIES	
STOCKHOLDERS' EQUITY	**(1,619)**
Non-controlling interests	(12)
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS	**(1,631)**
Provisions for pensions and other employee benefits	4
Other provisions – long-term portion	464
Long-term debt	2,558
Subsidies and grants – long-term portion	37
Deferred tax liabilities	2
NON-CURRENT LIABILITIES	**3,065**
Accounts and notes payable	282
Provisions – current portion	195
Subsidies and grants – current portion	9
Taxes payable	2
Other current liabilities	114
Current portion of long-term debt	10
Bank overdrafts	2
CURRENT LIABILITIES	**614**
TOTAL EQUITY AND LIABILITIES	**2,048**

Contribution to the statement of income

Valeo eAutomotive contributed 638 million euros to consolidated sales in the second half of 2022.

2.3 Impact of the military conflict in Ukraine on the Group's business

On February 24, 2022, Russia invaded Ukraine. International economic sanctions were quickly imposed on Russia, with some manufacturers having to announce the discontinuation or suspension of their operations with and in Russia. The automotive industry has been particularly affected by the conflict.

The Valeo Group controls two entities in Russia, both of which were fully consolidated at December 31, 2022. They represented 0.6% of the Group's sales in 2021 and 0.3% of the Group's assets at December 31, 2021. At the date on which the consolidated financial statements for the year ended December 31, 2022 were authorized for issue, the Group considers that it still controls these entities.

Due to the lack of a timeframe in which most of Valeo's activities in Russia will resume, the Group has revised the recoverable amount of its assets relating to products affected by international sanctions. The Group has also reviewed contracts in place at its subsidiaries located outside of Russia that serve the Russian market, in order to identify any specific assets whose carrying amount will not be recovered by the economic benefits expected to arise from the contracts. Accordingly, in 2022, the Group recognized a 43 million euros impairment loss within other income and expenses (see Note 5.6.2.4, page 364) of which 32 million euros was allocated to fixed assets. At end-December 2022, cash subject to restrictions and held at Russian entities amounted to 12 million euros and will be used to meet local short-term cash commitments.

2.4 Impacts of hyperinflation in Turkey

In March 2022, Turkey was classified as a hyperinflationary country after its cumulative three-year inflation rate exceeded 100%. As from January 1, 2022, the Valeo Group has therefore applied the provisions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" to entities whose functional currency is the Turkish lira, without restatement of comparative data.

All of these subsidiaries' non-monetary assets and liabilities (property, plant and equipment, intangible assets, inventories and stockholders' equity) have therefore been adjusted for inflation by applying a general price index, so that they are expressed in terms of the measuring unit current at the end of the reporting period. Statement of income items have been restated to adjust for inflation over the period. At December 31, 2022 and in order to apply these provisions, the Group used a EUR/TRY closing rate of 19.96 and a general price index of 1,128.45, as published by the Turkish Statistical Institute (Tüik).

The impact of the application of IAS 29 – "Financial Reporting in Hyperinflationary Economies" on the Group's financial statements is as follows:

- 12 million euros on the Group's retained earnings at January 1, 2022, resulting from the remeasurement, at that date, of non-monetary assets and liabilities in order to reflect inflation since the initial recognition of these assets and liabilities in the consolidated statement of financial position;
- an expense of 1 million euros classified within other financial income and expenses, corresponding to the remeasurement of consolidated statement of income items for transactions carried out during the period, as well as the remeasurement of monetary assets and liabilities to reflect inflation during the period (see Note 9.2, page 408).

NOTE 3 SCOPE OF CONSOLIDATION

3.1 Accounting policies relating to the scope of consolidation

3.1.1 Consolidation methods

3.1.1.1 Full consolidation

The accounts of companies under Valeo's direct and indirect control are included in the consolidated financial statements using the full consolidation method. Control is deemed to exist when the Group:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee's relevant activities.

All intercompany transactions are eliminated, as are gains on intercompany disposals of assets, intercompany profits included in inventories and intercompany dividends.

The earnings of subsidiaries acquired are consolidated as from the date the Group has control.

3.1.1.2 Equity-method accounting for joint ventures and associates

Joint arrangements organize the sharing of control of an entity by two or more parties. An arrangement in which the parties have rights to the net assets of that arrangement is called a joint venture. An arrangement in which the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, is known as a joint operation.

Valeo also exercises significant influence over certain entities, known as associates. Significant influence is the power to participate in decisions affecting the entity's financial and operating policies, but is not control or joint control over those policies. Significant influence is deemed to exist when Valeo holds over 20% of the voting rights of another entity.

Joint ventures and associates are accounted for using the equity method. Under the equity method, an investment in an equity-accounted company is recognized in the consolidated statement of financial position on the date on which the entity becomes an associate or joint venture.

The investment is initially recognized at cost. In accordance with IFRS 10.25, in the specific case of loss of control of a subsidiary leading to recognition of an interest in a joint venture or associate, the initial cost of this investment is equal to its fair value at the date control is lost. The investment is subsequently adjusted after the acquisition date to reflect the Group's share of the retained comprehensive income of the investee. These items may be adjusted in line with Group accounting policies.

Goodwill arising on the acquisition of associates or joint ventures is included in investments in equity-accounted companies.

The procedure used to measure investments in equity-accounted companies is governed by IFRS 9 – "Financial Instruments: Recognition and Measurement" and IAS 28 (revised) – "Investments in Associates and Joint Ventures".

Any impairment losses taken against investments in equity-accounted companies, along with any gains or losses on remeasuring the previously-held equity interest at fair value (on acquisition of a controlling interest in an equity-accounted company) are recorded in share in net earnings of equity-accounted companies.

A list of consolidated companies is provided in Note 14, pages 418 to 425.

3.1.2 Foreign currency translation

3.1.2.1 Foreign currency financial statements

The Group's consolidated financial statements are presented in euros.

The financial statements of each consolidated Group company are prepared in its functional currency. The functional currency is the currency of the principal economic environment in which it operates, and is generally the local currency.

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros as follows:

- statement of financial position items are translated into euros at the year-end exchange rate;
- statement of income items are translated into euros at the exchange rates applicable at the transaction dates or, in practice, at the average exchange rate for the period, as long as this is not rendered inappropriate as a basis for translation by major fluctuations in the exchange rate during the period;
- unrealized gains and losses arising from the translation of the financial statements of foreign subsidiaries are recorded under translation adjustment in other comprehensive income that may subsequently be recycled to income.

The Group applies the provisions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" to entities whose functional currency is considered to be the currency of a hyperinflationary economy. The financial statements of the companies concerned are restated for the impacts of inflation (historical cost convention) and then translated into the Group's presentation currency at the closing exchange rate.

3.1.2.2 Foreign currency transactions

General principle

Transactions carried out in a currency other than Valeo's functional currency are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are recognized at the historical exchange rate prevailing at the transaction date.

Differences arising from the translation of foreign currency transactions are generally recognized in income.

Net investment

Certain foreign currency loans and borrowings are considered in substance to be an integral part of the net investment in a subsidiary whose functional currency is not the euro when settlement is neither planned nor likely to occur in the foreseeable future. The foreign currency gains and losses arising on these loans and borrowings are recorded under translation adjustment in other comprehensive income for their net-of-tax amount. This specific accounting treatment applies until the disposal of the net investment, or when partial or full repayment of these loans or borrowings is highly probable.

When the net investment is derecognized, the translation adjustment arising after said date is taken to other financial income and expenses in the consolidated statement of income. Translation adjustments previously recognized in other comprehensive income are only recycled to income when the foreign operation is partially or fully disposed of. The Group examines whether these partial or full repayments of loans or borrowings equate to a partial or full disposal of the subsidiary.

3.1.3 Business combinations

Business combinations are accounted for using the acquisition method, whereby:

- the cost of a combination is determined at the acquisition-date fair value of the consideration transferred, including any contingent consideration. After the measurement period, any subsequent changes in the fair value of contingent consideration is recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standards;
- the difference between the consideration transferred and the acquisition-date fair value of the net identifiable assets acquired and liabilities assumed is classified as goodwill within assets in the statement of financial position.

Adjustments to the provisional fair value of identifiable assets acquired and liabilities assumed resulting from independent analyses in progress or supplementary analyses are recognized as a retrospective adjustment to goodwill if they are made within 12 months of the acquisition date ("measurement period") and result from facts and circumstances that existed as of that date. The impact of any adjustments made after the measurement period is recognized directly in income as a change of accounting estimate.

Intangible assets may be recognized in respect of customer relationships that correspond in substance to contracts in progress at the date control is acquired and/or to relationships with regular customers of the acquired entity (opportunity to enter into new contracts). These intangible assets are measured based on the "excess earnings" method, whereby the value of the intangible asset corresponds to the present value of the cash flows generated by this asset, less a capital charge representing a return on the other assets concerned. Intangible assets may also be recognized in respect of patented or unpatented technologies and trademarks. These assets are measured based on the "royalties" method or "replacement cost" method.

For each business combination in which the acquirer holds less than 100% of the equity interests in the acquiree at the acquisition date, the amount of the non-controlling interest is measured:

- either at fair value: in this case, goodwill is recognized on the non-controlling interest ("full goodwill method");
- or at the proportionate share in the recognized amounts of the acquiree's net identifiable assets, in which case goodwill is recognized only on the interest acquired ("partial goodwill method").

Costs directly attributable to the combination are included within other income and expenses in the period in which they are incurred.

Adjustments to contingent consideration in a business combination are measured at the acquisition-date fair value, even if the consideration is not expected to materialize. After the acquisition date, changes to the estimated fair value of contingent consideration involve an adjustment to goodwill only if they are made within the measurement period (up to 12 months after the date of the combination) and result from facts and circumstances that existed as of that date. In all other cases, such changes are recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standard.

In a business combination achieved in stages, the Group's previously-held interest in the acquiree is remeasured at its acquisition-date fair value in income. To determine goodwill at the acquisition date, the fair value of the consideration transferred (e.g., price paid) is increased by the fair value of any interest previously held by the Group. The amount previously recognized within other comprehensive income in respect of the previously-held interest is recycled to the statement of income.

3.1.4 Transactions involving non-controlling interests

Changes in transactions involving non-controlling interests that do not result in a change of control are recognized in equity. In particular, in the event of an acquisition of additional shares in an entity already controlled by the Group, the difference between the acquisition price of the shares and the additional interest acquired by the Group in consolidated equity is recorded in stockholders' equity. The value of the entity's identifiable assets and liabilities (including goodwill) for consolidation purposes remains unchanged.

3.1.5 Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or a group of assets through its sale rather than through continuing use, such assets are presented separately under assets held for sale in the statement of financial position. Any liabilities related to such assets are presented on the liabilities held for sale line in the statement of financial position. Assets classified as held for sale are valued at the lower of their carrying amount and their estimated sale price less costs to sell, and are therefore no longer subject to depreciation and amortization.

In accordance with IFRS 5, a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date of sale or at an earlier date if the business meets the criteria to be recognized as an asset held for sale. Income or losses generated by these operations, as well as any capital gains or losses on disposal, are presented net of tax on a separate line of the statement of income. To provide a meaningful year-on-year comparison, the same treatment is applied to these items in the previous year.

For assets relating to operations that have not been classified as discontinued, any related impairment losses or proceeds from their disposal are recognized through operating income.

3.2 Changes in the scope of consolidation

3.2.1 Transactions completed during the year

3.2.1.1 Valeo Siemens eAutomotive takeover

The Group took over Valeo Siemens eAutomotive on July 4, 2022. The impacts of the takeover are described in Note 2.2, pages 343 to 345.

3.2.1.2 Kuantic takeover

In 2017, the Valeo Group acquired a 33% non-controlling stake in Kuantic, designer of integration solutions aimed at the onboard telematics market for managers of smart fleets.

In the second half of 2022, the Group acquired the shares it did not already own and now holds Kuantic's entire share capital. Kuantic, previously accounted for by the equity method, has been fully consolidated within the Comfort & Driving Assistance Systems Business Group since July 1, 2022.

Kuantic contributed 9 million euros to consolidated sales in the second half of 2022.

3.2.2 Transactions that have not yet been completed

3.2.2.1 Sale of Ichikoh's Mirror business

On September 26, 2022, Ichikoh signed an agreement to sell its Mirror business in Japan, which is part of the Visibility Systems Business Group. This sale will be completed in the first half of 2023.

In accordance with IFRS 5, the assets and liabilities relating to this business were therefore classified as assets and liabilities held for sale in the consolidated statement of financial position at December 31, 2022. Valeo chose this classification for these assets and liabilities since it expects that their carrying amount will be recovered principally through a sale transaction rather than through their continuing use. At December 31, 2022, the amounts reclassified as assets and liabilities held for sale represented 75 million euros and 65 million euros, respectively.

Based on information available at the reporting date, Valeo recognized a loss of 5 million euros, primarily reflecting (i) an impairment loss, and (ii) future costs to be incurred directly in connection with the divestment of the business. These items have been recognized in other income and expenses (see Note 5.6.2, page 364). The estimated additional impact on the 2023 financial statements on completion of the sale is not currently considered material.

3.2.2.2 Sale of APG-FTE

The Valeo Group decided to sell its stake in the associate APG-FTE automotive Co. Ltd.

In accordance with IFRS 5, the assets and liabilities relating to this business were therefore classified as assets and liabilities held for sale in the consolidated statement of financial position at December 31, 2022. At that date, the amounts reclassified as assets held for sale represented 3 million euros.

3.3 Off-balance sheet commitments relating to the scope of consolidation

3.3.1 Commitments given

Valeo and V. Johnson Enterprises set up Detroit Thermal Systems in 2012. At December 31, 2022, Valeo and V. Johnson Enterprises had respective 49% and 51% interests in this company.

V. Johnson Enterprises has a put option that may be exercised if certain contractually defined events – not relating to a level of earnings – occur. For example, the option is exercisable in the event that Valeo is unable to contribute to the financing of the venture or if it sells all or part of its interest to a third party. If the put is exercised, all of the shares owned by V. Johnson Enterprises at that time will be sold to Valeo, with the price to be determined according to the provisions of the agreement defining the company's governance arrangements.

3.3.2 Commitments received

Commitments received totaled 7 million euros at December 31, 2022. At December 31, 2021, this item totaled 50 million euros and mainly corresponded to guarantees granted to Valeo in connection with its acquisition of gestigon.

NOTE 4 SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments", the Group's segment information below is presented on the basis of internal reports that are reviewed by the Group's General Management in order to allocate resources to the segments and assess their performance. General Management represents the chief operating decision maker within the meaning of IFRS 8.

Four reportable segments have been identified, corresponding to Valeo's organization into Business Groups. There is no aggregation of operating segments.

The Group's four reportable segments are:

- Comfort & Driving Assistance Systems, which has three Product Groups: Driving Assistance, Connected Cars and Intuitive Interior Controls. Drivers now want their car to form an integral part of their digital lives. At the same time, the regulatory environment demands ever safer vehicles, with automated driving now a reality thanks to increasingly affordable technology. The Comfort & Driving Assistance Systems Business Group focuses on intuitive controls, connectivity and automated driving solutions, making mobility safer and more comfortable for all;
- Powertrain Systems, comprising two Product Groups: Powertrain Electrified Mobility, which includes the Business Group's High- and Low-Voltage activities, and Powertrain Systems Driveline, which includes transmission automation activities. This Business Group was reorganized following the integration of the Valeo Siemens eAutomotive joint venture in July 2022. Leveraging the combined expertise of these two Product Groups, the Powertrain Systems Business Group develops and produces innovative powertrain solutions to improve today's engines and motors and design the electric mobility of tomorrow;
- Thermal Systems, comprising five Product Groups: Thermal Climate Control, Thermal Powertrain and Batteries, Thermal Compressor, Thermal Front End and Thermal Commercial Vehicles. The strategic objectives of the Thermal Systems Business Group address the emerging challenges facing the automotive industry in two fields: intelligent management of thermal systems for electrified vehicles, and passenger health and well-being;
- Visibility Systems, comprising two Product Groups and one Product Line: the Lighting Systems Product Group, the Wiper Systems Product Group and the Electronics for Visibility Systems Product Line. The Visibility Systems Business Group designs and produces innovative, efficient and smart exterior and interior lighting and wiper and sensor cleaning systems to support the driver in all driving situations. These systems enable all vehicles, including automated vehicles, to drive in all conditions and create a highly immersive experience for all vehicle passengers.

Each of these Business Groups is also responsible for production and for some of the distribution of products in the aftermarket segment. A significant portion of income and expenses for Valeo Service, which almost exclusively sells products manufactured by the Group, is reallocated among the Business Groups identified. The external trading operations of Valeo Service and the Top Column Module business are presented within "Other", along with the holding companies and eliminations between the four operating segments.

4.1 Key segment performance indicators

The key performance indicators for each segment as presented in the tables below are as follows:

- sales;
- EBITDA, which corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends received from equity-accounted companies;
- Research and Development expenditure;
- investments in property, plant and equipment and intangible assets;
- segment assets, comprising property, plant and equipment and intangible assets (including goodwill), investments in equity-accounted companies and inventories.

2022

(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales						
• segment (excluding Group)	4,192	5,574	4,463	5,331	477	20,037
• intersegment (Group)	42	115	80	32	(269)	—
EBITDA	**671**	**619**	**333**	**705**	**73**	**2,401**
Research and Development expenditure	(724)	(434)	(313)	(379)	(30)	(1,880)
Investments in property, plant and equipment and intangible assets	634	293	289	453	23	1,692
Segment assets[(1)]	3,131	4,903	2,625	2,857	305	13,821

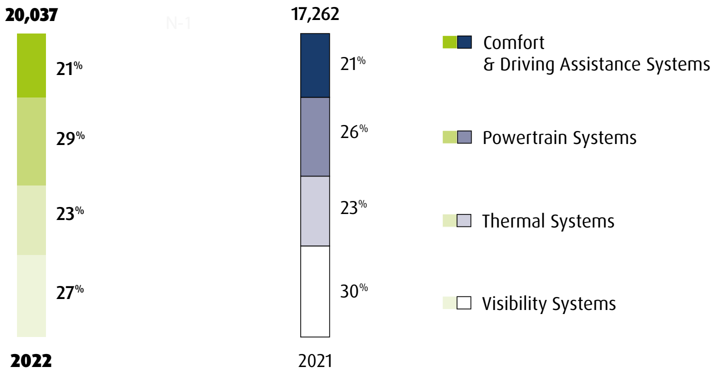
(1) *The segment assets shown for the Visibility Systems Business Group do not include the amount of the assets of the Mirror business reclassified as assets held for sale at December 31, 2022 (see Note 3.2.2.1, page 349).*

2021

(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales						
• segment (excluding Group)	3,396	4,528	3,869	5,038	431	17,262
• intersegment (Group)	21	123	57	56	(257)	—
EBITDA	**587**	**566**	**428**	**675**	**52**	**2,308**
Research and Development expenditure	(554)	(299)	(253)	(359)	(45)	(1,510)
Investments in property, plant and equipment and intangible assets	494	306	264	406	95	1,565
Segment assets	2,848	3,310	2,671	2,862	290	11,981

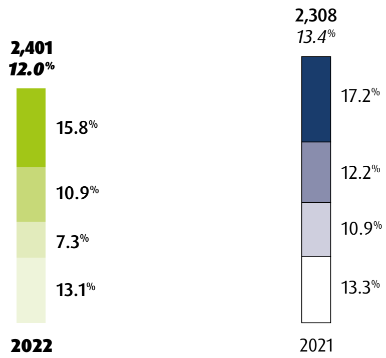
SALES BY BUSINESS GROUP (INCLUDING INTERSEGMENT SALES)

(in millions of euros and as a % of sales)



EBITDA BY BUSINESS GROUP

(in millions of euros and as a % of sales)



4.2 Reconciliation with Group data

EBITDA is used by Management to monitor and track Business Group performance (see Note 4.1, pages 350 to 351) and to decide how to allocate resources. The table below reconciles EBITDA with consolidated operating margin:

(in millions of euros)	2022	2021
Operating margin	**635**	**699**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses[1][2]	1,783	1,613
Impact of government subsidies and grants on non-current assets recognized in the statement of income	(33)	(21)
Dividends paid by equity-accounted companies	16	17
EBITDA	**2,401**	**2,308**
as a % of sales	12.0%	13.4%

(1) Impairment losses recorded in operating margin only.
(2) For 2022, the impact of hyperinflation in Turkey has been restated for the calculation of EBITDA. Since January 1, 2022, the Valeo Group has applied the provisions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" to entities whose functional currency is the Turkish lira (see Note 2.4, page 346).

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	December 31, 2022	December 31, 2021
Segment assets	**13,821**	**11,981**
Accounts and notes receivable	2,759	2,377
Other current assets	829	664
Taxes receivable	30	27
Financial assets	3,957	3,260
Deferred tax assets	555	526
Assets held for sale[1]	78	—
TOTAL GROUP ASSETS	**22,029**	**18,835**

(1) At end-December 2022, assets held for sale correspond to the assets of the Mirror and APG-FTE businesses (see Note 3.2.2, page 349).

4.3 Reporting by geographic area

Non-current assets consist of property, plant and equipment, intangible assets (excluding goodwill) and investments in equity-accounted companies. Goodwill balances cannot be broken down by geographic area as they are allocated to Business Groups that operate in several geographic areas.

2022

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	1,172	2,716	987
Other European countries and Africa	7,902	6,747	3,498
North America	3,866	3,812	31
South America	487	388	2,633
Asia	6,610	7,057	1,046
o/w China	*3,189*	*3,728*	*1,409*
Eliminations	—	(683)	(2)
TOTAL	**20,037**	**20,037**	**8,193**

In 2021 and 2022, the main countries contributing to the Group's consolidated sales are China, France, Germany, Mexico and the United States.

2021

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	960	2,530	1,077
Other European countries and Africa	7,012	5,808	2,811
North America	3,116	3,120	1,061
South America	418	343	26
Asia	5,756	6,021	2,466
o/w China	*2,619*	*2,865*	*1,138*
Eliminations	—	(560)	(2)
TOTAL	**17,262**	**17,262**	**7,439**

NOTE 5 OPERATING DATA

5.1 Sales

For each automotive project, the three main typically identified promises made by Valeo to an automaker are:

- Product Development, which includes determining the intrinsic technical features of parts and those related to the relevant production process. This promise is usually considered to be related to the supply of parts; any contributions from customers in respect of Product Development are therefore recognized in sales over the period of series production as the promise to deliver the parts is fulfilled, within a period of four years. However, the accounting treatment applied may vary based on each project's specific contractual or operational features;
- Supply of Tooling such as molds and other equipment used to manufacture parts:
  - for certain businesses, the supply of molds may be considered to be a distinct promise in view of the manner in which control is transferred. In such cases, sales are recognized at the start of series production for the project,
  - the supply of other equipment used to manufacture parts is considered to be related to the Supply of Parts. Any contributions received in this respect are therefore deferred and recognized over the duration of the manufacturing phase of the project as the promise to deliver the parts is fulfilled, within a period of four years;
- Supply of Parts, sales of which are recognized when control of the parts is transferred to the customer, i.e., generally upon delivery.

In this respect, sales primarily include sales of finished goods and all tooling revenues and customer contributions to Research and Development expenditure and prototypes. Sales are measured at the fair value of the consideration receivable, net of any trade discounts and volume rebates and excluding any VAT or other taxes.

Under specific contracts, analysis of the relationship with the end customer leads Valeo to consider that it acts as agent when it supplies said end customer with "imposed" components. As such, the transactions in which Valeo acts as agent are recognized based on their net amount. This business model primarily concerns the Thermal Front-End operations of the Thermal Systems Business Group.

In general, customers award Valeo contracts to supply all the parts required for a specific project. Estimated future volumes cannot be included in the order book as defined by IFRS 15 until the customer has placed an order for a firm volume. Accordingly, disclosure of this information is not considered relevant.

Group sales rose by 16.1% to 20,037 million euros in 2022, from 17,262 million euros in 2021.

Changes in exchange rates had a positive 3.6% impact on sales, primarily due to the depreciation of the euro against the US dollar and Chinese renminbi. Changes in Group structure during the year had a positive impact of 3.4% on sales, mainly attributable to the takeover of Valeo eAutomotive in the second half of the year (see Note 2.2, pages 343 to 345). Like for like (comparable Group structure and exchange rate basis), consolidated sales for 2022 advanced by 9.1% compared with 2021.

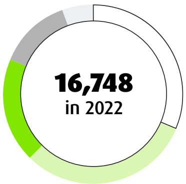
5.1.1 Sales by type

Sales can be analyzed by type as follows:

(in millions of euros)	2022	2021
Original equipment	16,748	14,151
Aftermarket	2,256	2,068
Other	1,033	1,043
SALES	**20,037**	**17,262**

5.1.2 Original equipment sales by customer portfolio

Original equipment sales can be analyzed by customer portfolio as follows:



(in millions of euros)		2022	2021
32%	- Asian automakers	5,278	4,712
31%	- German automakers	5,194	4,263
19%	- US automakers	3,160	2,572
13%	- French automakers	2,211	1,890
5%	- Other	905	714
	ORIGINAL EQUIPMENT SALES	**16,748**	**14,151**

5.2 Accounts and notes receivable

Accounts and notes receivable are current financial assets which are initially recognized at fair value and subsequently carried at amortized cost, less any accumulated impairment losses. The fair value of accounts and notes receivable is deemed to be their nominal amount, since payment periods are generally less than three months.

Accounts and notes receivable may be written down for impairment. Impairment is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. The Group uses two impairment testing methods:

- impairment estimated taking into account historical loss experience, the age of the receivables, and a detailed risk assessment;
- impairment estimated taking into account customer credit risk.

Impairment losses are recognized in operating income or in other financial income and expenses if they relate to a credit risk on a debtor.

Accounts and notes receivable may be discounted and sold to banks within the scope of recurring or one-off transactions.

In accordance with the principles for derecognizing financial assets, an analysis is performed at the time of these transactions to determine the extent to which the risks and rewards inherent to ownership of the receivables have been transferred, particularly in terms of credit, late payment and dilution risks. If the analysis shows that both the contractual rights to receive the cash flows relating to the receivables and substantially all of the risks and rewards have been transferred, the accounts and notes receivable are removed from the consolidated statement of financial position and all of the rights created or retained on transfer are recognized as appropriate.

If this is not the case, the accounts and notes receivable continue to be carried on the consolidated statement of financial position and a debt is recorded to the extent of the discounted amount.

Upstream price reductions granted to automakers are recognized within contract assets under accounts and notes receivable in the consolidated statement of financial position at the time of payment. They are subsequently recognized in the income statement on a straight-line basis as a deduction from sales as from the start of volume production.

Accounts and notes receivable can be analyzed as follows:

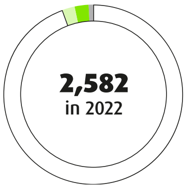
(in millions of euros)	December 31, 2022	December 31, 2021(1)
Contract assets	205	199
Accounts and notes receivable, gross	2,582	2,200
Impairment	(28)	(22)
ACCOUNTS AND NOTES RECEIVABLE, NET	**2,759**	**2,377**

(1) *The accounts and notes receivable, net line shown at December 31, 2021 differs from that presented in the 2021 consolidated financial statements published in February 2022 since it has been adjusted to separate out contract assets, which were previously included within accounts and notes receivable, gross.*

At December 31, 2022, Valeo's largest automotive customer accounted for 10% of the Group's accounts and notes receivable (11% at December 31, 2021).

The average days' sales outstanding stood at 46 days at December 31, 2022, compared to 41 days at December 31, 2021.

The table below presents an aged analysis of accounts and notes receivable at the end of the reporting period:



(in millions of euros)		December 31, 2022	December 31, 2021[1]
92.9%	– Not yet due	2,398	2,071
3.1%	– Less than 1 month past due	81	55
3.1%	– More than 1 month but less than 1 year past due	81	56
0.9%	– More than 1 year past due	22	18
	ACCOUNTS AND NOTES RECEIVABLE, GROSS	**2,582**	**2,200**

(1) The amount of receivables shown as not yet due at December 31, 2021 has been restated for contract assets compared to the amount presented in the 2021 consolidated financial statements published in February 2022.

Gross accounts and notes receivable not yet due and less than one month past due at December 31, 2022 totaled 2,398 million euros and 81 million euros, respectively, and represented 96% of total gross accounts and notes receivable (97% at end-December 2021). Past due receivables were written down in an amount of 28 million euros at December 31, 2022 (22 million euros at December 31, 2021).

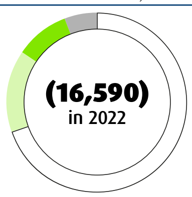
Accounts and notes receivable falling due after December 31, 2022, for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position, break down as follows:

(in millions of euros)	December 31, 2022	December 31, 2021
Receivables sold:		
• Recurring sales of receivables	127	97
• Non-recurring sales of receivables	174	164
ACCOUNTS AND NOTES RECEIVABLE SOLD	**301**	**261**
Financial cost	5	3

5.3 Cost of sales

Cost of sales may include insurance indemnities paid out for claims made within the scope of the Group's operations. These claims can relate to product quality issues or property damage. An insurance gain is recognized in the statement of income at the date of the claim, if it is demonstrated that the claim is duly covered by a valid insurance policy. If this right is contingent on the subsequent completion of repairs or on the acquisition of new assets (contingent claim), the associated gain should be recognized at the time the aforementioned repairs or acquisitions are made.

Cost of sales can be analyzed as follows:



(in millions of euros)		2022	2021
57.7%[1]	– Raw materials consumed	(11,568)	(9,741)
12.3%[1]	– Labor	(2,469)	(2,222)
8.0%[1]	– Direct production costs and production overheads	(1,602)	(1,400)
4.7%[1]	– Depreciation, amortization and impairment losses[2]	(951)	(859)
	COST OF SALES	**(16,590)**	**(14,222)**

(1) As a % of sales.
(2) This amount does not include amortization and impairment charged against capitalized development expenditure, which is recognized in Research and Development expenditure. It includes the impact of government subsidies and grants on non-current production assets (excluding Research and Development) recognized in the statement of income for the year.

5.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Impairment losses are booked when the probable realizable value of inventories is lower than their cost price. Inventories of raw materials and goods for resale are carried at purchase cost. Inventories of finished products and work-in-progress are carried at production cost. Production cost includes the cost of raw materials, supplies and labor used in production, and other direct production and indirect plant costs, excluding overheads not related to production. These costs are determined by the "First-in-First-out" method which, due to the rapid inventory turnover rate, approximates the latest cost at the end of the reporting period.

Tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position (see Note 7.3 "Property, plant and equipment", pages 378 to 381) when Valeo has control of the tooling, or is otherwise carried in inventories (until control is transferred). A provision is made for any potential loss on the tooling contract (corresponding to the difference between the customer's contribution and the cost of the tooling) as soon as the amount of the loss is known.

At December 31, 2022, inventories break down as follows:

	December 31, 2022			December 31, 2021
(in millions of euros)	Gross carrying amount	Impairment	Net carrying amount	Net carrying amount
Raw materials	1,404	(213)	1,191	975
Work-in-progress	307	(65)	242	195
Finished goods and supplies	782	(147)	635	576
Specific tooling	338	(23)	315	244
INVENTORIES, NET	**2,831**	**(448)**	**2,383**	**1,990**

Impairment losses taken against inventories amounted to 448 million euros at December 31, 2022 (354 million euros at December 31, 2021), including an allowance (net of reversals) of 37 million euros during the year. Allowances for impairment of inventories (net of reversals) amounted to 14 million euros in 2021.

5.5 Operating margin including share in net earnings of equity-accounted companies

Operating margin is equal to sales less costs to sell, Research and Development expenditure and selling and administrative expenses.

Operating margin including share in net earnings of equity-accounted companies corresponds to operating income before other income and expenses.

In 2022, operating margin including share in net earnings of equity-accounted companies was a positive 750 million euros, or 3.7% of sales, versus 2.6% of sales in 2021.

Share in net earnings of equity-accounted companies represented a gain of 115 million euros in 2022 and a loss of 243 million euros in 2021. See Note 5.5.3, pages 360 to 363 for more information.

5.5.1 Research and Development expenditure

5.5.1.1 Capitalized development expenditure

Innovation can be analyzed as either research or development. Research is an activity which can lead to new scientific or technical knowledge and understanding. Development is the application of research findings with a view to creating new products, before the start of commercial production.

Research costs are recognized in expenses in the period in which they are incurred.

Development expenditure is capitalized where the Group can demonstrate that:

- it has the intention and the technical and financial resources to complete the development, evidenced in particular by an engagement letter from the customer stating that Valeo has been chosen as supplier for the project;
- the intangible asset will generate future economic benefits in excess of its carrying amount, i.e., based in particular on whether the project is expected to generate an adequate margin;
- and the cost of the intangible asset can be measured reliably.

Capitalized development expenditure recorded in assets in the statement of financial position therefore corresponds to projects for specific customer applications drawing on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of series production are considered production costs.

Capitalized development expenditure related to projects that have not yet resulted in the start of series production is tested for impairment at least once a year and whenever there is an indication that it may be impaired. Following the start of series production, capitalized development expenditure is tested at the level of the cash-generating units (CGUs) (see Note 7.4, pages 381 to 385).

Capitalized development expenditure is amortized on a straight-line basis over a maximum period of four years as from the start of series production.

Changes in capitalized development expenditure in 2021 and 2022 are analyzed below:

(in millions of euros)	2022	2021
GROSS CARRYING AMOUNT AT JANUARY 1	**4,708**	**4,457**
Accumulated amortization and impairment	(2,775)	(2,624)
NET CARRYING AMOUNT AT JANUARY 1	**1,933**	**1,833**
Capitalized development expenditure	657	586
Disposals	(2)	—
Changes in scope	1	(1)
Impairment	27	(5)
Amortization	(614)	(536)
Translation adjustment	6	56
NET CARRYING AMOUNT AT DECEMBER 31	**2,008**	**1,933**

5.5.1.2 Research and Development expenditure

Research and Development expenditure comprises the costs incurred during the period, including amortization charged against capitalized development expenditure, less research tax credits and the portion of Research and Development subsidies granted to the Group and taken to income.

Research and Development expenditure can be analyzed as follows for 2021 and 2022:

(in millions of euros)	2022	2021
Gross Research and Development expenditure	(2,077)	(1,704)
Subsidies and grants, and other income(1)	122	149
Capitalized development expenditure	657	586
Amortization and impairment of capitalized development expenditure(2)	(582)	(541)
RESEARCH AND DEVELOPMENT EXPENDITURE	**(1,880)**	**(1,510)**

(1) *The impact of French research tax credits (*Crédits d'Impôt Recherche*), or any other similar tax arrangements in other jurisdictions outside the scope of IAS 12, as well as the impact of the subsidy calculated on the loan taken out with the European Investment Bank (EIB) (see Note 9.1.2.1, pages 392 to 396), are presented on this line.*
(2) *Impairment losses recorded in operating margin only.*

The Group continued its Research and Development efforts in 2021 and 2022 in order to fulfill the order intake recorded over the past few years and in line with its strategy geared to products incorporating innovative technologies.

The research tax credit in France is calculated based on certain research expenditure on "eligible" projects and is paid by the French State, regardless of the entity's income tax position. If the company collecting the research tax credit is liable for income tax, the credit will be deducted from its income tax liability. Otherwise, it will be paid by the French State within a period of three years.

The French research tax credit, or any other similar tax provision in other jurisdictions, does not therefore fall within the scope of IAS 12 – "Income Taxes" and is recognized as a deduction from Research and Development expenditure within the Group's operating margin as and when the related costs are taken to income.

The French research tax credit recognized in income for the year totaled 36 million euros in respect of 2022 (45 million euros in 2021).

5.5.2 Other current assets

Consistent with the treatment for accounts and notes receivable, amounts receivable in respect of the French research tax credit as well as VAT credits may be discounted and sold to banks. By analogy, the Group has applied the principles for derecognizing financial assets. An analysis is performed to determine the extent to which the risks and rewards inherent to ownership of the receivables are transferred.

If the analysis shows that substantially all of the risks and rewards are transferred, these receivables are removed from the consolidated statement of financial position. If this is not the case, the receivables continue to be carried on the consolidated statement of financial position and a debt is recorded for the discounted amount.

At December 31, 2022, amounts receivable in respect of the French research tax credit for 2019, 2020, 2021 and 2022 are no longer carried in the consolidated statement of financial position.

These receivables were transferred as follows:

- the prospective 2019 research tax credit receivable on December 17, 2019 for 60 million euros, and in June 2020 for the remaining 4 million euros;
- the prospective 2020 research tax credit receivable on December 16, 2020 for 48 million euros, and in June 2021 for the remaining 5 million euros;
- the prospective 2021 research tax credit receivable on December 15, 2021 for 51 million euros, and in June 2022 for the remaining 4 million euros;
- the prospective 2021 Valeo eAutomotive research tax credit receivable on September 8, 2022 for 4 million euros;
- the prospective 2022 research tax credit receivable on December 16, 2022 for 45 million euros.

At December 31, 2022 and December 31, 2021, receivables in respect of the VAT credit in France were sold and, as a result, are no longer recorded in the consolidated statement of financial position. These receivables represented an amount of 16 million euros at December 31, 2022 versus 18 million euros at December 31, 2021.

The cost of selling these receivables, recognized in cost of net debt for the year, was less than 4 million euros for the Group, compared to 1 million euros in 2021.

5.5.3 Associates and joint ventures

5.5.3.1 Share in net earnings of equity-accounted companies

(in millions of euros)	**2022**	**2021**
Share in net earnings of associates	2	(1)
Share in net earnings of joint ventures	113	(242)
SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	**115**	**(243)**

All investments accounted for using the equity method, either joint ventures or associates, contribute to the Group's operations and belong to one of its four operating segments. They are included in the Group's internal reporting within the meaning of IFRS 8 and their operating performance is reviewed at the level of the Business Groups to which they belong. Accordingly, the Group considers it appropriate to recognize the share in net earnings of equity-accounted companies within operating margin.

Share in net earnings of associates

(in millions of euros)	**2022**	**2021**
Detroit Thermal Systems	4	(1)
Other investments in associates	(2)	—
SHARE IN NET EARNINGS OF ASSOCIATES	**2**	**(1)**

Share in net earnings of joint ventures

(in millions of euros)	**2022**	**2021**
Valeo Siemens eAutomotive(1)	99	(254)
Chinese joint ventures	12	14
Other	2	(2)
SHARE IN NET EARNINGS OF JOINT VENTURES	**113**	**(242)**

(1) Valeo eAutomotive has been fully consolidated in the Valeo Group's financial statements since July 1, 2022. The share in net earnings of the Valeo Siemens eAutomotive joint venture in 2022 includes its income for the six-month period from January 1 to June 30, 2022, along with the gain arising on the remeasurement of Valeo's previously-held interest for 181 million euros (see Note 2.2, pages 343 to 345).

5.5.3.2 Investments in equity-accounted companies

Investments in associates

Changes in the investments in associates caption can be analyzed as follows:

(in millions of euros)	2022	2021
INVESTMENTS IN ASSOCIATES AT JANUARY 1	**20**	**22**
Share in net earnings of associates	2	(1)
Dividend payments	(1)	(2)
Impact of changes in scope of consolidation	(4)	—
Other movements[1]	(3)	—
Translation adjustment	—	1
INVESTMENTS IN ASSOCIATES AT DECEMBER 31	**14**	**20**

(1) *At December 31, 2022, other movements mainly correspond to the classification of APG-FTE within assets held for sale (see Note 3.2.2.2, page 349).*

The Group's investments in associates are detailed below:

	Percentage interest *(in %)*		Carrying amount *(in millions of euros)*	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Detroit Thermal Systems	49.0	49.0	10	7
APG-FTE automotive Co. Ltd[1]	49.0	49.0	—	8
Kuantic[2]	N/A	33.3	—	3
Other investments in associates	N/A	N/A	4	2
INVESTMENTS IN ASSOCIATES			**14**	**20**

(1) *At end-December 2022, the investment in APG-FTE automotive Co. Ltd is classified within assets held for sale (see Note 3.2.2.2, page 349).*
(2) *Further to its takeover in July 2022, Kuantic has been fully consolidated since July 1, 2022 (see Note 3.2.1.2, page 349).*

Investments in joint ventures

Changes in the investments in joint ventures caption can be analyzed as follows:

(in millions of euros)	2022	2021
INVESTMENTS IN JOINT VENTURES AT JANUARY 1	**90**	**86**
Share in net earnings of joint ventures[1]	113	24
Dividend payments	(16)	(15)
Impact of changes in scope of consolidation[2]	(85)	(2)
Other movements	—	1
Translation adjustment	(6)	(4)
INVESTMENTS IN JOINT VENTURES AT DECEMBER 31	**96**	**90**

(1) *As its share in the losses of Valeo Siemens eAutomotive exceeded its interest in the joint venture, the Group recognized the losses in accordance with IAS 28, allocating them to the other assets held by the Group up to the date of the takeover on July 4, 2022 (see Note 2.2, pages 343 to 345).*
(2) *Changes in the scope of consolidation mainly include the impacts of the change in the consolidation method for Valeo Siemens eAutomotive following its takeover on July 4, 2022 (see Note 2.2, pages 343 to 345).*

The Group's investments in joint ventures are detailed below:

	Percentage interest (in %)		Carrying amount (in millions of euros)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Valeo Siemens eAutomotive[(1)]	N/A	50.0	—	—
Chinese joint ventures	N/A	N/A	69	64
CloudMade	50.0	50.0	—	—
Other	N/A	N/A	27	26
INVESTMENTS IN JOINT VENTURES			**96**	**90**

(1) Further to its takeover on July 4, 2022, Valeo eAutomotive has been fully consolidated since July 1, 2022 (see Note 2.2, pages 343 to 345).

5.5.3.3 Financial information on equity-accounted companies

This information is presented based on a 100% holding and according to IFRS.

Information for equity-accounted associates and joint ventures is provided on an aggregate basis since the entities are not material taken individually.

Associates

Aggregate financial data in respect of associates is set out below:

(in millions of euros)	December 31, 2022	December 31, 2021
Non-current assets	38	41
Current assets	82	77
Non-current liabilities	(19)	(23)
Current liabilities	(66)	(70)

(in millions of euros)	2022	2021
Sales	323	288
Operating expenses	(311)	(289)

Joint ventures

Summarized financial data in respect of joint ventures are set out in the table below:

(in millions of euros)	December 31, 2022	December 31, 2021[(1)]
Non-current assets	186	157
Current assets	366	344
Non-current liabilities	(76)	(64)
Current liabilities	(400)	(364)

(1) This table does not include the end-2021 amounts for the Valeo Siemens eAutomotive joint venture, as this information was disclosed separately in the 2021 Universal Registration Document.

(in millions of euros)	2022	2021[(1)]
Sales	742	652
Operating expenses	(713)	(625)

(1) This table does not include the 2021 amounts for the Valeo Siemens eAutomotive joint venture, as this information was disclosed separately in the 2021 Universal Registration Document.

5.5.3.4 Transactions with equity-accounted companies (related parties)

The consolidated financial statements include transactions carried out in the normal course of operations between the Group and its associates and joint ventures. These transactions are carried out at arm's length.

Transactions with associates

(in millions of euros)	December 31, 2022	December 31, 2021
Accounts and notes receivable	5	4
Accounts and notes payable	(6)	(9)
Financial receivables/(net debt)	11	20

(in millions of euros)	2022	2021
Sales of goods and services	8	18
Purchases of goods and services	(48)	(42)

Transactions with joint ventures

(in millions of euros)	December 31, 2022	December 31, 2021
Accounts and notes receivable	70	84
Accounts and notes payable	(9)	(12)
Financial receivables/(net debt)(1)	—	1,111

(1) At December 31, 2021, this amount included the loans granted by the Group to the joint venture Valeo Siemens eAutomotive.

(in millions of euros)	2022	2021
Sales of goods and services	182	170
Purchases of goods and services	(21)	(65)

5.6 Operating income and other income and expenses

5.6.1 Operating income

Operating income includes all income and expenses other than:

- interest income and expense comprising cost of net debt;
- other financial income and expenses;
- income taxes.

In 2022, the Group recorded operating income including share in net earnings of equity-accounted companies of 644 million euros, versus 406 million euros in 2021.

5.6.2 Other income and expenses

In order to facilitate interpretation of the statement of income and Group performance, unusual items that are material to the consolidated financial statements are presented separately within operating income under other income and expenses.

This caption mainly includes:

- transaction costs and capital gains and losses arising on changes in the scope of consolidation;
- major litigation and disputes unrelated to the Group's operations (excluding, therefore, the cost of any disputes relating to the quality of products sold, customers, suppliers or contract losses);
- net costs relating to restructuring plans;
- impairment losses on fixed assets chiefly recognized as a result of impairment tests on CGUs and goodwill.

Other income and expenses can be analyzed as follows in 2021 and 2022:

(in millions of euros)	Notes	2022	2021
Transaction costs and capital gains and losses arising on changes in the scope of consolidation	5.6.2.1	(7)	(10)
Claims and litigation	5.6.2.2	(25)	(23)
Restructuring plans	5.6.2.3	(31)	(30)
Reversals of/(additions to) impairment of assets	5.6.2.4	(43)	13
OTHER INCOME AND EXPENSES		**(106)**	**(50)**

5.6.2.1 Transaction costs and capital gains and losses arising on changes in the scope of consolidation

The transaction costs recognized in 2022 are mainly related to the takeover of the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345) and to the disposal of the Mirror business in Japan (see Note 3.2.2.1, page 349).

In 2021, this item included the additional impacts of the sale of the Lighting business in Brazil and of Nitto Manufacturing in Japan.

5.6.2.2 Claims and litigation

In 2022, this item includes the impacts of various disputes and the related legal advisory costs.

5.6.2.3 Restructuring plans

Restructuring costs for 2022 chiefly include expenses relating to early retirement plans in Germany and Japan, along with costs in connection with restructuring plans, mostly in Europe.

5.6.2.4 Impairment of assets

In order to reflect the impacts of international sanctions imposed on Russia in response to the military conflict in Ukraine, the Group recognized a total impairment loss of 43 million euros in 2022 (see Note 2.3, page 345).

In 2021, the Group reversed an impairment loss recognized against the Compressors Product Group in an amount of 12 million euros, thereby increasing the carrying amount of the assets concerned up to the value that would have been determined (net of depreciation and amortization) had no impairment loss been recognized against the CGU (corresponding to a 49 million euros impairment loss recognized in 2016).

NOTE 6 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

6.1 Headcount

Including temporary staff, the Group's headcount is as follows:

	2022	2021
Total employees at December 31	109,900	103,300
Average employees during the year	107,250	104,500

6.2 Employee benefits

Employee benefits are measured in accordance with IAS 19. They comprise both short- and long-term benefits.

Group employees are entitled to short-term benefits such as paid annual leave, paid sick leave, bonuses and other benefits (other than termination benefits), payable within 12 months of the end of the period in which the corresponding services are rendered.

These benefits are shown in current liabilities and expensed in the period in which the related service is rendered by the employee.

Long-term benefits cover two categories of employee benefits:

- post-employment benefits, which include statutory retirement bonuses, supplementary pension benefits, and coverage of certain medical costs for retirees and early retirees;
- other long-term benefits payable (during employment), corresponding primarily to long-service bonuses.

Benefits offered to each employee depend on local legislation, collective bargaining agreements, or other agreements in place in each Group entity.

These benefits are broken down into:

- defined contribution plans, under which the employer pays fixed contributions on a regular basis and has no legal or constructive obligation to pay further contributions. These are recognized in expenses based on calls for contributions;
- defined benefit plans, under which the employer guarantees a future level of benefits. An obligation under defined benefit plans (see Note 6.3, pages 366 to 372) is recognized in liabilities in the statement of financial position.

The statement of income presents personnel expenses by function. They include the following items:

(in millions of euros)	2022	2021
Wages and salaries[1]	3,433	2,991
Social security charges	702	626
Share-based payment	21	28
Pension expenses under defined contribution plans	167	134
TOTAL	**4,323**	**3,779**

(1) *Including temporary staff.*

Pension expenses under defined benefit plans are set out in Note 6.3, pages 366 to 372.

Provisions for restructuring plans and employee disputes are set out in Note 8.1, pages 387 to 388.

6.3 Provisions for pensions and other employee benefits

As indicated in Note 6.2, page 365, long-term benefits arising under defined benefit plans give rise to an obligation which is recognized in provisions for pensions and other employee benefits.

The pension provision is equal to the present value of Valeo's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. An asset is only recognized on overfunded plans if it represents future economic benefits that are available to the Group.

The provision for other long-term benefits is equal to the present value of the future benefit obligation. The expected cost of these benefits is recorded in personnel expenses over the employee's working life in the Company.

The calculation of these provisions is based on valuations performed by independent actuaries using the projected unit credit method and end-of-career salaries. These valuations incorporate both macroeconomic assumptions specific to each country in which the Group operates (discount rate, increases in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

Discount rates are determined by reference to market yields at the valuation date on high-quality corporate bonds (rated AA) with a term consistent with that of the employee benefits concerned. In countries where the market for investment-grade corporate bonds is insufficient, discount rates are determined by reference to the yield on government bonds.

The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. Actuarial gains and losses arising on long-term benefits payable during employment are recognized immediately in income. However, actuarial gains and losses arising on post-employment benefits are taken directly to other comprehensive income net of deferred tax.

Past service costs resulting from the adoption of a new plan, amendments to an existing plan or amendments to an existing defined benefit plan are recognized immediately in income.

The expense recognized in the statement of income includes:

- service cost for the period, past service costs, actuarial gains and losses arising on long-term benefits payable during employment and the impact of any plan curtailments, amendments or settlements;
- net interest cost on pension obligations recognized in financial income (including the impact of unwinding) and the expected yield on hedging assets.

6.3.1 Description of the plans in force within the Group

The Group has set up a large number of defined benefit plans covering most of its current and former employees. The specific characteristics of these plans (benefit formula, funded status) vary depending on the laws and regulations prevailing in each country in which its employees work. At December 31, 2022, 92% of provisions are related to post-employment benefits, while the remaining 8% cover other long-term benefits.

The main post-employment defined benefit plans concern:

- supplementary pension benefits in Germany, the United States, Japan and the United Kingdom, which top up the statutory pension plans in force in those countries:
  - pension entitlement is calculated based on end-of-career salaries and number of years' service within the Group. Certain plans are pre-funded due to local legal requirements in some countries (United States/South Korea/United Kingdom) or as a result of the choice made by the company on setting up the plan (Japan),
  - most plans in the United States have been frozen and no longer give rise to any additional benefits;
- retirement termination benefits in France or severance benefits in South Korea, Mexico and Italy:
  - these benefits are fixed amounts and are calculated depending on the number of years' service and the employee's annual compensation, either at the retirement date (as in France) or at the date the employee leaves the company for whatever reason (retirement, resignation or redundancy) (as in South Korea, Mexico and Italy);
- health cover during retirement in the United States:
  - Valeo pays into health plans and life insurance plans for certain retired employees in the United States. These plans are not funded and have all been frozen (the last plan was frozen as of January 1, 2012). Accordingly, no additional benefits have since been offered by these plans to plan participants still working for the Group;
- top-up retirement plans for certain Group managers and executives in France:
  - these plans are now closed to new entrants (the last plan in force concerning a specific level of Valeo management (*cadres hors catégorie*) was closed to new entrants on June 30, 2017). With effect from July 3, 2019, no further conditional top-up pension rights may accrue under these defined benefit plans in respect of employment periods beyond January 1, 2020. For retirees, these plans are covered by an insurance company. A provision has been recognized in respect of the related obligation based on the probable present value of the future benefits payable, determined considering the number of years' service at the year-end relative to the number of years' service at retirement, it being specified that the beneficiaries must still finish their careers at Valeo. A new plan that does not include a presence condition was rolled out in 2021 and the impacts are reflected in the consolidated financial statements for rights relating to 2020. The new plan applies with retroactive effect as from January 1, 2020,
  - the portion of the obligation relating to the Group's executive managers is detailed in Note 6.5, page 375.

The table below shows the average duration of the Group's main plans and the employees covered by these plans in each region at December 31, 2022:

	France	Other European countries	North America	Asia	Total
Active Valeo employees	11,926	21,226	11,267	8,609	53,028
Active employees having left the Group	—	2,572	863	599	4,034
Retirees	3	4,752	5,159	1,444	11,358
TOTAL EMPLOYEES	**11,929**	**28,550**	**17,289**	**10,652**	**68,420**
Average duration of post-employment benefit plans *(in years)*	9	15	10	9	12

The Group also grants other long-term benefits, chiefly long-service bonuses or loyalty awards in France, Germany, South Korea and Japan.

All of these plans are accounted for as described above.

6.3.2 Actuarial assumptions

The discount rates used to measure obligations in the countries representing the Group's most significant obligations were as follows:

Country	December 31, 2022	December 31, 2021
Eurozone	3.75	1.35
United Kingdom	4.80	1.70
United States	5.35	2.60
Japan	1.30	0.70
South Korea	5.75	2.85

The weighted average long-term salary inflation rate was around 3% at December 31, 2022, up slightly on December 31, 2021.

The sensitivity of the Group's main obligations to a 1-point rise or fall in discount rates and the inflation rate is set out in Note 6.3.7, page 372.

6.3.3 Breakdown and movements in obligations

Pension obligations and provisions break down as follows by major geographic area:

2022

(in millions of euros)	France	Other European countries	North America(1)	Asia	Total
Present value of unfunded obligations	135	398	95	111	739
Present value of funded obligations	31	134	320	135	620
Market value of plan assets	(12)	(92)	(312)	(168)	(584)
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2022	**154**	**440**	**103**	**78**	**775**
Permanent employees at December 31, 2022(2)	12,195	35,126	14,935	21,417	83,673

(1) Unfunded pension obligations in North America include medical plans in the United States representing 49 million euros.
(2) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

2021

(in millions of euros)	France	Other European countries	North America(1)	Asia	Total
Present value of unfunded obligations	170	547	106	127	950
Present value of funded obligations	50	191	416	195	852
Market value of plan assets	(15)	(118)	(415)	(211)	(759)
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2021	**205**	**620**	**107**	**111**	**1,043**
Permanent employees at December 31, 2021(2)	12,228	31,875	15,429	20,945	80,477

(1) Unfunded pension obligations in North America include medical plans in the United States representing 63 million euros.
(2) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

Movements in obligations in 2022 and 2021 are shown in the tables below by major geographic area:

2022

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2022	**220**	**738**	**522**	**322**	**1,802**
Actuarial gains and losses recognized in other comprehensive income	(40)	(215)	(129)	(24)	(408)
Benefits paid	(27)	(24)	(34)	(60)	(145)
Translation adjustment	—	(5)	35	(15)	15
Changes in scope	2	15	—	1	18
Reclassifications[(1)]	—	—	—	(8)	(8)
Expenses (income) for the year:	11	23	21	30	85
• *Service cost*	*19*	*16*	*5*	*28*	*68*
• *Interest cost*	*2*	*9*	*13*	*3*	*27*
• *Other[(2)]*	*(10)*	*(2)*	*3*	*(1)*	*(10)*
BENEFIT OBLIGATIONS AT DECEMBER 31, 2022	**166**	**532**	**415**	**246**	**1,359**

(1) Benefit obligations relating to the Mirror business were reclassified within liabilities held for sale at December 31, 2022 (see Note 3.2.2.1, page 349).
(2) The "Other" line mainly includes actuarial gains and losses recognized immediately in income, the impacts of past service costs and gains on settlements.

Actuarial gains totaling 408 million euros in 2022 primarily reflect the increase in discount rates in most regions of the world.

2021

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2021	**225**	**772**	**503**	**329**	**1,829**
Actuarial gains and losses recognized in other comprehensive income	(10)	(36)	(4)	(3)	(53)
Benefits paid	(16)	(23)	(32)	(28)	(99)
Translation adjustment	—	5	40	(5)	40
Reclassifications	—	—	—	(3)	(3)
Expenses (income) for the year:	21	20	15	32	88
• *Service cost*	*22*	*16*	*4*	*26*	*68*
• *Interest cost*	*2*	*7*	*11*	*4*	*24*
• *Other[(1)]*	*(3)*	*(3)*	—	*2*	*(4)*
BENEFIT OBLIGATIONS AT DECEMBER 31, 2021	**220**	**738**	**522**	**322**	**1,802**

(1) The "Other" line mainly includes actuarial gains and losses recognized immediately in income, the impacts of past service costs and gains on settlements.

Actuarial gains totaling 53 million euros in 2021 primarily reflected the increase in discount rates in the different regions of the world.

6.3.4 Movements in provisions

Movements in provisions in 2022 and 2021, including assets relating to pensions and other employee benefits, are shown in the table below:

(in millions of euros)	France	Other European countries	North America	Asia	Total
NET PROVISIONS AT JANUARY 1, 2021	**210**	**666**	**117**	**120**	**1,113**
Actuarial gains and losses recognized in other comprehensive income	(10)	(40)	(16)	(5)	(71)
Amounts utilized during the year	(16)	(23)	(10)	(34)	(83)
Translation adjustment	—	(1)	8	(1)	6
Changes in scope	—	—	—	2	2
Expenses (income) for the year:	21	18	8	29	76
• *Service cost*	*22*	*16*	*4*	*26*	*68*
• *Net interest cost*	*2*	*5*	*4*	*1*	*12*
• *Other*	*(3)*	*(3)*	*—*	*2*	*(4)*
NET PROVISIONS AT DECEMBER 31, 2021	**205**	**620**	**107**	**111**	**1,043**
Actuarial gains and losses recognized in other comprehensive income	(39)	(177)	(17)	(16)	(249)
Amounts utilized during the year	(25)	(23)	(7)	(31)	(86)
Translation adjustment	—	(1)	8	(7)	—
Changes in scope	2	—	—	1	3
Reclassifications[(1)]	—	—	—	(8)	(8)
Expenses (income) for the year:	11	21	12	28	72
• *Service cost*	*19*	*16*	*4*	*28*	*67*
• *Net interest cost*	*2*	*6*	*5*	*1*	*14*
• *Other*	*(10)*	*(1)*	*3*	*(1)*	*(9)*
NET PROVISIONS AT DECEMBER 31, 2022	**154**	**440**	**103**	**78**	**775**
Of which current portion (less than one year)	25	24	11	17	77

(1) Benefit obligations relating to the Mirror business were reclassified within liabilities held for sale at December 31, 2022 (see Note 3.2.2.1, page 349).

An expense of 72 million euros was recognized in 2022 in respect of pensions and other employee benefits (down compared to 2021), of which 57 million euros was included in operating margin, 14 million euros in other financial income and expenses and income of 1 million euros in other income and expenses.

6.3.5 Breakdown and movements in plan assets

The breakdown of plan assets at December 31, 2022 and 2021 is shown in the tables below:

2022

(in millions of euros)	France	Other European countries[(1)]	North America	Asia[(1)]	Total
Cash at bank	—	1	3	59	63
Shares	12	8	131	29	180
Government bonds	—	51	132	65	248
Corporate bonds	—	30	46	12	88
Real estate	—	—	—	1	1
Other	—	2	—	2	4
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2022	**12**	**92**	**312**	**168**	**584**

(1) At December 31, 2022, plans in Japan, South Korea and Europe were overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized non-current financial assets for the amount of the surplus, i.e., 49 million euros, as it considers the right to a refund is unconditional for each plan within the meaning of IFRIC 14.

2021

(in millions of euros)	France	Other European countries(1)	North America	Asia(1)	Total
Cash at bank	—	1	4	79	84
Shares	15	46	162	28	251
Government bonds	—	46	187	72	305
Corporate bonds	—	23	62	28	113
Real estate	—	2	—	2	4
Other	—	—	—	2	2
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2021	**15**	**118**	**415**	**211**	**759**

(1) At December 31, 2021, plans in Japan, South Korea and Europe were overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized non-current financial assets for the amount of the surplus, i.e., 29 million euros, as it considers the right to a refund is unconditional within the meaning of IFRIC 14.

These assets are managed by specialized asset management companies.

In managing the risk arising on these assets, the diversification of the funds among the different asset classes (equities, bonds, cash equivalents or other) is defined by the investment committees or trustees specific to each country concerned, acting on recommendations from external advisors. Asset allocation decisions depend on the market outlook and the characteristics of the pension obligations. These committees carry out regular reviews of the investments made and of their performance.

The Group is not exposed to margin calls on its pension obligations due to the nature of its plan assets.

Movements in the value of plan assets in 2022 and 2021 can be analyzed as follows:

2022

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2022	**15**	**118**	**415**	**211**	**759**
Expected return on plan assets	—	2	9	2	13
Contributions paid to external funds	10	4	—	14	28
Benefits paid	(12)	(5)	(27)	(43)	(87)
Actuarial gains and losses	(1)	(38)	(112)	(8)	(159)
Translation adjustment	—	(4)	27	(8)	15
Changes in scope	—	15	—	—	15
PLAN ASSETS AT DECEMBER 31, 2022	**12**	**92**	**312**	**168**	**584**

The decrease in the fair value of plan assets in 2022 is chiefly attributable to a weaker fund performance. The actual return on plan assets in the year represented a loss of 146 million euros.

Contributions totaling 28 million euros were paid to external funds in 2022, up 10 million euros compared to estimates. Contributions are estimated at 26 million euros for 2023.

2021

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2021	**15**	**106**	**386**	**209**	**716**
Expected return on plan assets	—	2	7	3	12
Contributions paid to external funds	6	4	2	19	31
Benefits paid	(6)	(4)	(24)	(13)	(47)
Actuarial gains and losses	—	4	12	2	18
Translation adjustment	—	6	32	(4)	34
Reclassifications	—	—	—	—	—
Changes in scope	—	—	—	(5)	(5)
PLAN ASSETS AT DECEMBER 31, 2021	**15**	**118**	**415**	**211**	**759**

The increase in the fair value of plan assets in 2021 was chiefly attributable to a good fund performance. The actual return on plan assets in the year was 30 million euros, driven by the positive impact of a stronger US dollar.

6.3.6 Data for previous years

Benefit obligations, financial assets and actuarial gains and losses for previous years can be analyzed as follows:

(in millions of euros)	2022	2021	2020[1]	2019	2018
Benefit obligations	1,359	1,802	1,829	1,933	1,768
Financial assets	(584)	(759)	(716)	(692)	(617)
NET BENEFIT OBLIGATIONS	**775**	**1,043**	**1,113**	**1,241**	**1,151**
Actuarial (losses) gains recognized in other comprehensive income	249	71	(18)	94	(18)

(1) The data presented for full-year 2020 differs from that presented in the 2020 consolidated financial statements published in February 2021 since it has been adjusted to reflect the impacts of retrospectively applying IFRIC interpretations relating to the periods of service to which an entity attributes benefit for particular defined benefit plans, as from January 1, 2020, with restatement of comparative periods.

Actuarial gains and losses recognized in other comprehensive income in 2022 reflected:

- 266 million euros in net actuarial gains on changes in financial assumptions, mainly related to the increase in discount rates in most countries and comprising 425 million euros in actuarial gains on changes in assumptions on obligations and 159 million euros in actuarial losses on the return on plan assets;
- 6 million euros in actuarial gains on changes in demographic assumptions, chiefly in the United States and Mexico, and 23 million euros in actuarial losses resulting from experience adjustments.

6.3.7 Sensitivity of obligations

The discount rates and inflation rates applied in each geographic area or country have a significant impact on the amount of the Group's benefit obligations.

A 1-point increase or decrease in these rates would have the following impact on the projected benefit obligation at December 31, 2022:

(in millions of euros)	France	Other European countries	North America	Asia	Total
Discount rate					
Impact of a 1-point increase	(12)	(68)	(34)	(20)	(134)
Impact of a 1-point decrease	14	84	39	22	159
Salary inflation rate					
Impact of a 1-point increase	13	1	2	7	23
Impact of a 1-point decrease	(12)	(1)	(2)	(6)	(21)

At December 31, 2022, the value of the Group's benefit obligation is less sensitive to changes in the salary inflation rate than to changes in the discount rate, particularly in the United States and the United Kingdom. This is due to the existence of plans that have now been frozen and that only bear obligations in relation to the Group's former employees.

Changes in the discount and inflation rates only have a limited impact on 2022 service cost. A 1-point decrease in the discount rate would have led to an additional expense of 4 million euros, while a 1-point increase in the discount rate would have reduced the expense by 4 million euros.

6.3.8 Estimated payouts over the next ten years

Payouts due over the next ten years by the Group in respect of pension plans and other employee benefits can be estimated as follows:

(in millions of euros)	France	Other European countries	North America	Asia	Total
2023	22	20	10	7	59
2024	8	20	10	7	45
2025	12	21	10	9	52
2026	13	23	10	10	56
2027	12	24	10	12	58
2028/2032	96	130	51	44	321
TOTAL	**163**	**238**	**101**	**89**	**591**

6.4 Share-based payment

Some Group employees receive equity-settled compensation in the form of share-based payment.

Free share plans

The fair value of the benefit granted to employees within the scope of free share plans is estimated based on the share price at the grant date, taking into account a discount corresponding to the dividends forfeited over the vesting period and a discount to reflect the lock-up period requirement.

The overall cost of equity-settled plans is calculated and fixed at the grant date of the plan concerned. The number of instruments that Valeo expects to remit to beneficiaries factors in the turnover of the beneficiary populations concerned by each plan.

Since the final allotment of free shares is subject to a presence condition, this personnel expense is recognized against equity on a straight-line basis over the vesting period of the rights. The Group periodically reviews the number of free shares to be allotted in light of expectations as regards the achievement of performance conditions. Where appropriate, the consequences of revising the number of free shares are reflected in the statement of income. The number of free shares that may be allotted based on total shareholder return (TSR) is determined on the date on which the plan is approved by the Board of Directors.

Free shares are included in the calculation of diluted earnings per share, as described in Note 11.2, page 414.

An expense of 21 million euros was recognized in 2022 in respect of free share plans, compared to an expense of 28 million euros in 2021.

6.4.1 Free share plans

The terms and conditions of the shareholder-approved employee free share plans operated by the Valeo Group at December 31, 2022 were as follows:

Year in which plan was set up	Number of free shares authorized	*of which subject to conditions*[1]	December 31, 2022	Year of vesting[2]
2018	1,234,623	*570,123*	226,039	2021/2022/2023
2019	1,699,281	*779,496*	255,910	2022/2024
2020	2,342,306	*1,134,116*	1,896,414	2023/2025
2021	2,070,829	*904,339*	1,562,640	2024/2026
2022	2,308,057	*1,143,042*	2,267,964	2025/2027
TOTAL	**9,655,096**	***4,531,116***	**6,208,967**	

(1) These free shares are subject to the Group meeting performance conditions over the three years following their allotment.
(2) The year of vesting varies depending on the country in which the beneficiaries of plans set up prior to 2019 are resident. For the 2019 to 2021 plans, only free shares allotted to the former Chairman of the Board of Directors and to the Chief Executive Officer are subject to a two-year holding period. For the 2022 plan, this holding period applies to free shares granted to the Chief Executive Officer.

The main data and assumptions underlying the valuation of the 2022 free share plan at fair value were as follows:

	2022	
Free shares	**Chief Executive Officer**	**Other employees**
Share price at authorization date *(in euros)*	15.6	15.6
Risk-free rate *(in %)*	0.60	0.60
Dividend rate *(in %)*	9.3	N/A
FAIR VALUE OF EQUITY INSTRUMENTS *(IN EUROS)*	**12.4**	**13.0**

6.4.2 Movements in free share plans

Movements in free share plans in 2022 are detailed below:

	Number of free shares
FREE SHARES OUTSTANDING AT JANUARY 1, 2022	**5,723,684**
Free shares granted	2,303,930
Free shares canceled	(21,834)
Free shares expired	(268,927)
Free shares remitted	(1,530,801)
Free shares – Changes related to performance conditions	2,915
FREE SHARES OUTSTANDING AT DECEMBER 31, 2022	**6,208,967**

6.4.3 Employee share ownership plan: Shares4U

In countries that meet the Group's eligibility criteria and where permitted by local laws and regulations, Valeo offers eligible employees the opportunity to become shareholders through an employee share issue carried out specifically for this purpose.

As has been the case since 2016, a new standard plan was offered to employees during second-half 2022, under which they could subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set by the Group's Chief Executive Officer acting on the authority of the Board of Directors on September 16, 2022. The subscription price of 15.17 euros corresponds to the average of the Group's opening share price on the 20 trading days preceding the date of the decision, less a 20% discount. The shares are locked up for five years (except in the case of an early release event provided for by the applicable local law).

Employees bear the risk of fluctuations in the share price relative to the subscription price.

By subscribing to shares within the scope of the Group Employee Savings Plan (*Plan d'Épargne de Groupe* – PEG), employees can benefit from a contribution from their employer. Outside France, employees are allotted free shares subject to certain conditions, governed by the regulations applicable to the Group-approved free share plan. The free shares allotted are existing Valeo shares repurchased on the market.

In all, 927,163 shares were subscribed at a price of 15.17 euros each, representing a 14 million euros capital increase on November 17, 2022 (see Note 11.1, pages 412 to 413).

The cost of this plan was estimated taking into account the applicable five-year lock-up period for employees.

The assumptions used to value the equity instruments were as follows:

	2022	2021
Date rights granted	October 7	October 8
Reference price *(in euros)*	18.96	25.85
Face value discount *(in %)*	20	20
Subscription price *(in euros)*	15.17	18.73
Beneficiary's 5-year interest rate *(in %)*	6.00	5.60
Risk-free interest rate *(in %)*	3.10	(0.14)
Repo rate *(in %)*	0.80	0.58

Including a discount to reflect the lock-up period requirement, the total cost of the Shares4U 2022 plan was 9 million euros, of which 5 million euros was recognized in personnel expenses for 2022 (including social security charges).

6.5 Executive compensation (related party transactions)

The Group's key management personnel include the Chairman of the Board of Directors, the Chief Executive Officer, the members of the Board of Directors (corporate officers) and the members of the Operations Committee. At December 31, 2022, the Operations Committee had 14 members (including the Chief Executive Officer).

Corporate officer compensation is presented in Chapter 3 of the 2022 Universal Registration Document, "Corporate Governance", pages 113 to 203.

Compensation and other benefits accruing to the corporate officers and to the members of the Operations Committee in respect of their duties in the Group can be analyzed as follows:

(in millions of euros)	2022	2021
SHORT-TERM BENEFITS		
• Fixed, variable, exceptional and other compensation	14	13
• Director's compensation(1)	1	1
OTHER BENEFITS		
• Post-employment benefits(2)	(15)	2
• Share-based compensation	2	5

(1) Executive corporate officers do not receive any compensation for their position as directors of Valeo SE.
(2) At December 31, 2022, provisions included in the Group's statement of financial position in respect of pension obligations accruing to executive managers amounted to 12 million euros, compared with 26 million euros in 2021.

NOTE 7 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

Goodwill is initially recognized on business combinations as described in Note 3.1.3, page 348.

Goodwill is not amortized but is tested for impairment at least once a year and whenever there is an indication that it may be impaired. In 2022, impairment tests were carried out as described in Note 7.4, pages 381 to 385.

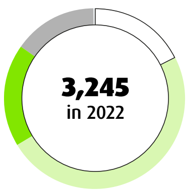
Changes in goodwill in 2022 and 2021 are analyzed below:

(in millions of euros)	2022	2021
NET CARRYING AMOUNT AT JANUARY 1	**2,552**	**2,512**
Acquisitions during the year	697	14
Disposal during the year	—	(3)
Translation adjustment	(1)	29
Other	(3)	—
NET CARRYING AMOUNT AT DECEMBER 31	**3,245**	**2,552**
Including accumulated impairment losses at December 31	—	—

The increase in goodwill in 2022 is mainly due to the takeovers of Valeo eAutomotive (see Note 2.2, pages 343 to 345) and Kuantic (see Note 3.2.1.2, page 349).

The increase in goodwill in 2021 mainly reflected the impact of fluctuations in exchange rates, particularly the US dollar (27 million euros).

Goodwill can be broken down by Business Group as follows:



(in millions of euros)		December 31, 2022	December 31, 2021
18%	– Comfort & Driving Assistance Systems	571	564
48%	– Powertrain Systems	1,585	903
18%	– Thermal Systems	599	603
15%	– Visibility Systems	484	475
1%	– Other	6	7
	GOODWILL	**3,245**	**2,552**

7.2 Other intangible assets

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired as part of a business combination are recognized at fair value, separately from goodwill. Intangible assets are subsequently carried at cost, less accumulated amortization and impairment losses. They are tested for impairment using the methodology described in Note 7.4, pages 381 to 385.

Capitalized development expenditure recognized within other intangible assets in the statement of financial position corresponds to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization described in Note 5.5.1.1, page 358.

Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of series production are considered production costs.

Intangible assets are amortized on a straight-line basis over their expected useful lives:

• software	3 to 5 years
• patents and licenses	based on their useful lives or duration of protection
• capitalized development expenditure	4 years
• customer relationships acquired	up to 25 years
• other intangible assets	3 to 5 years

Other intangible assets can be analyzed as follows:

	December 31, 2022			December 31, 2021
(in millions of euros)	Gross carrying amount	Amortization and impairment losses	Net carrying amount	Net carrying amount
Software	485	(433)	52	46
Patents and licenses	494	(206)	288	74
Capitalized development expenditure	5,303	(3,295)	2,008	1,933
Customer relationships and other intangible assets	818	(392)	426	314
OTHER INTANGIBLE ASSETS	**7,100**	**(4,326)**	**2,774**	**2,367**

Changes in intangible assets in 2022 and 2021 are analyzed below:

2022

(in millions of euros)	Software	Patents and licenses	Capitalized development expenditure	Customer relationships and other intangible assets	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2022	**438**	**246**	**4,708**	**656**	**6,048**
Accumulated amortization and impairment	(392)	(172)	(2,775)	(342)	(3,681)
NET CARRYING AMOUNT AT JANUARY 1, 2022	**46**	**74**	**1,933**	**314**	**2,367**
Acquisitions	20	4	657	10	691
Disposals	—	—	(2)	—	(2)
Changes in scope	8	243	1	169	421
Reversals of/(additions to) impairment	—	—	27	—	27
Amortization	(26)	(34)	(614)	(54)	(728)
Translation adjustment	—	1	6	(9)	(2)
Reclassifications	4	—	—	(4)	—
NET CARRYING AMOUNT AT DECEMBER 31, 2022	**52**	**288**	**2,008**	**426**	**2,774**

2021

(in millions of euros)	Software	Patents and licenses	Capitalized development expenditure	Customer relationships and other intangible assets	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2021	**421**	**249**	**4,457**	**673**	**5,800**
Accumulated amortization and impairment	(362)	(158)	(2,624)	(315)	(3,459)
NET CARRYING AMOUNT AT JANUARY 1, 2021	**59**	**91**	**1,833**	**358**	**2,341**
Acquisitions	15	1	586	2	604
Disposals	—	—	—	—	—
Changes in scope	—	—	(1)	—	(1)
Reversals of/(additions to) impairment	—	—	(5)	1	(4)
Amortization	(28)	(18)	(536)	(44)	(626)
Translation adjustment	—	—	56	—	56
Reclassifications	—	—	—	(3)	(3)
NET CARRYING AMOUNT AT DECEMBER 31, 2021	**46**	**74**	**1,933**	**314**	**2,367**

7.3 Property, plant and equipment

Separately acquired property, plant and equipment are initially recognized at cost. Cost includes expenses directly attributable to the acquisition of the asset and the estimated cost of the Group's obligation to rehabilitate certain assets, where appropriate. Property, plant and equipment acquired as part of a business combination are recognized at fair value, separately from goodwill.

Property, plant and equipment are subsequently carried at cost, less accumulated depreciation and impairment losses. Material revaluations, recorded in accordance with the laws and regulations applicable in the countries in which the Group operates, have been eliminated in order to ensure that consistent valuation methods are used for all capital assets in the Group.

Any subsequent costs incurred in respect of property, plant and equipment are expensed as incurred, unless they are designed to extend the asset's useful life.

Property, plant and equipment are tested for impairment using the methodology described in Note 7.4, pages 381 to 385.

Depreciation method and useful life

All property, plant and equipment except land are depreciated over their estimated useful lives using the components approach.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

• buildings	20 years
• fixtures and fittings	8 years
• machinery and industrial equipment	8 to 15 years
• other property, plant and equipment	3 to 8 years

Tooling

Depending on its nature, tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position when Valeo has control of the tooling, or is otherwise carried in inventories (until control is transferred).

Any financing received from customers in respect of capitalized tooling is recognized under liabilities in the statement of financial position and taken to income under sales in line with the depreciation charged against the related assets.

Tooling is depreciated on a straight-line basis over its estimated useful life, not exceeding four years.

Tax credits

In certain countries, the government can contribute to the Group's investment expenditure in the form of tax credits. The tax credits received are analyzed to determine whether they fall within the scope of IAS 12 – "Income Taxes" or whether they should be considered as a government subsidy. In the latter case, the tax credit is recognized in income over the period during which the subsidized assets are depreciated, as a deduction from depreciation expense.

Property, plant and equipment can be analyzed as follows:

	December 31, 2022			December 31, 2021
(in millions of euros)	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	Net carrying amount
Land	329	(23)	306	311
Buildings	2,740	(1,591)	1,149	1,076
Machinery and industrial equipment	10,122	(6,887)	3,235	2,969
Specific tooling	2,573	(2,201)	372	374
Other property, plant and equipment	835	(614)	221	206
Property, plant and equipment in progress	26	—	26	26
PROPERTY, PLANT AND EQUIPMENT	**16,625**	**(11,316)**	**5,309**	**4,962**

Certain items of property, plant and equipment were pledged as security at December 31, 2022 (see Note 7.5.2, page 386).

Changes in property, plant and equipment in 2022 and 2021 are analyzed below:

2022

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2022	**331**	**2,519**	**9,120**	**2,424**	**779**	**26**	**15,199**
Accumulated depreciation and impairment	(20)	(1,443)	(6,151)	(2,050)	(573)	—	(10,237)
NET CARRYING AMOUNT AT JANUARY 1, 2022	**311**	**1,076**	**2,969**	**374**	**206**	**26**	**4,962**
Acquisitions	5	121	624	139	105	7	1,001
Disposals	(1)	(11)	(14)	(4)	(5)	(1)	(36)
Changes in scope	2	148	319	10	13	2	494
Reversals of/(additions to) impairment	(1)	(10)	(12)	—	(1)	—	(24)
Depreciation	(3)	(173)	(650)	(195)	(69)	—	(1,090)
Translation adjustment	(7)	(3)	23	—	—	(1)	12
Reclassifications	—	1	(24)	48	(28)	(7)	(10)
NET CARRYING AMOUNT AT DECEMBER 31, 2022	**306**	**1,149**	**3,235**	**372**	**221**	**26**	**5,309**

2021

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2021	**343**	**2,298**	**8,555**	**2,303**	**818**	**28**	**14,345**
Accumulated depreciation and impairment	(17)	(1,302)	(5,606)	(1,913)	(588)	—	(9,426)
NET CARRYING AMOUNT AT JANUARY 1, 2021	**326**	**996**	**2,949**	**390**	**230**	**28**	**4,919**
Acquisitions	5	208	498	135	99	16	961
Disposals	(4)	(25)	(20)	(5)	(3)	(1)	(58)
Changes in scope	(13)	2	(9)	(3)	—	—	(23)
Reversals of/(additions to) impairment	—	—	15	(1)	—	—	14
Depreciation	(2)	(155)	(592)	(174)	(66)	1	(988)
Translation adjustment	(2)	33	92	10	2	(1)	134
Reclassifications	1	17	36	22	(56)	(17)	3
NET CARRYING AMOUNT AT DECEMBER 31, 2021	**311**	**1,076**	**2,969**	**374**	**206**	**26**	**4,962**

Leases

For leases falling within the scope of IFRS 16 – "Leases", the lessee recognizes:

- a financial liability representing its obligation to pay for the right to use the asset, in the consolidated statement of financial position;
- a non-current asset representing its right to use the leased asset, in the consolidated statement of financial position;
- depreciation of the right-of-use asset and interest expenses on the lease liability, in the consolidated statement of income.

Lease liabilities

At the lease commencement date, the lease liability is measured at the present value of the minimum lease payments outstanding at that date, plus payments under any options that the lessee is reasonably certain to exercise.

The lease term used to calculate the lease liability is determined based on an economic analysis of any early termination, extension or renewal options or any options to purchase the underlying asset included in the enforceable term of the lease.

This amount is then measured at amortized cost using the effective interest rate. The carrying amount of the lease liability is subsequently increased by the interest due on the lease liability and reduced by the lease payments made.

The discount rates are determined based on the Group's incremental borrowing rate, plus a margin to reflect the economic conditions in each country, the currency, and the lease term.

Right-of-use assets

At the lease commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises (i) the initial lease liability, (ii) any prepaid lease payments made, less any lease incentives received, (iii) any initial direct costs incurred by the lessee in establishing the lease, and (iv) an estimate of costs to be incurred by the lessee in dismantling or rehabilitating the underlying asset as required by the terms and conditions of the lease.

It is subsequently reduced by depreciation and any impairment losses. The right-of-use asset is depreciated on a straight-line basis. Any non-removable leasehold improvements are depreciated over either the adopted lease term or the estimated period of use, whatever is shorter.

If the lease transfers ownership of the underlying asset to the lessee or when the lease includes a purchase option that the lessee is reasonably certain to exercise, the right-of-use asset is depreciated over the useful life of the underlying asset under the same conditions as those applied to assets owned by the lessee. In all other cases, the right-of-use asset is depreciated over the reasonably certain useful life of the underlying asset.

Subsequently, the lease liability and the right-of-use asset are remeasured to reflect the following:

- changes in the lease term;
- changes in the assessment of an option;
- changes in the amounts expected to be payable under residual value guarantees;
- changes in the rates or indexes used to determine the lease payments;
- changes in the lease payments.

The main exemptions provided under IFRS 16 and adopted by the Group are:

- exclusion of short-term leases;
- exclusion of leases of low-value assets.

Lease payments on leases falling outside the scope of IFRS 16 and any variable payments not included in the initial measurement of the lease liability are recognized in operating expenses and presented within net cash flows from operating activities in the consolidated statement of cash flows.

For leases falling within the scope of IFRS 16, payments for the interest portion of the lease liability and payments for the principal portion are recorded under cash flows from financing activities in the consolidated statement of cash flows. Payments for the principal portion of the lease liability are added back to calculate free cash flow.

Movements in right-of-use assets included within property, plant and equipment can be analyzed as follows:

	RIGHT-OF-USE ASSETS					
(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2022	**17**	**567**	**62**	**23**	**104**	**773**
Accumulated depreciation and impairment	(4)	(181)	(33)	(23)	(50)	(291)
NET CARRYING AMOUNT AT JANUARY 1, 2022	**13**	**386**	**29**	**—**	**54**	**482**
New contracts/Renewals/Modifications	2	61	35	—	28	126
Depreciation	(2)	(82)	(7)	—	(26)	(117)
Changes in scope	2	94	—	—	2	98
Translation adjustment	—	(3)	(1)	—	—	(4)
Reclassifications	—	(3)	—	—	—	(3)
NET CARRYING AMOUNT AT DECEMBER 31, 2022	**15**	**453**	**56**	**—**	**58**	**582**

In 2022, the expenses recorded with respect to payments on leases excluded from the scope of IFRS 16 and any variable payments amounted to 61 million euros.

7.4 Impairment of fixed assets

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment whenever objective indicators exist that they may be impaired. Goodwill and intangible assets not yet ready to be brought into service are tested for impairment at least once a year and whenever there is an indication that they may be impaired.

Cash-generating units (CGUs) and goodwill

CGUs are operating entities that generate independent cash flows. Based on the Group's organizational structure, CGUs generally correspond to groups of plants belonging to the same Product Line or Product Group. At December 31, 2022, there was a total of 20 CGUs.

CGUs represent the level at which all property, plant and equipment and intangible assets are tested for impairment if there is an indication that they may be impaired. However, specific impairment tests may be carried out on certain idle property, plant and equipment and intangible assets. Valeo may review the value in use of certain assets and recognize non-recurring impairment losses where appropriate, if significant, prolonged adverse factors arise for the Group such as a deterioration in a country's economic environment or in one of the Group's plants, or contractual disputes.

Goodwill is tested for impairment at the level of the Business Groups, as set out in Note 4 "Segment reporting", pages 350 to 353. The Business Groups are groups of CGUs and correspond to the level at which management monitors goodwill.

At the end of the year, goodwill is tested for impairment using the same methodology and assumptions as those used for CGUs and as described below.

Impairment tests

Impairment tests compare the recoverable amount of a fixed asset with its net carrying amount. If the asset's carrying amount is greater than its recoverable amount, it is written down to its recoverable amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined using available information allowing Valeo to establish a best estimate of the selling price net of the costs necessary to make the sale, between knowledgeable, willing parties in an arm's length transaction.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or group of assets, taking into account its residual value.

Since there is seldom a reliable basis to measure the fair value less costs to sell of a group of assets belonging to Valeo, the Group uses value in use for CGU and goodwill impairment tests to determine the recoverable amount of an asset or group of assets, unless otherwise specified.

The value in use of CGUs and goodwill is determined as follows:

- post-tax cash flow projections covering a period of five years, prepared on the basis of medium-term business plans drawn up by Group entities and approved by General Management, are discounted;
- cash flows beyond the five-year period are extrapolated by applying a perpetuity growth rate to normative forecast cash flows, corresponding to the last year of the medium-term business plan adjusted where applicable for non-recurring items;
- cash flows are discounted based on a rate which reflects current market assessments of the time value of money and the risks specific to the asset (or group of assets). This rate corresponds to the post-tax weighted average cost of capital (WACC). The use of a post-tax rate applied to post-tax cash flows results in recoverable amounts that are similar to those that would have been obtained by applying pre-tax rates to pre-tax cash flows.

In certain circumstances in which this method is not appropriate for determining the value in use of a CGU or item of goodwill, cash flow projections beyond a five-year period may be used. This may be the case for fast-growing markets that will not have reached maturity at the end of the business plan period, as well as for activities that have a finite timeframe. When this method is applied, business plan projections beyond five years are based on the most reliable market data available.

Leases falling within the scope of IFRS 16 – "Leases" are accounted for as follows:

- capital employed tested for impairment includes right-of-use assets;
- the recoverable amount is calculated using post-tax cash flows, which include investment flows resulting from setting up new leases;
- post-tax WACC is determined taking into account lease liabilities.

Impairment losses recognized for goodwill cannot be reversed.

Impairment losses recognized for assets other than goodwill may only be reversed if there are indications that the impairment may no longer exist or may have decreased. If this is the case, the carrying amount of the asset is increased to its revised estimated recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

7.4.1 Impairment testing

The tests are carried out using the following assumptions:

- the projections used are based on past experience, macroeconomic data for the automotive market, order intake and products under development;
- a perpetuity growth rate of 1.5%, which is the same as that used in 2021 and is in line with the average long-term growth rate for the Group's business sector;
- a post-tax discount rate (WACC) of 10.0%, calculated using the discount rate method reviewed by an independent expert. The discount rate used is 0.5% higher than in 2021 to reflect the increase in interest rates. The sample of comparable companies was reviewed in 2020 and adjusted in order to better reflect the Group's technological dimension as well as its geographic exposure. It includes around ten companies from the automotive equipment industry. The main components of WACC are a market risk premium, a risk-free rate corresponding to the average yield on long-term government bonds, and beta calculated based on a sample of companies in the industry, which came out at 1.05 (1.13 in 2021).

The key assumptions underpinning the perpetuity growth rate and the discount rate are the same for each group of CGUs to which goodwill has been allocated. Business Groups were created in the organization set up to adapt to the increasing globalization of automotive markets and customers. Business Groups are largely similar in terms of market and positioning, and enjoy a global geographic base as well as relations with the world's leading automakers.

To prepare the medium-term business plans used to perform impairment tests on CGUs and goodwill, the Group based itself on projected data for the automotive market, as well as its order intake and its development prospects on emerging markets.

Forecasts are made at the smallest level (for each CGU), based on detailed projections of the automotive market by automaker, country, model and powertrain, taking into account expected product developments in the CGU's official and potential order intake. Valeo is committed to addressing the challenges currently shaping the automotive industry, with the aim of meeting the expectations of consumers and international regulators in terms of reducing CO_2 emissions. The medium-term business plan is based on the assumption that the share of electrification solutions in the Group's sales will increase throughout the term of the plan.

The medium-term business plans for 2023-2027 are underpinned by the following assumptions:

- global automotive production of 85 million light vehicles in 2023 and 93.4 million light vehicles in 2027, representing average annual growth of 3.5% for 2022-2025 and 1.1% for 2025-2027. This production assumption is consistent with those underlying several independent external forecasts and has been revised downwards slightly compared with the forecasts used in 2021 for the 2022-2026 medium-term business plan. Although the effects of the electronic components shortage gradually being reversed, it will continue to affect the market until 2024, when production volumes are expected to return to 2019 levels. At the end of the period covered by the new business plan, Asia and the Middle East should represent 58% of global production, Europe and Africa 21%, North America 17% and South America 4%;
- inflation assumptions based on (i) forecasts by a panel of banks and the International Monetary Fund for general price inflation, and (ii) on internal estimates of market prices for raw materials, electronic components, energy and transportation. The medium-term business plan was prepared assuming that the Group would obtain compensation from customers for the higher cost of sales;
- exchange rate assumptions based on projections of a panel of banks at the time the business plan is drawn up. The exchange rates used for the main currencies featured in the business plan are 1 euro for: 1.12 US dollar, 7.28 Chinese renminbi, 131 Japanese yen, 1,322 South Korean won and 5.94 Brazilian real at the end of the plan;
- Group sales were forecast based on the orders known at the time the business plan was drawn up and by reference to an estimate of the orders to be taken over the term of the business plan. These target order numbers represent around 22% of cumulative original equipment sales over the five-year forecast period and around 48% of original equipment sales for the final year.

7.4.2 Property, plant and equipment and intangible assets (excluding goodwill)

The Group carries out impairment tests on CGUs that (i) have been written down in previous periods and remain sensitive to the criteria set out in Note 7.4.3, pages 383 to 384, and (ii) present indications of impairment.

The main impairment indicators used by the Group as the basis for impairment tests of CGUs are a negative operating margin for 2022, a fall of more than 20% in 2022 sales compared to 2021, and a recurring substantial shortfall with respect to the objectives set in the medium-term business plans. Any CGUs experiencing strong growth and whose value in use was significantly above their capital employed were excluded from the scope of the impairment tests.

Based on the above, five CGUs were tested for impairment at December 31, 2022:

- the Valeo Telematics & Acoustics Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Top Column Module Product Line, which has formed a separate CGU since 2019, when the Group decided to withdraw from this business;
- the Powertrain Electrified Mobility Product Group (part of the Powertrain Systems Business Group);
- the Thermal Powertrain Product Group (part of the Thermal Systems Business Group);
- the Thermal Climate Control Product Group (part of the Thermal Systems Business Group).

The Powertrain Electrified Mobility Product Group includes low- and high-voltage electric solutions. This Product Group is the result of Valeo's reorganization of its Powertrain Systems Business Group following the integration of the Valeo Siemens eAutomotive joint venture in the second half of 2022 (see Note 2.2, pages 343 to 345).

To test this CGU for impairment, value in use was calculated using cash flow projections through to 2032. Beyond this time, future cash flows in perpetuity were extrapolated based on a 1.5% perpetuity growth rate and normative cash flow projections for 2032.

The electric market is a fast-growing segment that will not have reached maturity within five years. The business plan for the period beyond five years is based on sales projections determined on the basis of market forecasts issued by independent external organizations. For the high-voltage market, these forecasts are based in particular on a market analysis conducted by independent consultants of the market share addressable by automotive suppliers. The cash flows set out in the medium-term plan were then extrapolated based on these data, with the assistance of independent valuation experts.

7.4.3 Sensitivity of CGU impairment tests

Changes in the following assumptions were used to check the sensitivity of CGU impairment tests assuming an infinite time period (Valeo Telematics & Acoustics Product Line CGU, Powertrain Electrified Mobility Product Group CGU, Thermal Powertrain Product Group CGU and Thermal Climate Control CGU):

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 1-point decrease in the rate of operating income over sales used to calculate the terminal value.

The headroom of the tests, representing the difference between the value in use and the net carrying amount, as well as the impacts of changes in key assumptions on this headroom, are presented in the table below:

(in millions of euros)	Headroom of the test	Impact on the headroom of the test			
	Based on 2022 assumptions	WACC of 11% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pt)	1-pt decrease in the rate of operating income used to calculate the terminal value	Combination of all three factors
Valeo Telematics & Acoustics Product Line CGU	210	(45)	(18)	(44)	(95)
Powertrain Electrified Mobility Product Group CGU	1,797	(409)	(114)	(259)	(695)
Thermal Powertrain Product Group CGU	776	(118)	(53)	(137)	(271)
Thermal Climate Control Product Group CGU	768	(104)	(46)	(122)	(240)

For the Powertrain Electrified Mobility Product Group CGU, no impairment would need to be recognized if annual sales growth was 10% lower than that considered in the cash flow projections for the period 2028-2032.

Since the impairment test on the Top Column Module Product Line CGU assumes a finite time period, its sensitivity to changes in the following assumptions was verified:

- 1-point increase in the discount rate;
- 5% fall in sales for each year of the plan;
- 0.5-point decrease in the materials consumption rate for each year of the plan.

(in millions of euros)	Headroom of the test	Impact on the headroom of the test			
	Based on 2022 assumptions	WACC of 11% (+1 pt)	5% fall in sales for each year	0.5-pt decrease in the materials consumption rate	Combination of all three factors
Top Column Module Product Line CGU	1	(1)	(1)	(3)	(5)

7.4.4 Goodwill

No impairment losses were recognized against goodwill in 2022 as a result of the impairment tests carried out at the level of the Business Groups in line with the methodology described above. This was also the case in 2021.

In 2022, the value in use of the Powertrain Systems Business Group was determined by aggregating:

- the value in use of the Powertrain Electrified Mobility Product Group CGU, calculated using the method described in Note 7.4.2, page 383;
- the value in use of the Business Group's other activities, calculated using the same method as for the other Business Groups.

7.4.5 Sensitivity of goodwill impairment tests

A one-year pushback in medium-term business plans would have no impact on the results of goodwill impairment tests.

The following changes in the three main assumptions were also used to check the sensitivity of goodwill impairment tests:

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 1-point decrease in the rate of operating income over sales used to calculate the terminal value.

No additional impairment losses would be recognized as a result of these changes in assumptions, either individually or taken as a whole.

The headroom of the tests, representing the difference between the value in use and the net carrying amount, as well as the impacts of changes in key assumptions on this headroom, are presented by Business Group in the table below:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2022 assumptions	WACC of 11% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pt)	Decrease in the rate of operating income used to calculate the terminal value (-1 pt)	Combination of all three factors
Comfort & Driving Assistance Systems Business Group	2,514	(583)	(259)	(477)	(1,174)
Powertrain Systems Business Group	2,121	(736)	(245)	(514)	(1,332)
Thermal Systems Business Group	1,476	(342)	(151)	(355)	(749)
Visibility Systems Business Group	2,535	(481)	(220)	(456)	(1,025)

7.4.6 Sensitivity of impairment tests to the impacts of climate change

Climate change could have various impacts on the value of Valeo's assets. The Group's consideration of physical risks when measuring its assets is described in Note 1.3, page 343.

The main transition risk facing the automotive industry is the acceleration of the electric mobility market. The Group has long prepared for this profound transformation of its industry and this is reflected in its medium-term business plan, which is used as the basis for its impairment tests on non-current assets.

Impairment tests on CGUs and goodwill were simulated based on a pessimistic scenario. For businesses with exposure to the internal combustion engine, the pessimistic scenario involved assuming a sharp and rapid decline in sales of internal combustion engine vehicles from the end of the decade, coupled with much lower than expected growth in sales of electric vehicles.

Based on this scenario, impairment tests were simulated using a perpetuity growth rate of zero beyond the projected cash flow in the last year of the plan for the Thermal Powertrain and Thermal Climate Control Product Group CGUs, and for the Powertrain Systems and Thermal Systems Business Groups. Based on the simulation, impairment losses would not have been recognized. The decrease in the test margins would be between 16% and 19% for the CGUs tested and between 28% and 31% for the Business Groups tested.

Conversely, a sharp and rapid decline in sales for internal combustion engine vehicles from the end of the decade could lead sales for electric vehicles to accelerate faster than currently anticipated by the Group.

7.4.7 Impairment of Brazilian assets

In recent years, the Group has faced a particularly adverse environment in Brazil, which has led to significant operating losses for its businesses in the region. As a result, the Group had recognized a 49 million euros impairment loss in 2020. The impairment loss was allocated to fixed assets, except those with a recoverable amount such as land, buildings and other machinery.

Although the cash flow projections were revised upwards, in 2022 the Group maintained the impairment losses that had been recognized against its Brazilian assets within other income and expenses in the 2020 consolidated statement of income. In light of the historical difficulties encountered by the Group in Brazil, coupled with a macroeconomic environment that remains uncertain, the Group does not deem it appropriate to reverse the impairment loss at this stage.

7.5 Off-balance sheet commitments relating to leases and investments

7.5.1 Leases

At December 31, 2022, future minimum commitments on outstanding leases excluded from the scope of IFRS 16 and on leases signed but not yet in force are as follows:

(in millions of euros)	December 31, 2022
Less than 1 year	18
1 to 5 years	4
More than 5 years	—
TOTAL	**22**

7.5.2 Other commitments given

Valeo had given binding asset purchase commitments totaling 620 million euros at December 31, 2022, versus 416 million euros at December 31, 2021, as well as other commitments relating to operating activities in the amount of 10 million euros. The increase in binding asset purchase commitments is mainly due to the integration of Valeo eAutomotive in 2022.

The following items recognized in assets in the Group's statement of financial position have been pledged as security:

(in millions of euros)	December 31, 2022	December 31, 2021
Property, plant and equipment	4	—
Financial assets	3	—
TOTAL	**7**	**—**

NOTE 8 OTHER PROVISIONS AND CONTINGENT LIABILITIES

8.1 Other provisions

A provision is recognized when:

- the Group has a present legal, contractual or constructive obligation resulting from a past event;
- it is probable that future outflows of resources embodying economic benefits will be necessary to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Provisions are measured in accordance with IAS 37 and take into account assumptions deemed most probable at the end of the reporting period.

Provisions for customer warranties are set aside to cover the estimated cost of returns of goods sold and are computed either on a statistical basis or based on specific quality risks. Statistical warranty provisions cover risks related to contractual warranty obligations, and are determined based on both historical data and probability calculations. The provision for specific quality risks covers costs arising in specific situations not covered by usual warranties. The corresponding expense is recognized in cost of sales.

Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or by announcing its main features.

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under said contracts.

Provisions intended to cover commercial, tax and employee-related risks and disputes arising in the ordinary course of operations are also included in this caption.

When the Group expects all or part of the expenditure required to settle a provision to be reimbursed, it recognizes a receivable, if and only if the reimbursement is virtually certain.

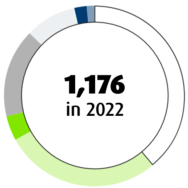
Provisions relating to events that are expected to materialize in more than one year or whose timing cannot be reliably determined are classified within other provisions – long-term portion.

Movements in other provisions in 2022 are shown in the table below:

(in millions of euros)	Provisions for product warranties	Provisions for onerous contracts	Provisions for restructuring costs	Other provisions for contingencies and disputes	Total
PROVISIONS AT JANUARY 1, 2022	**401**	**193**	**43**	**208**	**845**
Additions	165	31	26	39	261
Amounts utilized during the year	(104)	(187)	(24)	(105)	(420)
Reversals	(52)	(88)	(1)	(33)	(174)
Changes in scope	50	380	7	223	660
Reclassifications	—	—	—	4	4
PROVISIONS AT DECEMBER 31, 2022	**460**	**329**	**51**	**336**	**1,176**
Of which current portion (less than one year)	242	103	37	112	494

At December 31, 2020, the Group recognized a material accrued income item with respect to product warranties. In 2022, the Group did not recognize any other individually material income items offsetting expected outflows of resources in respect of the other provisions mentioned above.

At December 31, 2022 and 2021, provisions break down as follows:



(in millions of euros)		December 31, 2022	December 31, 2021
39%	– Provisions for product warranties	460	401
28%	– Provisions for onerous contracts(1)	329	10
4%	– Provisions for restructuring costs	51	43
16%	– Provisions for unfavorable contracts(2)	186	—
10%	– Provisions for employee-related and other disputes	110	155
2%	– Provisions for tax-related disputes	25	40
1%	– Provisions for environmental risks	15	13
	TOTAL OTHER PROVISIONS	**1,176**	**662**

(1) At December 31, 2022, this amount includes the impacts of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", as set out in Note 1.1.1, pages 339 to 340.
(2) Provisions for unfavorable contracts recognized as part of the purchase price accounting for Valeo eAutomotive (see Note 2.2, pages 343 to 345).

Provisions for employee-related and other disputes, which totaled 110 million euros at December 31, 2022, cover risks arising in connection with former employees (in particular relating to asbestos), intellectual property disputes and various other disputes related to Valeo's operating activities across the globe, as well as the main risks relating to antitrust investigations. Each known dispute was reviewed at the date on which the consolidated financial statements were authorized for issue. Based on the advice of the Group's legal counsel, where appropriate, the provisions deemed necessary were set aside to cover the estimated outflows of resources. They take into account any compensation agreements signed between the various stakeholders.

At January 1, 2022, the Group applied the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" (see Note 1.1.1, pages 339 to 340). The first-time application of these amendments led the Group to recognize additional provisions for onerous contracts amounting to 183 million euros at January 1, 2022. 380 million euros were also recognized at July 1, 2022 as part of the Valeo Siemens eAutomotive purchase price allocation.

8.2 Antitrust investigations

At the end of July 2011, antitrust investigations were initiated against several automotive suppliers (including Valeo) by the US and European antitrust authorities related to components and systems supplied to the automotive industry.

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving climate control products on September 20, 2013, as part of which Valeo Japan Co. Ltd agreed to pay a fine of 13.6 million US dollars. This settlement agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Valeo Group for practices that came to light during their investigations. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo amnesty and so did not fine Valeo for this conduct.

Also in the United States, three class actions were filed by automotive dealers, direct purchasers, and automotive end-payers against Valeo Group companies with the United States District Court for the Eastern District of Michigan, for alleged antitrust violations involving the sale of climate control products. Each of these class actions was settled with court approval. Separately, Valeo reached court-approved settlement agreements in connection with two prospective actions relating to access mechanisms over which automotive dealers and end customers were threatening to file claims. Certain customers opted out of the aforementioned US settlement agreements, and Valeo has reached settlements with some of these customers.

In addition, two class actions were filed against Valeo Group companies in British Columbia and Ontario in Canada. An agreement – pending approval by the competent court – was reached with the plaintiffs in 2022.

In Europe, the European Commission issued a decision on March 8, 2017, fining certain automotive air conditioning and engine cooling suppliers for conduct involving thermal systems products. Valeo was fined a total of 26.8 million euros. On June 21, 2017, the European Commission issued a further decision fining several automotive lighting system suppliers and marking an end to all its investigations involving Valeo. Valeo was among those identified by the Commission in the automotive lighting systems case, but was granted immunity and was therefore not fined.

Valeo remains in contact with a number of European automakers regarding ongoing claims for damages resulting from the European Commission's proceedings. On June 17, 2022, Valeo was informed that BMW had withdrawn a claim filed with the Munich Regional Court in Germany seeking compensation from Valeo for alleged damages, after a settlement was reached between the parties. Elsewhere, two automakers have filed individual claims in a UK court. Valeo considers these claims to be unfounded and is in talks with the automakers concerned.

Additional actions for damages can or may be brought further to the aforementioned antitrust investigations. The Group sets aside provisions whenever the payment of compensation is likely and can be quantified.

8.3 Contingent liabilities

Unlike a provision (see definition above), a contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving Valeo or its subsidiaries were reviewed at the date on which the consolidated financial statements were authorized for issue. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

8.4 Off-balance sheet commitments

At December 31, 2022, the amount of guarantees granted by the Group came to 42 million euros, of which 31 million euros granted in connection with the Group's reinsurance operations.

NOTE 9 FINANCING AND FINANCIAL INSTRUMENTS

9.1 Financial assets and liabilities

Financial assets and liabilities mainly comprise:

- long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term financing and bank overdrafts, which make up gross debt (see Note 9.1.2, pages 392 to 397);
- long-term loans and receivables (see Note 9.1.3.1, page 398);
- cash and cash equivalents (see Note 9.1.3.2, pages 398 to 399);
- derivative instruments (see Note 9.1.4, pages 400 to 406);
- other current and non-current financial assets and liabilities (see Note 9.1.5, pages 406 to 407).

9.1.1 Fair value measurement of financial assets and liabilities

9.1.1.1 Measurement methods

	2022 carrying amount under IFRS 9			December 31, 2022	December 31, 2021
(in millions of euros)	Amortized cost	Fair value through OCI	Fair value through income	Carrying amount	Carrying amount
ASSETS					
Non-current financial assets:					
• Long-term investments	—	30	336	366	290
• Long-term loans and receivables (including accrued interest)	3	—	—	3	362
• Deposits and guarantees	33	—	—	33	31
• Other non-current financial assets	7	—	—	7	6
• Hedging derivatives	—	73	—	73	53
• Trading derivatives	—	—	1	1	—
Assets relating to pensions and other employee benefits	—	49	—	49	29
Accounts and notes receivable	2,759	—	—	2,759	2,377
Other current financial assets:					
• Hedging derivatives	—	44	—	44	20
• Trading derivatives	—	—	41	41	50
• Accrued interest and other current financial assets	—	—	11	11	4
Cash and cash equivalents	—	—	3,329	3,329	2,415
LIABILITIES					
Non-current financial liabilities:					
• Hedging derivatives	—	10	15	25	20
• Trading derivatives	—	—	10	10	5
Bonds	3,807	—	—	3,807	3,661
Schuldschein loans (German private placements)	887	—	—	887	547
European Investment Bank (EIB) loan	582	—	—	582	293
Bilateral bank loan	100	—	—	100	—
Other long-term debt	727	—	—	727	630
Liabilities associated with put options granted to holders of non-controlling interests	—	12	—	12	17
Accounts and notes payable	5,586	—	—	5,586	4,633
Other current financial liabilities:					
• Hedging derivatives	—	14	—	14	12
• Trading derivatives	—	—	28	28	14
Short-term financing	1,162	—	—	1,162	748
Bank overdrafts	—	—	77	77	—

9.1.1.2 Fair value estimates

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments based on the following categories:

- level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: prices established using valuation techniques drawing on non-observable inputs.

The fair value of bonds is calculated based on prices quoted on an active bond market. This method corresponds to level 1 in the fair value hierarchy.

For the *Schuldschein* private placements, the European Investment Bank (EIB) loans and the bilateral bank loan, fair value is measured by discounting future cash flows at the market interest rate at the reporting date. This method corresponds to level 2 in the fair value hierarchy.

Since they fall due in the short term, the fair value of other components of Group debt, as well as of accounts and notes payable and receivable, is deemed equal to their carrying amount.

	December 31, 2022			December 31, 2021		
(in millions of euros)	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
ASSETS						
Cash and cash equivalents	3,329	3,329	1-2	2,415	2,415	1-2
Derivative financial instruments(1)	159	159	2	123	123	2-3
LIABILITIES						
Bonds	3,807	3,694	1	3,661	3,783	1
Schuldschein loans (German private placements)	887	870	2	547	547	2
European Investment Bank (EIB) loan	582	491	2	293	294	2
Bilateral bank loan	100	92	2	—	—	N/A
Other long-term debt	727	727	2	630	630	2
LOANS RECOGNIZED AT AMORTIZED COST	**6,103**	**5,874**		**5,131**	**5,254**	
Short-term financing	1,162	1,162	1-2	748	748	1-2
Bank overdrafts	77	77	1	—	—	N/A
Derivative financial instruments(1)	77	77	2	51	51	2-3
Put options granted to holders of non-controlling interests	12	12	3	17	17	3

(1) The method used to estimate the fair value of derivative financial instruments recorded in assets and liabilities corresponds to level 2 in the fair value hierarchy for derivatives hedging foreign currency, commodity and interest rate risks.

IFRS 13 prescribes the methods for assessing fair value and for taking into account the credit risk on derivatives, through:

- a Credit Valuation Adjustment (CVA), which is a component of the market value of a derivative financial instrument that reflects the exposure in the event of counterparty default;
- a Debit Valuation Adjustment (DVA), which is an adjustment to fair value reflecting the entity's own credit risk.

The credit risk on derivatives is calculated according to historical probabilities of default and a recovery rate, as observed on the market.

At December 31, 2021 and 2022, this has only a minimal impact on the Group.

9.1.2 Gross debt

Gross debt includes long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term financing and bank overdrafts.

At December 31, 2022, the Group's gross debt can be analyzed as follows:

	December 31, 2022			December 31, 2021		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	5,074	1,029	6,103	4,350	781	5,131
Put options granted to holders of non-controlling interests	7	5	12	12	5	17
Short-term financing	—	1,162	1,162	—	748	748
Bank overdrafts	—	77	77	—	—	—
GROSS DEBT	**5,081**	**2,273**	**7,354**	**4,362**	**1,534**	**5,896**

9.1.2.1 Long-term debt

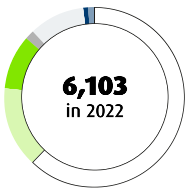
Long-term debt primarily includes bonds, private placements, European Investment Bank (EIB) loans, lease liabilities and other borrowings.

Bonds and other borrowings are valued at amortized cost. The amount of interest recognized in financial expenses is calculated by multiplying the loan's effective interest rate by its carrying amount. Any difference between the expense calculated using the effective interest rate and the actual interest payment impacts the value at which the loan is recognized.

When a fixed-rate loan is designated as a hedged item in a fair value hedging relationship, its carrying amount is adjusted at each reporting date to reflect the change in fair value attributable to the hedged risk.

Lease liabilities are measured as described in Note 7.3, pages 378 to 381.

Breakdown of long-term debt



(in millions of euros)		December 31, 2022	December 31, 2021
62%	Bonds	3,807	3,661
14%	*Schuldschein* loans (German private placements)	887	547
10%	European Investment Bank (EIB) loan	582	293
2%	Bilateral bank loan	100	—
10%	Lease liabilities	617	510
1%	Other borrowings	45	68
1%	Accrued interest	65	52
	LONG-TERM DEBT	**6,103**	**5,131**

Change in and characteristics of long-term debt

(in millions of euros)	Bonds	*Schuldschein* loans (German private placements)	European Investment Bank (EIB) loans	Bilateral bank loan	Lease liabilities	Other borrowings	Accrued interest	Total
CARRYING AMOUNT AT JANUARY 1, 2022	**3,661**	**547**	**293**	**—**	**510**	**68**	**52**	**5,131**
Increases/Subscriptions	742	340	285	100	—	7	—	1,474
New contracts/Renewals/ Modifications	—	—	—	—	126	—	—	126
Redemptions/Repayments	(600)	—	—	—	(109)	(35)	—	(744)
Changes in scope	—	—	—		97	9	1	107
Value adjustments	4	—	4	—	—	—	—	8
Translation adjustment	—	—	—	—	(6)	(4)	(1)	(11)
Other movements	—	—	—	—	(1)	—	13	12
CARRYING AMOUNT AT DECEMBER 31, 2022	**3,807**	**887**	**582**	**100**	**617**	**45**	**65**	**6,103**

As part of the Euro Medium Term Note financing program, on November 22, 2022 the Group issued 750 million euros' worth of five-year bonds maturing on May 28, 2027 and paying a fixed coupon of 5.375%. The bonds are indexed to a December 2025 sustainability objective, as part of the Group's commitment to achieving carbon neutrality by 2050, with an initial milestone in 2030. At the reporting date, Valeo assumes that this objective will be met.

Two interest rate swaps for a total nominal amount of 600 million euros were set up at the same time to swap the 5.375% fixed coupon for a variable rate. The swaps have been designated in a fair value hedge accounting relationship.

Valeo took out a bilateral bank loan in September 2022 for a nominal amount of 100 million euros, maturing in August 2026 and bearing variable-rate interest of 3-month Euribor + 1.25%.

The Group also issued two *Schuldschein* loans (German private placements) for a total nominal amount of 341 million euros, breaking down as follows:

- a 30 million euros tranche maturing in October 2025 and paying a fixed coupon of 4.950%;
- a 149 million euros tranche maturing in October 2025 and paying a variable coupon of 6-month Euribor + 1.90%;
- a 30 million euros tranche maturing in October 2027 and paying a fixed coupon of 5.251%;
- a 52 million euros tranche maturing in October 2027 and paying a variable coupon of 6-month Euribor + 2.10%;
- a 30 million euros tranche maturing in October 2027 and paying a variable coupon of 6-month Euribor + 2.10%;
- a 5 million euros tranche maturing in October 2029 and paying a fixed coupon of 5.503%;
- a 45 million euros tranche maturing in October 2029 and paying a variable coupon of 6-month Euribor + 2.30%.

The tranches falling due in 2027 and 2029 are indexed to a sustainability objective to be met by December 2025. At the reporting date, Valeo assumes that this objective will be met.

In February 2021, the European Investment Bank (EIB) approved 600 million euros in financing for Valeo's Research and Development projects focused on technologies that reduce CO_2 emissions and improve active vehicle safety. The funds are to be allocated to Valeo's Europe-based R&D projects, primarily in France, but also in Germany, the Czech Republic and Ireland. The Group drew down an initial amount of 300 million euros in 2021, followed by the remaining 300 million euros tranche on February 10, 2022. The loan, which matures in 2030, carries fixed-rate interest of 1.083% and is repayable in six equal annual installments from February 2025.

In September 2022, the Group redeemed 600 million euros' worth of bonds issued in September 2017 and paying a fixed coupon of 0.375%.

In accordance with IAS 20, when the Group receives public financing at lower-than-market interest rates, a subsidy is calculated as the difference between the market interest rate for a similar loan at the date the loan was granted, and the interest rate granted by the lender. The amount of the subsidy is recognized in liabilities in the statement of financial position. It is subsequently taken to income as a deduction from the costs financed by the subsidy as and when the costs are themselves recognized in the consolidated statement of income.

The amount of the subsidy for the second 300 million euros loan contracted from the European Investment Bank (EIB) was measured at 14 million euros (7 million euros for the first tranche). The impact of the two subsidies on the statement of income for the year ended December 31, 2022 was a gain of 6 million euros, recognized in Research and Development expenditure (see Note 5.5.1.2, page 359).

At December 31, 2022, the key terms and conditions of long-term debt were as shown below:

Type	Outstanding at Dec. 31, 2022 *(in millions of euros)*	Issuance	Maturity	Nominal *(in millions)*	Nominal amount outstanding *(in millions of euros)*	Currency	Nominal interest rate
BONDS							
EMTN program	500	Jan. 2017	Jan. 2023	500	500	EUR	0.625%
EMTN program	685	Jan. 2014	Jan. 2024	700	700	EUR	3.25%
EMTN program	598	June 2018	June 2025	600	600	EUR	1.50%
EMTN program	597	Mar. 2016	Mar. 2026	600	600	EUR	1.625%
EMTN program(1)	697	July 2021	Aug. 2028	700	700	EUR	1.00%
EMTN program(1)(2)	730	Nov. 2022	May 2027	750	750	EUR	5.375%
***SCHULDSCHEIN* LOAN ISSUED IN 2019**							
Tranche 1	115	April 2019	April 2023	115	115	EUR	0.95%
Tranche 2(3)	220	April 2019	April 2023	221	221	EUR	6-month Euribor +0.95%
Tranche 3	90	April 2019	April 2025	90	90	EUR	1.291%
Tranche 4(3)	122	April 2019	April 2025	122	122	EUR	6-month Euribor + 1.15%
***SCHULDSCHEIN* LOAN ISSUED IN 2022**							
Tranche 1	30	Oct. 2022	Oct. 2025	30	30	EUR	4.95%
Tranche 2	148	Oct. 2022	Oct. 2025	149	149	EUR	6-month Euribor + 1.90%
Tranche 3(1)	30	Oct. 2022	Oct. 2027	30	30	EUR	5.251%
Tranche 4(1)	52	Oct. 2022	Oct. 2027	52	52	EUR	6-month Euribor + 2.10%
Tranche 5(1)	30	Dec. 2022	Oct. 2027	30	30	EUR	6-month Euribor + 2.10%
Tranche 6(1)	5	Oct. 2022	Oct. 2029	5	5	EUR	5.503%
Tranche 7(1)	45	Dec 2022	Oct. 2029	45	45	EUR	6-month Euribor + 2.30%
BILATERAL BANK LOAN							
	100	Sept. 2022	Aug. 2026	100	100	EUR	3-month Euribor + 1.25%
EUROPEAN INVESTMENT BANK (EIB) LOAN							
Tranche 1(4)	294	June 2021	June 2029	300	300	EUR	0.885%
Tranche 2(5)	288	Feb. 2022	Feb. 2030	300	300	EUR	1.083%
OTHER							
Lease liabilities	617	-	-	—	617	—	—
Other long-term debt(6)	110	-	-	—	110	—	—
LONG-TERM DEBT	**6,103**						

(1) Indexed to a 2025 carbon footprint objective.
(2) Fixed-rate coupons partly exchanged for floating-rate coupons indexed to six-month Euribor via interest rate swaps with a notional amount of 600 million euros.
(3) Variable-rate coupons exchanged for fixed-rate coupons via interest rate swaps.
(4) Reduced-rate loan repayable in six annual installments of 50 million euros as from June 2024
(5) Reduced-rate loan repayable in six annual installments of 50 million euros as from February 2025
(6) Other long-term debt chiefly comprises debt contracted by Ichikoh entities in an amount of 21 million euros and debt contracted by Group subsidiaries at reduced rates in Spain along with accrued interest.

At December 31, 2022, the Group had drawn an amount of 3.85 billion euros (up 150 million euros compared with December 31, 2021) under its Euro Medium Term Note financing program capped at 5 billion euros.

The Group also has confirmed bank credit lines with an average maturity of 3.7 years, representing an aggregate amount of 1.8 billion euros. None of these credit lines had been drawn down at December 31, 2022. These bilateral credit lines were taken out with 11 leading banks with an average rating of A from S&P and A1 from Moody's.

Since July 2022, Valeo has also had access to bridge-to-bond financing in the form of undrawn credit lines for an amount of 650 million euros. These facilities have a 12-month maturity, with two six-month extension options exercisable at Valeo's discretion, and were arranged with four leading banks with an average rating of A from S&P and A1 from Moody's.

Maturity of long-term debt

(in millions of euros)	Carrying amount	Maturity <1 year	≥1 year and ≤5 years 2024	2025	2026	2027	>5 years 2028 and beyond
Bonds	3,807	500	686	598	597	729	697
Schuldschein loans (German private placements)	887	335	—	390	—	112	50
Bilateral bank loan	100	—	—	—	100	—	—
European Investment Bank (EIB) loan	582	—	48	97	96	96	245
Lease liabilities	617	104	108	79	62	49	215
Other borrowings	45	25	15	3	1	1	—
Accrued interest	65	65	—	—	—	—	—
LONG-TERM DEBT	**6,103**	**1,029**	**857**	**1,167**	**856**	**987**	**1,207**

Contractual maturity of long-term debt

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile. At December 31, 2022, the average maturity of Valeo's (the parent company) debt was 3 years, compared with 3.1 years at end-2021.

The future cash outflows presented below, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at December 31, 2022 was used for variable-rate interest.

(in millions of euros)	Carrying amount	Contractual cash flows <1 year	≥1 year and ≤5 years 2024	2025	2026	2027	>5 years 2028 and beyond	Total
Bonds	3,807	572	789	666	657	797	707	4,188
Schuldschein loans (German private placements)	887	359	20	410	8	120	55	972
Bilateral bank loan	100	4	4	4	103	—	—	115
European Investment Bank (EIB) loan	582	6	56	105	104	103	255	629
Other long-term debt	727	193	124	82	63	50	215	727
LONG-TERM DEBT	**6,103**	**1,134**	**993**	**1,267**	**935**	**1,070**	**1,232**	**6,631**

Off-balance sheet commitments relating to Group financing

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenant:

Financing agreements	Ratio	Thresholds	Ratio at December 31, 2022[1]
Credit lines and bridge-to-bond facility	Consolidated net debt/consolidated EBITDA	<3.5	1.67
European Investment Bank (EIB) loan			
Bilateral bank loan			
Schuldschein loans (German private placements)			

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note (EMTN) financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The *Schuldschein* loans (German private placements) and the European Investment Bank (EIB) loan also include a change of control clause under which investors can request early repayment.

The credit lines set up by the Group's subsidiaries include early repayment clauses in the event of failure to comply with specified financial ratios. Based on the due diligence performed, the Group believes that the subsidiaries concerned complied with these covenants at December 31, 2022.

The Group's bank credit lines and long-term debt include "cross default" clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date these consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

Group credit ratings

The Group is rated by several credit rating agencies. Moody's rating confirms Valeo's investment grade status.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	June 17, 2022	BB+	Stable	B
Moody's	October 12, 2022	Baa3	Negative	P-3

Subsequent events

On January 11, 2023, the Group redeemed the 500 million euros bond issued in 2017 under the Euro Medium Term Note program.

9.1.2.2 Liabilities associated with put options granted to holders of non-controlling interests

The Group may grant put options to third parties holding non-controlling interests, on all or some of their shares. These puts are considered by the Group as non-interest bearing debt.

This debt is recognized at the present value of the option exercise price. The offsetting entry for the debt associated with these commitments is a decrease in stockholders' equity – non-controlling interests.

The difference between the present value of the exercise price of the options granted and the carrying amount of non-controlling interests is recorded in stockholders' equity as a deduction from consolidated retained earnings.

The amount of the debt is adjusted at the end of each period in order to reflect changes in the option exercise price and a corresponding entry is recorded in stockholders' equity.

(in millions of euros)	Total	Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	Spheros Climatização do Brasil SA	Asaphus Vision GmbH
LIABILITIES AT JANUARY 1, 2021	**68**	**50**	**18**	**—**
New options	5	—	—	5
Fair value adjustments recognized against non-controlling interests	—	—	—	—
Fair value adjustments recognized in retained earnings	(6)	—	(6)	—
Exercise of options	(50)	(50)	—	—
LIABILITIES AT DECEMBER 31, 2021	**17**	**—**	**12**	**5**
Fair value adjustments recognized against non-controlling interests	2	—	2	—
Fair value adjustments recognized in retained earnings	(7)	—	(7)	—
LIABILITIES AT DECEMBER 31, 2022	**12**	**—**	**7**	**5**

At December 31, 2022, Valeo and Marco Polo owned 60% and 40%, respectively, of Spheros Climatização do Brasil SA. Marco Polo has been granted a put option which it may exercise at any time following an agreed period of one year.

On December 10, 2021 Valeo acquired a controlling interest in Asaphus Vision GmbH. It now holds a 60% stake along with a call option for the remaining 40%, worth 5 million euros.

In 2021, STEC exercised its put option on its entire stake in Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd. At December 31, 2021, the exercise of the option resulted in the recognition of a short-term liability of 55 million euros, which was settled in the first half of 2022.

The maturity of these financial liabilities is as follows:

		Maturity						
				≥1 year and ≤5 years				>5 years
(in millions of euros)	Carrying amount	On demand	<1 year	2024	2025	2026	2027	2028 and beyond
Liabilities associated with put options granted to holders of non-controlling interests	12	—	5	7	—	—	—	—

9.1.2.3 Short-term financing and bank overdrafts

Short-term debt mainly includes Negotiable European Commercial Paper (NEU CP) (previously "commercial paper") issued by Valeo for its short-term financing needs. NEU CP has a maturity of between one and twelve months and is valued at amortized cost.

In order to reflect the Group's cash requirements, short-term financing is presented in net cash flows from financing activities in the consolidated statement of cash flows.

(in millions of euros)	December 31, 2022	December 31, 2021
Negotiable European Commercial Paper	1,059	665
Other short-term financing	103	83
Bank overdrafts	77	—
SHORT-TERM FINANCING AND BANK OVERDRAFTS	**1,239**	**748**

Valeo has a short-term commercial paper financing program for a maximum amount of 2.5 billion euros. At December 31, 2022, a total of 1,059 million euros had been drawn on this program, compared with 665 million euros at December 31, 2021.

9.1.3 Net debt

Net debt includes all long-term debt, liabilities associated with put options granted to holders of non-controlling interests (see Note 9.1.2.2, pages 396 to 397), short-term financing and bank overdrafts (see Note 9.1.2.3, page 397), less loans and other long-term financial assets, cash and cash equivalents, and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items (see Note 9.1.4, pages 400 to 406).

	December 31, 2022			December 31, 2021		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	5,074	1,029	6,103	4,350	781	5,131
Put options granted to holders of non-controlling interests	7	5	12	12	5	17
Short-term financing	—	1,162	1,162	—	748	748
Bank overdrafts	—	77	77	—	—	—
GROSS DEBT	**5,081**	**2,273**	**7,354**	**4,362**	**1,534**	**5,896**
Long-term loans and receivables (including accrued interest)	(3)	—	(3)	(275)	(87)	(362)
Accrued interest	—	(11)	(11)	—	(4)	(4)
Cash and cash equivalents	—	(3,329)	(3,329)	—	(2,415)	(2,415)
Derivative instruments associated with interest rate and foreign currency risks(1)	11	(20)	(9)	(2)	(9)	(11)
NET DEBT	**5,089**	**(1,087)**	**4,002**	**4,085**	**(981)**	**3,104**

(1) *At end-December 2022 and end-December 2021, the fair value of derivative instruments associated with an item of net debt comprises the fair value of derivatives hedging financial currency risk and the fair value of derivatives hedging interest rate risk.*

9.1.3.1 Long-term loans and receivables

This category consists essentially of long-term loans, which are measured on an amortized cost basis using the effective interest rate. They are shown in the statement of financial position as other non-current financial assets.

9.1.3.2 Cash and cash equivalents

Cash and cash equivalents are comprised of marketable securities such as money market and short-term money market funds, deposits and very short-term risk-free securities which can be readily sold or converted into cash, and cash at bank.

The cash equivalents included in this line are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. These current financial assets are carried at fair value through income and are held with a view to meeting short-term cash requirements.

(in millions of euros)	December 31, 2022	December 31, 2021
Marketable securities	640	942
Cash and other liquid resources	2,689	1,473
CASH AND CASH EQUIVALENTS	**3,329**	**2,415**

Cash and cash equivalents totaled 3,329 million euros at December 31, 2022, consisting of 640 million euros of marketable securities with a low price volatility risk, and 2,689 million euros in cash. Marketable securities consist solely of money market mutual funds (FCP).

These items were measured using level 1 and 2 inputs of the fair value hierarchy.

Short-term liquidity management

Cash is pooled whenever this is permitted by local legislation. In such cases, subsidiaries' surplus cash or financing requirements are pooled and invested or funded by Valeo, the parent company. The Group has set up a cross-border, multi-currency cash pooling arrangement in euros, Hungarian forint and Czech koruna for European subsidiaries, in US dollars for US subsidiaries, and in Chinese renminbi for Chinese subsidiaries. This arrangement enables day-to-day cash to be managed on a centralized basis. In other countries, local cash pooling arrangements exist and loans and borrowings are regularly taken out with the parent company (Valeo). In some countries, these cross-border transactions can give rise to tax issues or may be subject to specific regulations and require approval from the local tax authorities.

The Group also manages liquidity by ensuring that dividends from subsidiaries are systematically transferred to Valeo.

Bank counterparty risk management

The Group invests its surplus liquidity according to the same principles, with asset management companies that are subsidiaries of leading banks. Securities are held by leading custodians.

9.1.3.3 Analysis of net debt by currency

Net debt can be analyzed as follows by currency:

(in millions of euros)	December 31, 2022	December 31, 2021
Euro	4,094	3,208
US dollar	129	6
Japanese yen	48	74
Brazilian real	(73)	(37)
South Korean won	(112)	(133)
Chinese renminbi	(89)	(45)
Other currencies	5	31
TOTAL	**4,002**	**3,104**

9.1.4 Derivative financial instruments

The Group uses derivative financial instruments to manage and reduce its exposure to foreign exchange and commodity risks.

Derivatives are recognized in the statement of financial position at fair value under other non-current financial assets or other non-current financial liabilities when the underlying transaction matures beyond one year, and under other current financial assets or other current financial liabilities when the underlying transaction matures within one year.

The accounting impact of changes in the fair value of these derivative instruments depends on whether or not hedge accounting is applied.

When hedge accounting is applied:

- for fair value hedges of assets and liabilities recognized in the statement of financial position, the hedged item of these assets or liabilities is stated at fair value. Changes in fair value are recognized through income and offset (for the effective portion of the hedge) by symmetrical changes in the fair value of the derivative;
- for future cash flow hedges, changes in the fair value of the derivatives relating to the effective portion of the hedge are recognized directly in other comprehensive income, while the ineffective portion is taken to other financial income and expenses. The amounts recognized in other comprehensive income are recycled to income when the hedged risk itself affects income.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in other financial income and expenses.

Foreign currency derivatives

Although they may act as hedges, foreign currency derivatives hedging balance sheet positions in foreign currencies are not always designated as part of a hedging relationship for accounting purposes. In these cases, changes in the fair value of the derivatives are recognized in financial income and expenses and are generally offset by the impact of remeasuring the underlying foreign currency receivables and payables. However, foreign currency hedges of long-term foreign currency financing are designated as fair value hedges in order to be eligible for the option available under IFRS 9 whereby forward points are amortized (on a straight-line basis over the term of the hedge) and recognized in the statement of income within cost of net debt.

Foreign currency derivatives hedging highly probable future transactions that are generally material and will impact operating margin are classified as hedges. In these cases, changes in the fair value of the derivatives are recognized in other comprehensive income for the effective portion of the hedge, and subsequently taken to operating income when the hedged item itself affects operating income. The ineffective portion of the hedge is recognized in other financial income and expenses.

Commodity derivatives

In principle, the Group applies cash flow hedge accounting to commodity derivatives. Gains and losses relating to the effective portion of the hedge are reclassified from other comprehensive income to operating margin when the hedged position itself affects income. Gains and losses relating to the ineffective portion of the hedge are recognized in other financial income and expenses. When a forecast transaction is no longer highly probable, the cumulative gains and losses carried in other comprehensive income are transferred immediately to other financial income and expenses.

Interest rate derivatives

When taking out variable-rate borrowings, the Group may enter into derivative contracts to hedge against potential fluctuations in interest rates. These hedges are eligible for cash flow hedge accounting.

Hedging instruments are measured at fair value and recognized in the statement of financial position. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income, while changes relating to the ineffective portion are recognized in other financial income and expenses. Amounts carried in other comprehensive income in respect of the effective portion of the hedge are taken to income as and when the hedged interest expenses themselves affect income.

Interest rate derivatives designated as hedges of borrowings indexed to a benchmark rate are presented in Note 9.1.4.3, pages 404 to 405. Interest Rate Benchmark Reform – Phase 2 has been effective since 2021 and has no impact on the consolidated financial statements.

The Group's operating entities are responsible for identifying, measuring and hedging financial risks. However, the Group's Finance Department is responsible for managing derivatives on behalf of subsidiaries with risk exposure.

At monthly Treasury Committee meetings, the main risks and exposures are assessed, the required hedges are approved (in accordance with the strategy described below), and the results of these hedges are analyzed.

To reduce its exposure to market risk, the Group uses derivative financial instruments which had the following fair values at December 31, 2022 and 2021:

					Other financial assets		Other financial liabilities		December 31, 2022	December 31, 2021
(in millions of euros)	Accounting classification	Nominal purchase price[1]	Nominal sale price[1]	OCI reserves	Non-current	Current	Non-current	Current	Total	Total
Forward foreign currency contracts	Cash flow hedge	1,522	(255)	81	60	42	(10)	(11)	81	33
Forward foreign currency contracts	Trading	311	(362)	—	—	4	—	(11)	(7)	—
OPERATING FOREIGN CURRENCY DERIVATIVES		**1,833**	**(617)**	**81**	**60**	**46**	**(10)**	**(22)**	**74**	**33**
Swaps	Trading	1,116	(1,116)	—	1	35	—	(16)	20	11
Cross-currency swaps	Trading	—	—	—	—	2	(10)	—	(8)	(5)
FINANCIAL FOREIGN CURRENCY DERIVATIVES		**1,116**	**(1,116)**	**—**	**1**	**37**	**(10)**	**(16)**	**12**	**6**
Swaps	Cash flow hedge	200	(4)	(1)	—	2	—	(3)	(1)	1
COMMODITY DERIVATIVES		**200**	**(4)**	**(1)**	**—**	**2**	**—**	**(3)**	**(1)**	**1**
Swaps	Cash flow hedge	343	(343)	10	10	—	—	—	10	(2)
Swaps	Fair value hedge	600	(600)	—	—	—	(15)	—	(15)	—
Cross-currency swaps	Cash flow hedge	159	(159)	3	3	—	—	—	3	9
Cross-currency swaps	Trading	29	(29)	—	—	—	—	(1)	(1)	(2)
INTEREST RATE DERIVATIVES		**1,131**	**(1,131)**	**13**	**13**	**—**	**(15)**	**(1)**	**(3)**	**5**
Cross options	N/A	N/A	N/A	N/A	—	—	—	—	—	27
OTHER DERIVATIVES				**—**	**—**	**—**	**—**	**—**	**—**	**27**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS					**74**	**85**	**(35)**	**(42)**	**82**	**72**

(1) The nominal amounts of the derivatives are expressed in euros.

Bank counterparty risk management

The Group contracts derivatives with leading banks and sets limits for each counterparty, taking into account ratings provided by rating agencies. Special reports are drawn up enabling counterparty risk on each market to be monitored.

9.1.4.1 Fair value of foreign currency derivatives

Operational currency risk management

The Group's subsidiaries are exposed to foreign currency risk arising within the scope of their industrial and commercial activities. These risks and the related hedges are monitored by the Financing and Treasury Department.

The Group systematically hedges statement of financial position exposures (non-financial foreign currency receivables and payables). Subsidiaries primarily hedge their transactions with Valeo, the parent company, which then hedges net Group positions with external counterparties. As the corresponding foreign currency derivatives are not designated as part of a hedging relationship for accounting purposes, they are accounted for as derivatives held for trading.

The Group also hedges its operating margin against foreign currency risk, on a regular basis over the budget period and on an exceptional basis over a contractual period (beyond one year) for specific major contracts. The principal hedging instruments used by the Group are forward purchases and sales of foreign currencies. In this case, the Group applies cash flow hedge accounting to commodity derivatives.

The fair value of these derivatives is computed as follows: future cash flows are calculated using forward exchange rates at the end of the reporting period and are then discounted using the interest rate of the functional currency. This method corresponds to level 2 in the fair value hierarchy.

As in 2021, the ineffective portion of these hedges of operational currency risk was not material in 2022.

Financial currency risk management

Centralizing cash surpluses, the financing needs of foreign subsidiaries and certain Group financing transactions exposes the Group to financial currency risk. This risk corresponds to the risk of changes in the value of financial receivables or payables denominated in currencies other than the functional currency of the borrowing or lending entity. This currency risk is primarily hedged by currency swaps.

The Group tends to finance its subsidiaries in their local currencies and systematically enters into hedges to protect itself against the resulting currency risk.

The Group's borrowings are generally denominated in euros, in particular for debt issues under the Euro Medium Term Note financing program.

The unrealized gain of 12 million euros mainly includes currency swaps relating to hedges of intragroup loans and borrowings.

Analysis of the Group's overall net exposure

The Group's overall net exposure (on its balance sheet positions) at December 31, 2022, based on notional amounts, arises on the following main currencies (excluding entities' functional currencies):

	December 31, 2022					December 31, 2021
(in millions of euros)	USD	JPY	EUR	Other currencies	Total	Total
Accounts and notes receivable	291	30	475	13	809	659
Other financial assets	150	85	167	1,002	1,404	1,267
Accounts and notes payable	(470)	(66)	(761)	(90)	(1,387)	(972)
Long-term debt	(840)	(102)	(119)	(1,003)	(2,064)	(1,798)
GROSS EXPOSURE	**(869)**	**(53)**	**(238)**	**(78)**	**(1,238)**	**(844)**
Forward sales	(120)	(102)	(67)	(946)	(1,235)	(1,326)
Forward purchases	941	173	116	934	2,164	1,767
NET EXPOSURE	**(48)**	**18**	**(189)**	**(90)**	**(309)**	**(403)**

In the table above, the EUR column represents the net euro exposure of Group entities whose functional currency is not the euro. Exposure arises in particular on subsidiaries based in Central Europe and the Mediterranean area, which are financed in euros by Valeo.

Analysis of the sensitivity of net foreign currency risk exposure

The sensitivity analysis was based on an exchange rate of 1.0666 US dollars and 140.66 Japanese yen to 1 euro at December 31, 2022 (1.1326 and 130.38, respectively, at December 31, 2021).

An increase of 10% in the value of the euro against these currencies at December 31, 2022 and 2021 would have had the following pre-tax impacts:

	December 31, 2022		December 31, 2021	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Exposure to US dollar	5	(62)	5	(40)
Exposure to Japanese yen	(2)	(4)	1	(6)
Exposure to euro	(16)	4	(26)	10
TOTAL	**(13)**	**(62)**	**(20)**	**(36)**

For the purpose of these analyses, it is assumed that all other variables, particularly interest rates, remained unchanged.

Assuming that all other variables remained unchanged, a 10% fall in the value of the euro against these currencies at December 31, 2022 would have had the opposite impacts to the ones shown above.

Remaining contractual maturities of foreign currency derivatives

The European Central Bank (ECB) closing rates and forward rates at December 31, 2022 were used to value foreign currency derivatives.

		Contractual cash flows						
			≥1 year and ≤5 years				>5 years	
(in millions of euros)	Carrying amount	<1 year	2024	2025	2026	2027	2028 and beyond	Total
Forward foreign currency contracts used as hedges:								
• Assets	106	46	32	16	10	2	—	106
• Liabilities	(32)	(22)	(10)	—	—	—	—	(32)
Currency swaps used as hedges:								
• Assets	38	37	1	—	—	—	—	38
• Liabilities	(26)	(16)	(10)	—	—	—	—	(26)

9.1.4.2 Fair value of commodity (non-ferrous metals) derivatives

Commodity risk management

The Group manages its exposure to raw materials by using price indexation clauses in commercial contracts as far as possible. This is the case particularly for non-ferrous metals and steel, for which such clauses cover approximately three-quarters and one-half of the Group's exposure, respectively.

Residual exposure to non-ferrous metals listed on the London Metal Exchange (LME) and the Shanghai Futures Exchange, and to a lesser extent exposure to propylene, is hedged with leading banks using hedging instruments. These hedges are designed to limit the impact of fluctuations in commodity prices on the Group's earnings and to give Valeo the time it needs to negotiate the corresponding price rises with its customers.

The Group favors hedging instruments which do not involve physical delivery of the underlying commodity (primarily swaps on the average monthly price). These transactions are eligible for cash flow hedge accounting within the meaning of IFRS 9.

Steel, most plastics, and rare-earth metals cannot be hedged on the financial market as they are not listed on an organized exchange.

Inventory values in the Group's statement of financial position are not significantly affected by the rise in commodity prices because the rapid inventory turnover and optimization of logistics flows reduce the amount.

Volumes of non-ferrous metals hedged at December 31, 2022 and 2021 break down as follows:

(in tons)	December 31, 2022	December 31, 2021
Aluminum	41,515	12,589
Secondary aluminum	11,407	3,527
Copper	12,138	4,823
Polypropylene	—	2,587
TOTAL	**65,060**	**23,526**

Base metals derivatives used by the Group are designated as cash flow hedges. An unrealized loss of less than 1 million euros relating to existing hedges was recognized in other comprehensive income for 2022.

The unrealized gain of less than 1 million euros recognized in other comprehensive income in 2021 and relating to existing hedges was reclassified in full to operating income in 2022.

Analysis of the sensitivity of the net exposure to metal price risk

The table below shows the pre-tax impact on equity and income of a 10% variation in metal futures prices at December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Impact of a 10% rise in metal futures prices	—	17	—	8
Impact of a 10% fall in metal futures prices	—	(17)	—	(8)

For the purposes of the sensitivity analysis, it is assumed that all other variables remain unchanged over the period.

Remaining contractual maturities of commodity derivatives

Forward prices on the London Metal Exchange (LME) at December 31, 2022 were used to determine contractual maturities for commodity derivatives.

		Contractual cash flows						
			≥1 year and ≤5 years				>5 years	
(in millions of euros)	Carrying amount	<1 year	2024	2025	2026	2027	2028 and beyond	Total
Commodity derivatives:								
• Assets	2	2	—	—	—	—	—	2
• Liabilities	(3)	(3)	—	—	—	—	—	(3)

9.1.4.3 Fair value of interest rate derivatives

Interest rate risk management

The Group uses interest rate swaps to convert the interest rates on its debt into either a variable or a fixed rate, either at origination or during the term of the loan. Cash and cash equivalents are invested in both fixed- and variable-rate instruments. At December 31, 2022, 81% of long-term debt (i.e., due in more than one year) was at fixed rates, down compared to end-2021.

In March 2019, the Group converted the 159 million euros loan granted to one of its Czech subsidiaries into Czech koruna. At the same time, the Group set up a cross currency swap in Czech koruna for the same amount and with the same maturity. This swap is designated as a hedging instrument in a cash flow hedge.

In 2022, a Group subsidiary in Japan converted the 3.8 billion Japanese yen loan granted to one of its Indonesian subsidiaries into Indonesian rupiah. At the same time, the Japanese subsidiary set up a cross-currency swap in Indonesian rupiah for the same amount and with the same maturity. These derivatives are not designated as hedging instruments for accounting purposes.

The two variable-rate tranches of the Schuldschein loan (German private placement) issued in April 2019 are hedged by floored interest rate swaps, which exchange the variable coupon with a 0% floor for a fixed rate. The floors expired in April 2021. These instruments are designated as hedging instruments in a cash flow hedge.

Two interest rate swaps for a total of 600 million euros were put in place in November 2022 to partially hedge the interest on the 750 million euros EMTN financing issued at the same time. These swaps are designated as hedging instruments in a fair value hedge.

	December 31, 2022		December 31, 2021	
(in millions of euros)	Nominal	Fair value	Nominal	Fair value
Interest rate swaps:				
• Loan in Czech koruna	159	(7)	159	4
• Loan in Indonesian rupiah	29	1	26	(2)
• *Schuldschein* loans (German private placement)	343	10	343	(2)
• EMTN 2027	600	(15)	—	—
TOTAL	**1,131**	**(11)**	**528**	**—**

Analysis of the Group's net exposure

At the end of the reporting period, the Group's net interest rate position based on nominal values can be analyzed as follows:

2022

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	1,955	331	3,461	454	1,172	45	6,588	830	7,418
Loans	(3)	—	—	—	—	—	(3)	—	(3)
Accrued interest	(11)	—	—	—	—	—	(11)	—	(11)
Cash and cash equivalents	(1,152)	(2,177)	—	—	—	—	(1,152)	(2,177)	(3,329)
NET POSITION BEFORE HEDGING	**789**	**(1,846)**	**3,461**	**454**	**1,172**	**45**	**5,422**	**(1,347)**	**4,075**
Derivative instruments	221	(221)	(477)	477	—	—	(256)	256	—
NET POSITION AFTER HEDGING	**1,010**	**(2,067)**	**2,984**	**931**	**1,172**	**45**	**5,166**	**(1,091)**	**4,075**

2021

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	1,521	20	3,005	365	1,027	—	5,553	385	5,938
Loans	—	(87)	—	(275)	—	—	—	(362)	(362)
Accrued interest	(4)	—	—	—	—	—	(4)	—	(4)
Cash and cash equivalents	(1,400)	(1,015)	—	—	—	—	(1,400)	(1,015)	(2,415)
NET POSITION BEFORE HEDGING	**117**	**(1,082)**	**3,005**	**90**	**1,027**	**—**	**4,149**	**(992)**	**3,157**
Derivative instruments	—	—	343	(343)	—	—	343	(343)	—
NET POSITION AFTER HEDGING	**117**	**(1,082)**	**3,348**	**(253)**	**1,027**	**—**	**4,492**	**(1,335)**	**3,157**

Financial liabilities include the nominal amount of long-term debt, short-term financing and bank overdrafts.

Analysis of sensitivity to interest rate risk

At December 31, 2022, almost all long-term debt was at fixed rates. Fixed-rate debt carried at amortized cost is not included in the calculation of sensitivity to interest rate risk. The Group's exposure to interest rate risk therefore arises solely on its variable-rate debt.

The tables below show the pre-tax impact on income and other comprehensive income of a sudden 1% rise in the interest rates applied to variable-rate financial assets and liabilities, after hedging:

	December 31, 2022		December 31, 2021	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Impact of a 1% rise in interest rates	11	—	13	—

At December 31, 2022, a sudden 1% fall in interest rates would have had an unfavorable impact for the same amount.

9.1.4.4 Fair value of other derivative financial instruments

At December 31, 2021, other derivative financial instruments included non-symmetrical put and call options granted by Valeo and Siemens on the creation of their joint venture. The fair value of the call option was 27 million euros at December 31, 2021.

In February 2022, Valeo announced that it had signed an agreement with Siemens to acquire Siemens' 50% stake in Valeo eAutomotive, effective July 4, 2022 (see Note 2.2, pages 344 to 345).

9.1.5 Other financial assets and liabilities

9.1.5.1 Other non-current financial assets and liabilities

This caption primarily includes guarantee deposits and long-term investments.

Guarantee deposits are valued at amortized cost.

Long-term investments primarily include investments in non-consolidated companies and mutual funds, which are measured at fair value.

Changes in the fair value of investments in non-consolidated companies are recorded in the statement of income, unless the investment is neither held for trading nor contingent consideration is recognized by an acquirer as part of a business combination. In such cases, the Group may make an irrevocable election at initial recognition of each investment to present subsequent changes in fair value in other comprehensive income, and dividend income in the statement of income. Once this election has been made, unrealized gains and losses recognized in other comprehensive income may not subsequently be recycled to the statement of income, even in the event of disposal of the related investment.

The election described above for equity instruments is not available for mutual funds. Accordingly, changes in fair value are recognized under other financial income and expenses in the consolidated statement of income.

The fair value of securities listed on an active market is their stock market value.

Long-term investments totaled 366 million euros at end-December 2022 and can be analyzed as follows:

(in millions of euros)	2022	2021
LONG-TERM INVESTMENTS AT JANUARY 1	**290**	**216**
Acquisitions	61	1
Disposals	(2)	(1)
Changes in fair value recognized in equity	(4)	(7)
Changes in fair value recognized in income	28	77
Dividends paid by Company mutual funds	(7)	(5)
Translation adjustment	—	9
LONG-TERM INVESTMENTS AT DECEMBER 31	**366**	**290**

They mainly comprise investments in the following companies:

(in millions of euros)	December 31, 2022	December 31, 2021
Hubei Cathay China	66	69
Hubei Cathay China II	20	—
Sino-French Innovation Fund (Cathay)	105	96
Sino-French Innovation Fund II (Cathay)	38	33
Sino-French Innovation Fund III (Cathay)	30	—
Iris Capital	31	26
Aledia	20	16
Other long-term investments[1]	56	50
LONG-TERM INVESTMENTS AT DECEMBER 31	**366**	**290**

(1) Other investments in investment funds and in companies over which Valeo exercises neither control nor significant influence with an individual value of no more than 20 million euros.

9.1.5.2 Other current financial assets and liabilities

Other current financial assets and liabilities include accounts and notes receivable and payable.

Accounts and notes receivable and payable are initially recognized at fair value and subsequently carried at amortized cost, less any accumulated impairment losses. The fair value of accounts and notes receivable and payable is deemed to be their nominal amount, since payment periods are generally less than three months.

Accounts and notes receivable are detailed in Note 5.2, pages 355 to 356.

In the ordinary course of its operations in China, Valeo may be paid by its customers or may pay its suppliers using a payment instrument specific to the Chinese market known as a "bank acceptance draft". Owing to their nature, receivables and payables under bank acceptance drafts continue to be recognized within accounts and notes receivable and payable until they fall due. At December 31, 2022, these instruments represented 175 million euros of accounts and notes receivable and 355 million euros of accounts and notes payable (131 million euros and 229 million euros, respectively, at December 31, 2021).

Valeo also operates a reverse factoring program for its suppliers worldwide, which has been in place since 2014. This program involves the sale of accounts and notes receivable to a financial institution ("factor") initiated by Valeo (and not by the supplier). Relations between the parties are structured based on two separate agreements:

- Valeo suppliers enter into a sale agreement with the factor for the amounts they are owed by Valeo;
- Valeo enters into an agreement with the factor under which it agrees to pay the invoices sold by its suppliers to the factor at the date they fall due (pre-approved invoices), without recourse.

This program allows the suppliers concerned to ensure that their receivables will be promptly settled by the financial institution. Valeo settles the invoices with the factor at their contractual due dates.

An analysis by the Group indicates that the reverse factoring arrangement does not alter the substance of its payables, which continue to be included in working capital. At December 31, 2022, the balance outstanding under the program represents 462 million euros, or 8% of total accounts and notes payable.

9.2 Financial income and expenses

Net financial income comprises interest income, interest expense (cost of net debt) and other financial income and expenses.

Cost of net debt

Interest expense mainly corresponds to interest recognized on debt, while interest income corresponds to interest earned on cash and cash equivalents.

Other financial income and expenses

Other financial income and expenses notably include:

- the ineffective portion of gains and losses on interest rate hedging transactions;
- gains and losses on foreign exchange transactions or non-ferrous metals purchases that do not meet the definition of hedges of financial instruments;
- the cost of credit insurance and write-downs taken in respect of credit risk and losses on bad debts in the event of client default;
- the net interest cost arising on provisions for pensions and other employee benefits, which includes the impact of unwinding the discount on the obligations to take into account the passage of time, and financial income related to the expected return on plan assets;
- changes in the fair value of long-term investments held for trading.

(in millions of euros)	2022	2021
Cost of gross debt[(1)]	(189)	(125)
Interest income on cash and investments	58	65
COST OF NET DEBT	**(131)**	**(60)**
Net interest cost on provisions for pensions and other employee benefits[(2)]	(14)	(12)
Currency gains (losses)	(21)	2
Gains (losses) on commodity derivatives (ineffective portion)	(1)	2
Gains (losses) on interest rate derivatives (ineffective portion)	2	1
Gains (losses) on long-term investments held for trading[(3)]	28	77
Other[(4)]	2	26
OTHER FINANCIAL INCOME AND EXPENSES	**(4)**	**96**
NET FINANCIAL INCOME (EXPENSE)	**(135)**	**36**

(1) Including, in 2022, finance costs for 5 million euros on undrawn credit lines, interest on lease liabilities for 17 million euros and financial expenses for 9 million euros arising on discounting arrangements for accounts and notes receivable and amounts receivable under French research tax credits.

(2) See Note 6.3.4, page 370.

(3) See Note 9.1.5.1, page 406.

(4) Of which 1 million euros related to hyperinflation in Turkey.

NOTE 10 INCOME TAXES

10.1 Income taxes

Income tax expense includes current income taxes and deferred taxes of consolidated companies.

Taxes relating to items reported directly in other comprehensive income are also reported in other comprehensive income and not in the statement of income.

10.1.1 Breakdown of income tax expense

(in millions of euros)	2022	2021
Current taxes	(247)	(253)
Deferred taxes	33	56
INCOME TAXES	**(214)**	**(197)**

The Group recognized an income tax expense of 214 million euros for 2022, corresponding to an effective tax rate of 37.5%.

10.1.2 Tax proof

(in millions of euros)	2022	2021
INCOME BEFORE INCOME TAXES EXCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES(1)	**571**	**685**
Standard tax rate in France	25.83%	28.40%
THEORETICAL INCOME TAX (EXPENSE)/BENEFIT	**(147)**	**(195)**
Impact of:		
• Unrecognized deferred tax assets and unused tax losses (current year)	(175)	(22)
• Recognition of previously unrecognized deferred tax assets	28	10
• Other income tax rates	1	15
• Utilization of prior-year tax losses	4	6
• Permanent differences between accounting income and taxable income	82	(4)
• Tax credits	2	1
• *Cotisation sur la valeur ajoutée des entreprises* (CVAE)	(9)	(8)
GROUP INCOME TAX (EXPENSE)/BENEFIT	**(214)**	**(197)**
Effective tax rate	37.5%	28.8%

(1) At December 31, 2022, this item included the remeasurement at fair value of the Group's previously-held interest in the Valeo Siemens eAutomotive joint venture, accounted for by the equity method up to June 30, 2022, for 181 million euros (see Note 2.2, pages 344 to 345).

Research and development expenditure in Germany, particularly on the ADAS and high-voltage electrification businesses, and in France generated significant tax losses in 2022. No deferred tax assets were recognized on these tax losses as they were not expected to be able to be utilized in the short term.

In addition to withholding tax not deducted in France and the impact of Base Erosion and Anti-Abuse Tax (BEAT) in the United States, permanent differences between accounting income and taxable income mainly comprise the non-taxable gain arising on the remeasurement of the previously held interest in Valeo Siemens eAutomotive (see Note 2.2, pages 344 to 345), as well as the tax benefits granted to innovative companies in China.

The Group considers that the *Cotisation sur la valeur ajoutée des entreprises* (CVAE) tax on company value-added meets the definition of income tax set out in IAS 12. Income tax in 2022 therefore includes a net expense of 9 million euros in respect of the CVAE tax (8 million euros in 2021).

The unfavorable 1 million euros impact relating to tax rates that are different from the standard tax rate breaks down as follows:

Country	Current tax rate[1]	2022	2021
China	25.0%	—	6
South Korea	24.2%	2	4
Turkey	25.0%	—	2
Spain	25.0%	—	1
Poland	19.0%	—	3
Morocco	8.8%	(2)	(1)
Czech Republic	19.0%	(9)	(6)
United States	21.0%	4	7
Germany	27.8%	6	(1)
TOTAL		**1**	**15**

(1) *The current tax rate shown is the effective tax rate at the end of the reporting period. The tax rate used to calculate deferred taxes takes into account any changes adopted in the tax rate for the coming years.*

10.2 Deferred taxes

Deferred taxes are accounted for using the liability method for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, and for all tax loss carryforwards.

The main temporary differences relate to tax loss carryforwards, provisions for pensions and other employee benefits, other temporarily non-deductible provisions and capitalized development expenditure. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are only recognized to the extent that it appears probable that Valeo will generate future taxable profits against which these tax assets will be able to be recovered. The Group reviews the probability of future recovery of deferred tax assets on a periodic basis for each tax entity. This review can, where appropriate, lead the Group to derecognize deferred tax assets that it had recognized in prior years. The probability of recovery is assessed using the approach deemed most appropriate in light of the entity's legal and tax organization, tax history and projected taxable earnings outlook.

Each entity or tax consolidation group assesses the recoverability of its tax loss carryforwards annually using future taxable profit projections covering a period of five years, prepared on the basis of medium-term business plans drawn up by Group entities and approved by General Management. Where an entity or tax consolidation group reports a net deferred tax asset position, tax loss carryforwards may generally be recognized in the statement of financial position for a maximum period of five years. Taxes payable and tax credits receivable on planned dividend distributions by subsidiaries are recorded in the statement of income.

Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities concern income taxes levied by the same taxation authority. In France, Valeo has elected for tax consolidation. The tax group includes the parent company and its principal French subsidiaries that are eligible for tax consolidation. Valeo has also elected for tax consolidation for its subsidiaries in other countries where this is permitted by local legislation (Germany, Spain, the United Kingdom and the United States).

Deferred taxes broken down by temporary differences are shown below:

(in millions of euros)	December 31, 2022	December 31, 2021
Loss carryforwards	1,498	869
Capitalized development expenditure	(286)	(287)
Pensions and other employee benefits	156	220
Other provisions	294	102
Inventories	102	82
Provisions for restructuring costs	4	3
Tooling	2	2
Non-current assets	(51)	61
Other	203	204
TOTAL DEFERRED TAXES, GROSS	**1,922**	**1,256**
Unrecognized deferred tax assets	(1,425)	(793)
TOTAL DEFERRED TAXES	**497**	**463**
Of which:		
Deferred tax assets	555	526
Deferred tax liabilities	(58)	(63)

The change in tax loss carryforwards compared with December 31, 2021 is mainly due to the acquisition of Valeo Siemens eAutomotive. In addition, the purchase price allocation for the transaction generated temporary differences, mainly on intangible assets and provisions (see Note 2.2, pages 344 to 345). No deferred tax assets were recognized in respect of the takeover in the Group's financial statements for the year ended December 31, 2022 as they were not expected to be able to be utilized in the short term.

The decline in pension obligations during the year (see Note 6.3, pages 366 to 372) led to a decrease in the related deferred taxes.

At December 31, 2022, the main countries for which deferred tax assets were recognized in the statement of financial position for tax loss carryforwards are as follows:

(in millions of euros)	Loss carryforwards	Potential tax saving
United States	405	85
Germany[1]	365	99
Poland	48	9
China	28	7
MAIN COUNTRIES	**846**	**200**
Other countries		18
DEFERRED TAX ASSETS RECOGNIZED FOR TAX LOSS CARRYFORWARDS		**218**

(1) Tax loss carryforwards are recognized up to the amount of deferred tax liabilities.

At December 31, 2022, deferred tax assets not recognized by the Group can be analyzed as follows:

(in millions of euros)	Tax basis	Potential tax saving
Tax losses available for carryforward from 2023 through 2026	690	(111)
Tax losses available for carryforward in 2027 and thereafter	253	(45)
Tax losses available for carryforward indefinitely	4,063	(1,124)
CURRENT TAX LOSS CARRYFORWARDS	**5,006**	**(1,280)**
Unrecognized deferred tax assets on temporary differences		(145)
TOTAL		**(1,425)**

NOTE 11 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

11.1 Stockholders' equity

11.1.1 Change in share capital

11.1.1.1 Change in the number of shares outstanding

The number of shares outstanding and the number of treasury shares held at December 31, 2022 can be analyzed as follows:

	2022	2021
NUMBER OF SHARES OUTSTANDING AT JANUARY 1	**241,726,165**	**240,250,718**
Number of treasury shares purchased/sold under the liquidity agreement(1) or delivered following the exercise of free shares granted	1,494,228	618,069
Number of shares purchased under the share buyback program(2)	(3,031,189)	—
Number of shares issued under employee stock ownership plans: Shares4U(3)	927,163	857,378
NUMBER OF SHARES OUTSTANDING AT DECEMBER 31	**241,116,367**	**241,726,165**
Number of treasury shares held by the Group	2,385,577	848,616
NUMBER OF SHARES REPRESENTING THE COMPANY'S SHARE CAPITAL AT DECEMBER 31(4)	**243,501,944**	**242,574,781**

(1) *See Note 11.1.1.2, page 412.*
(2) *See Note 11.1.1.3, pages 412 to 413.*
(3) *As part of the Shares4U 2022 plan (see Note 6.4.3, page 374), a 14 million euros capital increase reserved for employees took place on November 17, 2022, issuing 927,163 new shares, each with a par value of 1 euro. This standard plan was offered to employees, under which they could subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set by the Group's Chief Executive Officer acting on the authority of the Board of Directors on September 16, 2022, at 15.17 euros. This gave rise to 13 million euros in additional paid-in capital.*
(4) *At December 31, 2022 and December 31, 2021, each share had a par value of 1 euros and was fully paid up.*

11.1.1.2 Equity management

The Group seeks to maintain a solid capital base in order to retain the confidence of investors, creditors and the market, and to secure its future development. Its objective is to strike a balance between levels of debt and equity compatible with an investment grade rating.

The Group may be required to buy back treasury shares on the market to cover its obligations with regard to free share and employee stock ownership plans, as well as the liquidity agreement. The liquidity agreement, which is consistent with the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI), was signed with an investment services provider on March 25, 2019, replacing the previous liquidity agreement signed on April 22, 2004. At December 31, 2022, 17,385,306 euros had been allocated to the liquidity agreement compared with 17,340,810 euros at December 31, 2021.

11.1.1.3 Share buyback program

Valeo requested the assistance of an investment services provider to meet certain objectives of its 2022 share buyback program as authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Pursuant to the agreement signed on March 24, 2022, the parties agreed that the investment services provider would sell a certain quantity of Valeo shares to Valeo, which undertook to acquire them at term, within the limit of 50 million euros, at an average price determined in an objective and independent manner by the market during the full term of the agreement. This average price could not in any case exceed the maximum purchase price set by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Under the program, Valeo bought back a total of 3,031,189 shares. They have been allocated in full to cover the allotment of shares to employees under free share plans designed to involve them in the Company's growth, and the implementation of any Company savings plans.

The main features of the 2022 share buyback program are as follows:

(in millions of euros)	2022 program
Date agreement took effect	March 25, 2022
Expiration date	May 13, 2022
Maximum nominal amount of buyback *(in millions of euros)*	50
Treasury shares delivered *(in number of shares)*	3,031,189
Average share price *(in euros per share)*	16.50

11.1.2 Translation adjustment

Movements in the translation adjustment (attributable to the Group) in the year resulted in an unrealized gain of 189 million euros (unrealized gain of 257 million euros at December 31, 2021). The translation gain mainly reflects the reclassification of the Turkish subsidiaries' translation reserves within reserves for 145 million euros following the application of IAS 29, as well as the favorable impact of the appreciation of the US dollar for 103 million euros, offset by the unfavorable impact of the depreciation of the Japanese yen for 57 million euros and the Chinese renminbi for 32 million euros.

11.1.3 Non-controlling interests

Changes in non-controlling interests can be analyzed as follows:

(in millions of euros)	2022	2021
NON-CONTROLLING INTERESTS AT JANUARY 1	**793**	**756**
Share in net earnings	65	70
Dividends paid	(52)	(37)
Changes in scope	(11)	(8)
Fair value adjustments to put options granted to holders of non-controlling interests[1]	(2)	—
Other movements	8	(1)
Translation adjustment	(11)	16
NON-CONTROLLING INTERESTS AT DECEMBER 31	**790**	**796**

(1) See Note 9.1.2.2, pages 396 to 397.

Non-controlling interests can be analyzed as follows:

	Percentage interest held by non-controlling interests *(in %)*		Stockholders' equity attributable to non-controlling interests *(in millions of euros)*	
	December 31, 2022	December 31, 2021	2022	2021
Pyeong Hwa Company[1]	50.0	50.0	583	578
Ichikoh China Alliance entities	5.8	5.8	35	34
Other Ichikoh entities	38.8	38.8	152	150
Other individually non-material interests	N/A	N/A	20	34
NON-CONTROLLING INTERESTS			**790**	**796**

(1) Pyeong Hwa Company is the longstanding partner in Valeo Pyeong Hwa and Valeo-Kapec, particularly in South Korea.

11.2 Earnings per share

Basic earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, excluding the average number of shares held in treasury stock.

Diluted earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, plus the weighted average number of ordinary shares that would be outstanding had all the potentially dilutive ordinary shares been converted.

Stock options and free shares have a dilutive impact when their exercise price is below market price. This calculation method – known as the treasury stock method – serves to determine the "unpurchased" shares to be added to the shares of common stock outstanding for the purposes of computing the dilution.

	2022	2021
Net income attributable to owners of the Company *(in millions of euros)*	230	175
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	241,072	240,668
ATTRIBUTABLE BASIC EARNINGS PER SHARE *(IN EUROS)*	**0.95**	**0.73**

	2022	2021
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	241,072	240,668
Dilutive effect from free shares *(in thousands)*	2,430	3,670
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING ADJUSTED FOR IMPACT OF DILUTIVE SHARES *(in thousands of shares)*	**243,502**	**244,338**
ATTRIBUTABLE DILUTED EARNINGS PER SHARE *(IN EUROS)*	**0.94**	**0.72**

NOTE 12 BREAKDOWN OF CASH FLOWS

12.1 Expenses (income) with no cash effect

Expenses and income with no cash effect can be analyzed as follows in 2022 and 2021:

(in millions of euros)	2022	2021
Depreciation, amortization and impairment of fixed assets	1,782	1,583
Net additions to (reversals from) provisions	(349)	(95)
Losses (gains) on sales of fixed assets	(8)	(25)
Expenses related to share-based payment	21	28
Losses (gains) on long-term investments	(28)	(77)
Losses (gains) on assets held for sale	2	12
Other losses (gains) with no cash effect	7	(5)
TOTAL	**1,427**	**1,421**

12.2 Changes in working capital

Changes in the main components of working capital in 2022 and 2021 are shown in the table below:

(in millions of euros)	2022	2021
Inventories	(262)	(370)
Accounts and notes receivable	(291)	403
Accounts and notes payable	728	(191)
Other receivables and payables	56	(161)
TOTAL	**231**	**(319)**

Accounts and notes receivable falling due after December 31, 2022 for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position are detailed in Note 5.2, pages 355 to 356 for accounts and notes receivable and in Note 5.5.2, pages 359 to 360 for amounts receivable under French research and VAT tax credits.

12.3 Net change in non-current financial assets

The net change in non-current financial assets represents cash consumption of 166 million euros and mainly reflects additional loans granted to the Valeo Siemens eAutomotive joint venture for 107 million euros during the first half and a 55 million euros cash outflow relating to the acquisition of a non-controlling interest in Valeo Shanghai Automotive Electric & Wiper Systems Co Ltd after the shareholder exercised its put option. In 2021, the net change in non-current financial assets was chiefly due to new loans granted to the Valeo Siemens eAutomotive joint venture.

12.4 Acquisitions of investments with gain of control, net of cash acquired

In 2022, the net cash outflow of 352 million euros primarily relates to the takeover of Valeo eAutomotive (350 million euros – see Note 2.2, page 343).

In 2021, the net cash outflow of 8 million euros mainly corresponded to cash paid for the acquisition of shares in Huada Automotive Air Conditioner (Hunan) Co., Ltd for 6 million euros.

12.5 Disposals of investments with loss of control, net of cash transferred

In 2021, the negative impact on the Group's net cash position of 31 million euros related mainly to the impact of the loss of control of Valeo Samsung Thermal Systems Co. Ltd, then accounted for using the equity method (11 million euros) and to the sale of the Lighting business in Brazil (15 million euros).

12.6 Issuance and repayment of long-term debt

In 2022, the Group drew down the second 300 million euros tranche of the loan with the European Investment Bank and took out a bilateral bank loan of 100 million euros. Valeo also issued two *Schuldschein* loans (German private placements) for a total of 341 million euros. Lastly, the Group issued a 750 million euros bond maturing in 2027. It redeemed the 600 million euros bond issued in 2017 and repaid lease liabilities recognized in accordance with IFRS 16 – "Leases" in an amount of 109 million euros.

12.7 Free cash flow and net cash flow

Free cash flow corresponds to net cash from operating activities (excluding changes in non-recurring sales of accounts and notes receivable) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets and payments for the principal portion of lease liabilities. This indicator reflects the Group's ability to generate cash from its operations and is taken into account by General Management to define its investment strategy and financing policy.

Net cash flow corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities relating to share capital, dividends paid, treasury share purchases and sales, interest paid and received, loan issuance costs and premiums and acquisitions of investments without gain of control, and (iii) changes in non-recurring sales of accounts and notes receivable.

Free cash flow and net cash flow can be reconciled as follows with the consolidated statement of cash flows between 2022 and 2021:

(in millions of euros)	**2022**	**2021**
Gross operating cash flows	1,968	2,183
Income taxes paid	(291)	(237)
Changes in working capital	231	(319)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,908**	**1,627**
Net payments for purchases of intangible assets and property, plant and equipment	(1,409)	(1,264)
Net payments for the principal portion of lease liabilities[1]	(101)	(86)
Elimination of change in non-recurring sales of accounts and notes receivable[2]	(10)	15
FREE CASH FLOW	**388**	**292**
Change in non-recurring sales of accounts and notes receivable[2]	10	(15)
Net change in non-current financial assets[1]	(174)	(277)
Acquisitions of investments with gain of control, net of cash acquired	(352)	(8)
Disposals of investments with loss of control, net of cash transferred	—	(31)
Dividends paid to owners of the Company and to non-controlling interests of consolidated subsidiaries	(143)	(101)
Capital increase in cash	14	16
Sale (purchase) of treasury stock	(50)	—
Net interest paid/received	(100)	(28)
NET CASH FLOW	**(407)**	**(152)**

(1) The net cash inflow of 8 million euros in respect of lease receivables was set off against payments for the principal portion of lease liabilities.
(2) Valeo carries out recurring and one-off sales of its accounts and notes receivable to banks. An agreement at a specific date is drawn up for one-off, or non-recurring, transactions of this type. An agreement spanning one or more years is drawn up for recurring transactions. Each contract is analyzed in light of IFRS 9 on the derecognition of financial assets in order to determine whether the risks and rewards inherent to ownership of the receivables has been transferred (see Note 5.2, pages 355 to 356).

NOTE 13 FEES PAID TO THE STATUTORY AUDITORS

Fees paid to the Group's Statutory Auditors (excluding their network) and recognized in the consolidated statement of income for the Valeo parent company and the French subsidiaries, are as follows:

	Ernst & Young		Mazars	
(in millions of euros)	2022	2021	2022	2021
AUDIT				
Statutory audit, certification and review of the individual and consolidated financial statements	1.8	1.7	1.5	1.2
Non-audit services	0.3	0.8	0.2	—
TOTAL FEES	**2.1**	**2.5**	**1.7**	**1.2**

Non-audit services provided by Ernst & Young et Autres and Mazars to the Group and the entities it controls concern (i) comfort letters in connection with bond issues, (ii) statements issued to validate information presented in expenditure reports relating to subsidized projects and in connection with sales of receivables, (iii) agreed-upon procedures in connection with a report certifying CSR information, and (iv) audits of the combined financial statements of some of the Group's operating structures.

NOTE 14 LIST OF CONSOLIDATED COMPANIES

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
EUROPE				
FRANCE				
Valeo (parent company)				
DAV	FC	100	FC	100
Équipement 2	FC	100	FC	100
Équipement 11	FC	100	FC	100
SC2N	FC	100	FC	100
Société de Participations Valeo(4)	-	-	FC	100
Valeo Bayen	FC	100	FC	100
Valeo Embrayages	FC	100	FC	100
Valeo Équipements Électriques Moteur	FC	100	FC	100
Valeo Finance	FC	100	FC	100
Valeo Management Services	FC	100	FC	100
Valeo Matériaux de Friction	FC	100	FC	100
Valeo Comfort and Driving Assistance	FC	100	FC	100
Valeo Service	FC	100	FC	100
Valeo Systèmes de Contrôle Moteur	FC	100	FC	100
Valeo Systèmes d'Essuyage	FC	100	FC	100
Valeo Systèmes Thermiques	FC	100	FC	100
Valeo Vision	FC	100	FC	100
Valeo eAutomotive France SAS (formerly Valeo Siemens eAutomotive France SAS)(6)	FC	100	EM	50
Kuantic	FC	100	EM	33
Valeo Detection Systems	FC	100	FC	100
Équipement 22(2)	FC	100	-	-
SPAIN				
Valeo Climatización, SAU	FC	100	FC	100
Valeo España, SAU	FC	100	FC	100
Valeo Iluminación, SAU(4)	-	-	FC	100
Valeo Service España, SAU	FC	100	FC	100
Valeo Termico, SAU	FC	100	FC	100
ITALY				
Valeo Service Italia, SpA	FC	100	FC	100
Valeo, SpA	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
EUROPE				
GERMANY				
Valeo Auto-Electric GmbH(5)	FC	100	FC	100
Valeo GmbH(5)	FC	100	FC	100
Valeo Holding GmbH(5)	FC	100	FC	100
Valeo Klimasysteme GmbH(5)	FC	100	FC	100
Valeo Schalter und Sensoren GmbH(5)	FC	100	FC	100
Valeo Service Deutschland GmbH(5)	FC	100	FC	100
Valeo Wischersysteme GmbH(5)	FC	100	FC	100
Valeo Telematik und Akustik GmbH(5)	FC	100	FC	100
CloudMade Deutschland GmbH	EM	50	EM	50
Valeo Thermal Commercial Vehicles Germany GmbH(5)	FC	100	FC	100
Valeo eAutomotive GmbH (formerly Valeo Siemens eAutomotive GmbH)(6)	FC	100	EM	50
Valeo eAutomotive Germany GmbH (formerly Valeo Siemens eAutomotive Germany GmbH)(6)	FC	100	EM	50
Valeo eAutomotive BSAES Holding GmbH (formerly Valeo Siemens eAutomotive BSAES Holding GmbH)(6)	FC	100	EM	50
FTE Group Holding GmbH(5)	FC	100	FC	100
FTE Verwaltungs GmbH(5)	FC	100	FC	100
FTE Asia GmbH(5)	FC	100	FC	100
FTE automotive GmbH(5)	FC	100	FC	100
FTE automotive systems GmbH(5)	FC	100	FC	100
FTE automotive Möve GmbH(5)	FC	100	FC	100
gestigon GmbH(5)	FC	100	FC	100
Asaphus Vision GmbH	FC	60	FC	60
Valeo Detection Systems GmbH	FC	100	FC	100
UNITED KINGDOM				
Valeo (UK) Limited	FC	100	FC	100
Valeo Climate Control Limited	FC	100	FC	100
Valeo Engine Cooling UK Limited	FC	100	FC	100
Valeo Management Services UK Limited	FC	100	FC	100
Valeo Service UK Limited	FC	100	FC	100
Valeo Air Management UK Limited	FC	100	FC	100
CloudMade Holdings Limited	EM	50	EM	50
CloudMade Limited	EM	50	EM	50
IRELAND				
Connaught Electronics Limited	FC	100	FC	100
HI-KEY Limited	FC	100	FC	100
Valeo Ichikoh Holding Limited	FC	94	FC	94

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
BELGIUM				
Valeo Service Belgique	FC	100	FC	100
Valeo Vision Belgique	FC	100	FC	100
LUXEMBOURG				
Coreval	FC	100	FC	100
DENMARK				
FTE automotive Denmark ApS(4)	-	-	FC	100
FINLAND				
Valeo Thermal Commercial Vehicles Finland Oy (Ltd)	FC	100	FC	100
NETHERLANDS				
Valeo Sub-Holdings C.V.	FC	100	FC	100
Valeo Holding Netherlands BV	FC	100	FC	100
Valeo International Holding BV	FC	100	FC	100
Lucia Technologies B.V.	FC	100	FC	100
CZECH REPUBLIC				
Valeo Autoklimatizace k.s.	FC	100	FC	100
Valeo Compressor Europe s.r.o.	FC	100	FC	100
Valeo Vymeniky Tepla s.r.o.	FC	100	FC	100
FTE automotive Czechia s.r.o.	FC	100	FC	100
Valeo Detection Systems s.r.o	FC	100	FC	100
SLOVAKIA				
FTE automotive Slovakia s.r.o.	FC	100	FC	100
POLAND				
Valeo Autosystemy SpZOO	FC	100	FC	100
Valeo Electric and Electronic Systems SpZOO	FC	100	FC	100
Valeo Service Eastern Europe SpZOO	FC	100	FC	100
Valeo eAutomotive Poland Sp.ZO.O (formerly Valeo Siemens eAutomotive Poland Sp.ZO.O.)(6)	FC	100	EM	50
HUNGARY				
Valeo Auto-Electric Hungary LLC	FC	100	FC	100
Valeo eAutomotive Hungary Kft. (formerly Valeo Siemens eAutomotive Hungary Kft.)(6)	FC	100	EM	50
ROMANIA				
Valeo Lighting Injection SA	FC	100	FC	100
Valeo Sisteme Termice SRL	FC	100	FC	100
RUSSIA				
Valeo Technology Rus Limited Liability Company	FC	100	FC	100
Valeo Service Limited Liability Company	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
UKRAINE				
CloudMade Ukraine LLC	EM	50	EM	50
Spheros-Elektron TzOV	EM	20	EM	20
TURKEY				
Valeo Otomotiv Sanayi ve Ticaret AS	FC	100	FC	100
Valeo Ticari Tasitlar Termo Sistemleri AS	FC	100	FC	100
AFRICA				
TUNISIA				
DAV Tunisie SA	FC	100	FC	100
Valeo Embrayages Tunisie SA	FC	100	FC	100
Valeo Tunisie SA	FC	100	FC	100
MOROCCO				
Valeo Vision Maroc, SA	FC	100	FC	100
EGYPT				
Valeo Internal Automotive Software Egypt	FC	100	FC	100
Valeo Detection Systems LLC	FC	100	FC	100
SOUTH AFRICA				
Valeo Systems South Africa (Proprietary) Ltd	FC	51	FC	51
Valeo Thermal Commercial Vehicles South Africa (Pty) Ltd	FC	100	FC	100
Valeo Thermal Systems East London (Pty) Ltd	FC	51	FC	51
NORTH AMERICA				
UNITED STATES				
Valeo North America, Inc.	FC	100	FC	100
Valeo Radar Systems, Inc.	FC	100	FC	100
Detroit Thermal Systems LLC	EM	49	EM	49
CloudMade, Inc.	EM	50	EM	50
Valeo Thermal Commercial Vehicles North America, Inc.	FC	100	FC	100
PIAA Corp., USA(4)	-	-	FC	61.2
Valeo Kapec North America, Inc.	FC	50	FC	50
Valeo eAutomotive US, Inc. (formerly Valeo Siemens eAutomotive US, Inc)(6)	FC	100	EM	50
Valeo Detection Systems Inc.	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
CANADA				
Valeo Canada, Inc.	FC	100	FC	100
MEXICO				
Delmex de Juarez, S de RL de CV	FC	100	FC	100
Valeo Sistemas Automotrices de México, SA de CV	FC	100	FC	100
Valeo Sistemas Electricos, SA de CV	FC	100	FC	100
Valeo Sistemas Electronicos, S de RL de CV	FC	100	FC	100
Valeo Termico Servicios, S de RL de CV	FC	100	FC	100
Valeo Mexico Tech Center, SA de CV	FC	100	FC	100
Valeo Thermal Commercial Vehicles Mexico, SA de CV	FC	60	FC	60
Valeo Telematica y Acustica, SA de CV	FC	100	FC	100
Valeo Kapec, SA de CV	FC	50	FC	50
FTE Mexicana, SA de CV	FC	100	FC	100
SOUTH AMERICA				
BRAZIL				
Valeo Sistemas Automotivos Ltda	FC	100	FC	100
Valeo climatizacao do Brasil – veiculos comerciais S/A	FC	60	FC	60
ARGENTINA				
Emelar Sociedad Anonima	FC	100	FC	100
Valeo Climatizacion de vehiculos comerciales SAS	FC	100	FC	100
COLOMBIA				
Spheros Thermosystems Colombia SAS	FC	60	FC	60
ASIA PACIFIC				
THAILAND				
Valeo Niles (Thailand) Co. Ltd	FC	100	FC	100
Valeo Siam Thermal Systems Co. Ltd	FC	74.9	FC	74.9
Valeo Comfort and Driving Assistance Systems (Thailand) Ltd	FC	100	FC	100
Ichikoh Industries (Thailand) Co. Ltd	FC	61.2	FC	61.2

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

	December 31, 2022		December 31, 2021	
Company	Consolidation method	% interest	Consolidation method	% interest
SOUTH KOREA				
Valeo Automotive Korea Co. Ltd	FC	100	FC	100
Valeo Electrical Systems Korea, Ltd	FC	100	FC	100
Valeo Pyeong HWA Co. Ltd	FC	50	FC	50
Valeo Pyeong Hwa Automotive Components Co. Ltd (VPHC)	FC	50	FC	50
Valeo Pyeong HWA International Co. Ltd	FC	50	FC	50
Valeo Samsung Thermal Systems Co. Ltd	EM	50	FC	50
Valeo Pyeong HWA Metals Co. Ltd	EM	49	EM	49
Valeo Kapec Co. Ltd	FC	50	FC	50
Valeo PHC	FC	50	FC	50
Valeo Detection Systems Korea Co., Ltd	FC	100	FC	100
Valeo Mobility Korea Co., Ltd(2)	FC	100	-	-
INDONESIA				
PT Valeo AC Indonesia	FC	100	FC	100
PT VPH Asean Transmission	FC	50	FC	50
PT. Ichikoh Indonesia	FC	61.2	FC	61.2
MALAYSIA				
Valeo Malaysia SDN.BHD.	FC	100	FC	100
Ichikoh (Malaysia) SDN.BHD.	FC	42.8	FC	42.8
Valeo Malaysia CDA SDN.BHD.	FC	100	FC	100
Spheros SDN.BHD.(4)	-	-	FC	100
UNITED ARAB EMIRATES				
Valeo Thermal Commercial Vehicles Middle East FZE	FC	100	FC	100
HONG KONG				
Spheros Ltd(4)	-	-	FC	100
TAIWAN				
Niles CTE Electronic Co. Ltd	FC	51	FC	51
AUSTRALIA				
Valeo Service Australia Pty Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles Australia Pty Ltd	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

	December 31, 2022		December 31, 2021	
Company	Consolidation method	% interest	Consolidation method	% interest
JAPAN				
Ichikoh Industries Limited	FC	61.2	FC	61.2
Kyushu Ichikoh Industries Ltd	FC	61.2	FC	61.2
Misato Industries Co., Ltd	FC	61.2	FC	61.2
PIAA Corporation	FC	61.2	FC	61.2
Valeo Japan Co. Ltd	FC	100	FC	100
Valeo Kapec Japan K,K.	FC	50	FC	50
CloudMade Co. Ltd	EM	50	EM	50
CHINA				
Faw-Valeo Climate Control Systems Co. Ltd	EM	36.5	EM	36.5
Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd	FC	94.2	FC	94.2
Guangzhou Valeo Engine Cooling Co. Ltd	FC	100	FC	100
Huada Automotive Air Conditioner (Hunan) Co. Ltd(1)	FC	66	FC	66
Nanjing Valeo Clutch Co. Ltd	FC	37.5	FC	37.5
Shanghai Valeo Automotive Electrical Systems Company Ltd	EM	50	EM	50
Shenyang Valeo Auto Lighting Co. Ltd	FC	94.2	FC	94.2
Shenyang Valeo Pyeong-Hwa Transmission Systems Co. Ltd	FC	50	FC	50
Taizhou Valeo Wenling Automotive Systems Company Ltd	FC	100	FC	73
Valeo Auto Parts Trading (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Automotive Air Conditioning Hubei Co. Ltd	FC	100	FC	100
Valeo Kapec Torque Converters (Nanjing) Co. Ltd	FC	50	FC	50
Valeo Engine Cooling (Foshan) Co. Ltd	FC	100	FC	100
Valeo Compressor (Changchun) Co. Ltd	FC	100	FC	100
Valeo Friction Materials (Nanjing) Co. Ltd	FC	50	FC	50
Valeo Ichikoh (China) Auto Lighting Co., Ltd	FC	94.2	FC	94.2
Valeo Interior Controls (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Interior Controls (Shenzhen) Co. Ltd	FC	100	FC	100
Valeo Lighting Hubei Technical Center Co. Ltd	FC	94.2	FC	94.2
Valeo Management (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Comfort Driving Assistance Systems (Guangzhou) Co. Ltd	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

Company	December 31, 2022 Consolidation method	December 31, 2022 % interest	December 31, 2021 Consolidation method	December 31, 2021 % interest
Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd[(1)]	FC	100	FC	73
Wuhu Valeo Automotive Lighting Systems Co. Ltd	FC	94.2	FC	94.2
Wuxi Valeo Automotive Components and System Co. Ltd	FC	100	FC	100
Changshu Valeo Automotive Wiper System Co. Ltd	FC	100	FC	73
Shanghai Valeo Pyeong Hwa International Co. Ltd	FC	50	FC	50
Valeo eAutomotive (Shenzhen) Co., Ltd. (formerly Valeo Siemens eAutomotive (Shenzhen) Co. Ltd)[(6)]	FC	100	EM	50
Valeo Automotive ePowertrain Systems (Shanghai) Co. Ltd. (formerly Siemens Automotive ePowertrain Systems (Shanghai) Co. Ltd)[(6)]	FC	100	EM	50
Valeo Bluepark Automotive E-Drive Systems (Changzhou) Co., Ltd. (formerly Beijing Siemens Automotive E-Drive Systems Co. Ltd. Changzhou)[(6)]	FC	60	EM	30
Foshan Valeo Electronic Auto Parts Co. Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles System (Suzhou) Co. Ltd	FC	100	FC	100
peiker (Shanghai) Automotive Technology Co. Ltd[(4)]	-	-	FC	100
Ichikoh (Wuxi) Automotive Parts Co. Ltd	FC	61.2	FC	61.2
Valeo Powertrain (Nanjing) Co. Ltd	FC	100	FC	100
Valeo Powertrain (Shanghai) Co. Ltd	FC	100	FC	100
Valeo ePowertrain (Tianjin) Co., Ltd. (formerly Valeo Siemens ePowertrain (Tianjin) Co, Ltd)[(6)]	FC	100	EM	50
Valeo eAutomotive (Changshu) Co., Ltd. (formerly Valeo Siemens eAutomotive (Changshu) Co., Ltd)[(6)]	FC	100	EM	50
APG-FTE automotive Co. Ltd	EM	49	EM	49
Fawer Valeo eAutomotive Parts Changshu (formerly Fawer Valeo Siemens eAutomotive Parts (Changshu))[(6)]	EM	49.5	EM	24.8
FTE automotive (Taicang) Co. Ltd	FC	100	FC	100
Suzhou Valeo PyeongHwa Dongfeng Clutch CO, Ltd	FC	26.25	FC	26.25
Lucia Technologies (Shenzen) Co., Ltd	FC	100	FC	100
INDIA				
Amalgamations Valeo Clutch Private Ltd	EM	50	EM	50
Valeo Friction Materials India Ltd	FC	60	FC	60
Valeo India Private Ltd	FC	100	FC	100
Valeo Motherson Thermal Commercial Vehicles India Ltd	EM	51	EM	51

FC: Fully consolidated/EM: equity method (see Note 3.1.1, page 347).
(1) See Note 3.2.1, page 349.
(2) Creation during the year with no material impact on the consolidated financial statements.
(3) Disposals.
(4) Mergers and liquidations.
(5) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.
(6) Acquisition of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture (see Note 2.2, pages 343 to 345).

5.4.7 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This Statutory Auditors' report includes information required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Valeo,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Valeo for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of Matter

We draw your attention to the matter described in Note 1.1.1 to the consolidated financial statements relating to the first application of the amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment tests of goodwill and cash-generating units (CGUs), capitalized development costs and specific fixed assets

Risk identified

As of December 31, 2022, goodwill amounted to 3,245 million euros and the other intangible and tangible assets amounted to 8,083 million euros, including 2,008 million euros of net capitalized development costs.

Tangible and intangible assets with a fixed useful life are subject to impairment tests where there are objective indications of impairment loss. Goodwill and intangible assets not yet ready for use shall be subject to impairment tests as soon as signs of impairment appear and, in any event, at least once a year.

These tests are carried out at the Business Group level, which correspond to groupings of cash-generating units (CGUs) for goodwill or at the CGUs level directly for all property, plant and equipment and intangible assets, except for idle assets that are subject to a specific impairment test.

The implementation method for these tests and the details of the main hypotheses are presented in Note 7.4.1 to the consolidated financial statements.

During fiscal year 2022, these tests were conducted in an uncertain geopolitical and macroeconomic environment marked by the effects of the conflict in Ukraine, high inflation, the sustainability of the shortage of electronic components, the volatility of raw material prices.

The impairment losses recognized by the Group as a result of these tests are disclosed in Notes 5.5.1.1, 5.5.1.2, 7.4.2 and 7.4.4 to the consolidated financial statements, specifically for capitalized development costs, CGUs and goodwill.

We considered the recoverable amount of goodwill, cash-generating units (CGUs), capitalized development costs and specific fixed assets, which represent a material amount, to be a key audit matter because the measurement of recoverable amounts of these assets, based on the value of discounted future cash flows, is based on material assumptions, estimates or judgments of the Company's management.

Our response

We analyzed:

- the consistency of the definition of CGUs, with regard to the requirements of IAS 36;
- the existence of impairment trigger leads to an impairment test on goodwill, CGUs, development costs and specific fixed assets.

With the help of our valuation specialists, we have, for all impairment tests, including annual goodwill tests:

- reconciled with the consolidated financial statements the net book value of each Business Group and the assets of each CGU used in the tests as well as the net book value of fixed development costs and specific fixed assets relating to contracts in progress;
- reviewed internal control procedures and Management involvement to ensure the quality of the development of key information;
- assessed the consistency of the cash flow projections with Management's latest estimates as presented to the Board of Directors as part of the medium-term plan development process, revised volume forecasts and agreements or negotiations with automakers;
- conducted an analysis of the business plans drawn up by Management by Business Group and by CGU when they present a significant risk of impairment;
- conducted a review of volume forecasts and internal costs on projects with a risk of impairment;
- analyzed the main valuation assumptions (discount rate and infinite growth rate), which we compared with the values retained by the main financial analysts;
- examined the implementation methods, the valuation method of the recoverable values and its arithmetical implementation;
- assessed the impact of a change in the discount rate and key operational assumptions through sensitivity analyses.

Finally, we have assessed the disclosures in Notes 7.4 and 5.5.1.2 to the consolidated financial statements relating to impairment losses on goodwill, CGU assets, capitalized development costs and specific fixed assets.

Determination of the fair value of assets and liabilities recognized in connection with the acquisition of Valeo Siemens eAutomotive

Risk identified

On July 4, 2022, your Company completed the acquisition of Siemens' 50% interest in the Valeo Siemens eAutomotive joint venture, according to the agreement entered into with Siemens on February 9, 2022.

Valeo Siemens eAutomotive, renamed Valeo eAutomotive (VeA), has been fully consolidated in the Valeo Group's accounts since July 1, 2022.

In accordance with IFRS 3, this acquisition of control resulted in the recognition of:

- an income of 181 million euros recognized on the "Share in the results of associates and associates" line following the revaluation to fair value of the share previously held by the Group and consolidated using the equity method until June 30, 2022;
- the fair value of 100% of VeA's acquired assets and assumed liabilities;
- provisional goodwill in the amount of 684 million euros following the purchase price allocation exercise.

The valuation terms implemented and details of the main assets and liabilities that have been revaluation are set out in Note 2.2 to the consolidated financial statements.

We considered that:

- the determination of the fair value of the assets and liabilities recognized in connection with the takeover of VeA to be a key audit issue given:
  - the materiality of these assets and liabilities recognized in the consolidated financial statements, and the resulting goodwill;
  - the level of judgement required to identify them and the estimates used to assess their fair value.

Our response

We familiarized ourselves with the legal documentation related to the transaction, as well as the report issued by the independent valuation specialist used by the Group's Management to determine the provisional allocation of the purchase price and to assist your Company in identifying the assets and liabilities recognized in connection with the acquisition of VeA.

With the help of our evaluation specialists, our work consisted in:

- assessing the approach used to identify acquired assets and liabilities taken over in accordance with the criteria set out in IFRS 3;
- analyzing the valuation methods used by Management to determine the fair value of assets acquired and liabilities taken over;
- assessing the main valuation assumptions used by comparing them with source data and sectoral market data;
- verifying the arithmetic accuracy of the work carried out to evaluate the identified assets and liabilities;
- analyzing the overall consistency of the provisional purchase price allocation and the resulting residual difference.

Finally, we have assessed the appropriateness of the information provided in Note 2.2 to the consolidated financial statements.

Assets and liabilities for specific quality issues

Risk identified

Provisions for customer warranties are intended to cover the estimated cost of future returns of the goods sold. These include, among other, provisions for specific quality risks.

These provisions cover costs related to specific situations not covered by legal or contractual warranties.

The estimate of the costs to be borne for these specific quality risks is based on both historical data and probability calculations: expected return rates and estimated replacement/repair costs. The Group also analyzes potential claims and recognizes income receivable, net of any deductibles, if it is demonstrated that all or part of the costs of implementing the warranties are covered by the Group's insurance policies or by relevant suppliers.

Such provisions are set out in Note 8.1 to the consolidated financial statements.

We considered the evaluation of provisions for specific quality risk and corresponding accrued income to be a key audit matter as it requires significant estimates and judgments by your Company's Management

Our response

We familiarized ourselves with the identification of specific quality risks and the valuation of these provisions and related accrued income.

As part of our audit work we also:

- examined the Group's valuation methodology;
- assessed the completeness of the provisions for specific quality risks by conducting interviews with the persons in charge of the monitoring of quality at each Business Group level and with the site financial controllers, and by examining the Group's internal reporting procedures;
- analyzed the assumptions used in the assessment of the provisions related to specific quality risks, in particular with the briefing notes prepared by the quality department in each Business Group that summarize the main causes and repair scenarios of identified technical issues;
- obtained an understanding of the Group's insurance policy and the policies put in place by interviewing with the Group's insurance management;
- analyzed the available documentation, in particular exchanges between the Group and its customers, as well as exchanges between the Group and insurers and/or suppliers to assess the existence and supporting documentation of the compensation expected as soon as an accrued income is accounted for;
- conducted interviews with the site financial controllers and with the financial management of the Business Groups on specific quality risks, in order to assess the main assumptions underlying the estimate of the risks and the corresponding accrued income, if applicable.

Finally, we assessed the content of the information contained in Note 8.1 to the consolidated financial statements relating to the provisions for specific quality risks.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Board of Directors' Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code *(Code de commerce)* is included in the Group management report, it being specified that, in accordance with Article L.823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the Statutory Auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code *(Code monétaire et financier)*, prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Valeo by your Annual General Meeting held on June 3, 2010.

As at December 31, 2022, we were in the thirteenth year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 6, 2023

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.5 Analysis of Valeo's results AFR

Valeo is a European Company (*Societas Europaea*) providing holding and cash management services for the Group. It holds financial investments that give it direct or indirect control over the Group's companies and is the head of the tax consolidation group in France. In 2022, Valeo reorganized its portfolio of investments in subsidiaries and affiliates. Valeo also implements the financing policy and centralizes the management of the market risks to which the Group's subsidiaries are exposed.

Analysis of results

Valeo reported a net operating loss of 5 million euros in 2022, compared with a net operating loss of 57 million euros in 2021. The reduction in the operating loss in 2022 reflects lower charges relating to free share plans (47 million euros) along with a 5 million euros decrease in commitment fees and arrangement fees on credit lines.

The 64 million euros net reduction in the provision for charges relating to free share plans in 2022 compares to a 4 million euros addition to the provision in 2021. Expenses recognized in respect of the net carrying amount of treasury shares delivered in the year rose by 21 million euros on 2021, at 55 million euros.

Net financial income came in at 201 million euros for 2022, stable versus the previous year (204 million euros). Dividends received by the Company represented 244 million euros, compared to 212 million euros one year earlier. This increase is chiefly attributable to the 116 million euros dividend paid by the holding company Société de Participations Valeo, partly offset by the 80 million euros decrease in dividends from Valeo International Holding BV, representing 100 million euros in 2022. Net financial income also includes a 40 million euros net addition to the impairment provision for (i) investments in subsidiaries and affiliates and (ii) loans and advances to subsidiaries and affiliates, compared to a net addition of 45 million euros in 2021. Valeo's cash management activity generated a net interest expense of 4 million euros in 2022, compared with net interest income of 43 million euros in the previous year, due in particular to higher interest rates and lower income from subsidiaries.

Non-recurring items represented zero in 2022 compared to a net non-recurring expense of 2 million euros in 2021.

Income tax for 2022 represented a tax benefit of 7 million euros arising on tax consolidation, up slightly versus 2021.

Net income came in at 203 million euros for 2022, compared with 148 million euros in 2021.

Analysis of the balance sheet

At December 31, 2022, Valeo's stockholders' equity stood at 4,125 million euros, an increase compared to the end-2021 figure of 4,054 million euros. This 71 million euros net increase mainly reflects net income of 203 million euros for the year, the 14 million euros share capital increase reserved for employees as part of the 2022 employee share ownership plan (Shares4U), and the May 2022 payment to shareholders of a dividend totaling 84 million euros in respect of 2021 earnings. A dividend of 73 million euros was paid in 2021 in respect of 2020 earnings.

The employee share subscription offers, available since 2016 for employees in the Group's main countries, are part of Valeo's employee share ownership policy being rolled out in France and abroad, with the goal of involving employees more closely in the Group's performance.

In 2022, Valeo carried out a number of transactions to reorganize its portfolio of investments in subsidiaries and affiliates. At the end of the first half of 2022, Valeo, in its capacity as sole shareholder, decided to dissolve – ahead of term and without liquidation – the holding company Société de Participations Valeo, as a result of which all of its assets and liabilities were transferred to Valeo. On December 14, 2022, Valeo transferred to Valeo Bayen the shares in its subsidiaries Valeo Vision, Valeo Systèmes d'Essuyage, Valeo Systèmes Thermiques, Valeo Matériaux de Friction, Valeo Embrayages, Valeo Systèmes de Contrôle Moteur and Valeo Autosystemy Sp Z.o.o.

Analysis of cash and cash equivalents

Net changes in cash and cash equivalents represented a positive 1,306 million euros in 2022.

Net cash from operating activities fell by 40 million euros in 2022 compared with 2021, mainly due to the 21 million euros rise in the cost of delivering free share plans and to lower financial income in the year.

Net cash flows from investing activities include the effects of the transfer of Société de Participations Valeo assets and liabilities for 190 million euros, as well as the net repayment of 153 million euros in long-term financing granted to Group subsidiaries.

Net cash flows from financing activities represent a net inflow of 1,215 million euros in 2022 and include in particular the drawdown of the second 300 million euros tranche of the European Investment Bank (EIB) loan, the arrangement of a new bilateral bank loan for 100 million euros, the issue of two *Schuldschein* (private placements under German law) loans for 341 million euros, as well as the issue in November 2022 of a 750 million euros bond to replace the 600 million euros bond that matured in September 2022.

Net cash flows from financing activities also include (i) an increase of 394 million euros in outstanding Negotiable European Commercial Paper, or NEU CP (formerly *Billets de Trésorerie*), which amounted to 1,059 million euros at December 31, 2022 (665 million euros at December 31, 2021), (ii) the payment of a dividend of 84 million euros to Group shareholders, and (iii) a cash capital increase reserved for employees in an amount of 14 million euros.

Change in governance

At its meeting of January 26, 2022, the Board of Directors decided to appoint Christophe Périllat as Valeo Chief Executive Officer, in accordance with the succession plan announced on October 27, 2020. Jacques Aschenbroich continued to serve as Chairman of the Board of Directors until December 31, 2022. With effect from that date, he resigned from the Group's Board of Directors, in accordance with the commitments he had made when he was appointed Chairman of the Board of Directors of Orange.

On December 8, 2022, the Board of Directors decided to appoint Gilles Michel as Chairman of the Board of Directors, effective January 1, 2023.

Information on payment terms

At December 31, 2022, trade payables due by that date excluding accrued payables totaled 243 thousand euros. At December 31, 2021, trade payables due by that date totaled 66 thousand euros.

Pursuant to the provisions of Article D.441-4 of the French Commercial Code (*Code de Commerce*), details of payment terms for the Company's suppliers and customers are provided below and include outstanding incoming and outgoing invoices as of December 31, 2022.

Trade payables

	Article D.441 I – 1° of the French Commercial Code: Outstanding incoming invoices as of December 31, 2022					
(in thousands of euros)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91+ days**	**Total (1 day or more)**
(A) BY AGING CATEGORY						
Number of invoices	5	17	7	11	68	103
Total amount of invoices (incl. VAT)	166	7	11	—	225	243
Percentage of total amount of purchases over the period (incl. VAT)	0.7%	0.0%	0.0%	0.0%	0.9%	1.0%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	None					
Total amount of invoices excluded	None					
(C) STANDARD PAYMENT TERMS USED						
Payment terms used to calculate late payments	The contractual period does not exceed net 60 days for French suppliers					

Trade receivables

	Article D.441 I – 2° of the French Commercial Code: Outstanding outgoing invoices as of December 31, 2022					
(in thousands of euros)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91+ days**	**Total (1 day or more)**
(A) BY AGING CATEGORY						
Number of invoices	6	—	—	—	—	—
Total amount of invoices (incl. VAT)	954	—	—	—	—	—
Percentage of total sales over the period (incl. VAT)	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	None					
Total amount of invoices excluded	None					
(C) STANDARD PAYMENT TERMS USED						
Payment terms used to calculate late payments	Contractual and statutory terms of 0 to 60 days					

Non tax-deductible expenses

Valeo did not recognize any sumptuary expenses that were not deductible for tax purposes in 2022. No overheads were added back to income for tax purposes in 2022.

5.6 2022 parent company financial statements AFR

In accordance with Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

- the parent company financial statements and the Statutory Auditors' report for the year ended December 31, 2021, set out on pages 417 to 438 and 438 to 441 of the Universal Registration Document registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022 under number D.22-0254;
- the parent company financial statements and the Statutory Auditors' report for the year ended December 31, 2020, set out on pages 401 to 423 and 423 to 426 of the Universal Registration Document registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 6, 2021 under number D.21-0260.

5.6.1 Income statement

(in millions of euros)	Notes	2022	2021
Provision reversals	*3.1.2*	90	37
Other operating income	*4.1.1*	28	27
Expense transfers	*4.1.2*	11	4
TOTAL OPERATING INCOME		**129**	**68**
Other purchases and external charges	*4.1.3*	(39)	(28)
Personnel expenses	*3.2*	(51)	(40)
Other taxes		(2)	(1)
Depreciation and amortization	*4.1.4*	(12)	(15)
Provisions	*3.1.2*	(30)	(41)
TOTAL OPERATING EXPENSES		**(134)**	**(125)**
OPERATING LOSS		**(5)**	**(57)**
Net financial income	*7*	201	204
INCOME BEFORE TAX AND NON-RECURRING ITEMS		**196**	**147**
Non-recurring income (expense)		—	(2)
Income tax	*8.2*	7	3
NET INCOME FOR THE YEAR		**203**	**148**

The Notes are an integral part of these financial statements.

5.6.2 Balance sheet

		December 31, 2022			December 31, 2021
(in millions of euros)	Notes	Gross	Depr., amort. & impairment losses	Net	Net
ASSETS					
Intangible assets		—	—	—	—
Property, plant and equipment		5	(4)	1	1
Long-term financial assets	*5*	8,029	(90)	7,939	7,914
TOTAL NON-CURRENT ASSETS		**8,034**	**(94)**	**7,940**	**7,915**
Prepaid and recoverable taxes	*8.4/10.1*	15	—	15	12
Other operating receivables		8	—	8	2
Financial receivables	*6.1.5*	3,906	—	3,906	3,444
Marketable securities and cash and cash equivalents	*6.1.6*	2,852	—	2,852	2,047
Accrued assets	*4.2.2*	32	—	32	35
TOTAL CURRENT ASSETS		**6,813**	**—**	**6,813**	**5,540**
TOTAL ASSETS		**14,847**	**(94)**	**14,753**	**13,455**

(in millions of euros)	Notes	December 31, 2022	December 31, 2021
EQUITY AND LIABILITIES			
Share capital	*9.1*	244	243
Additional paid-in capital	*9.2*	1,573	1,560
Legal reserve		25	25
Untaxed reserves		4	4
Other reserves		263	263
Retained earnings		1,813	1,811
Net income for the year		203	148
STOCKHOLDERS' EQUITY	*9*	**4,125**	**4,054**
Provisions for contingencies arising on free share plans	*3.1.2*	89	96
Provisions for pensions and other employee benefits	*3.3*	1	1
Other provisions for contingencies and charges	*4.2.1*	19	13
PROVISIONS FOR CONTINGENCIES AND CHARGES		**109**	**110**
Long-term portion of long-term debt	*6.1.3*	4,604	3,948
Current portion of long-term debt	*6.1.3*	890	645
Short-term debt with external counterparties	*6.1.4*	1,059	665
Other short-term debt	*6.1.4*	3,727	3,766
Operating payables	*10.1*	21	21
Other payables	*8.5/10.1*	218	246
Accrued liabilities		—	—
TOTAL LIABILITIES		**10,519**	**9,291**
TOTAL EQUITY AND LIABILITIES		**14,753**	**13,455**

The Notes are an integral part of these financial statements.

5.6.3 Statement of cash flows

(in millions of euros)	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		203	148
Expenses (income) with no cash effect:			
• depreciation and amortization/deferred charges		14	21
• net additions to impairment and provisions		(26)	49
• other expenses (income) with no cash effect		(11)	(5)
GROSS OPERATING CASH FLOWS		**180**	**213**
Changes in working capital:			
• operating receivables		(9)	—
• operating payables		(4)	5
• other receivables and payables		(17)	(28)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**150**	**190**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions, asset and liability transfer and capital increases in long-term financial assets	*5.2*	(212)	(122)
Change in loans and advances to subsidiaries and affiliates	*5.2*	153	(177)
Disposals and capital decreases in long-term financial assets	*5.2*	—	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(59)**	**(299)**
NET CASH GENERATED (USED) BEFORE FINANCING ACTVITIES		**91**	**(109)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*9.4*	(84)	(73)
Change in share capital:			
• issuance of shares paid up in cash	*9.4*	14	16
Change in long-term debt:		—	—
• issuance of long-term debt	*6.1.3*	1,491	1,000
• repayment of long-term debt	*6.1.3*	(600)	(469)
Change in short-term debt with external counterparties	*6.1.4*	394	(923)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,215**	**(449)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**1,306**	**(558)**
Net cash and cash equivalents at beginning of year	*6.1.2*	**1,725**	**2,283**
Net cash and cash equivalents at end of year	*6.1.2*	**3,031**	**1,725**

The Notes are an integral part of these financial statements.

5.6.4 Notes to the parent company financial statements

NOTE 1 DESCRIPTION OF THE COMPANY

Valeo is a European Company (*Societas Europaea*) subject to French law, whose registration number (SIREN) is 552 030 967. The Company's registered office is at 100, rue de Courcelles, 75017 Paris, France.

Valeo is the parent company of the Valeo Group and the head of the tax consolidation group in France.

It acts as a holding company by holding financial investments, which give it direct or indirect control over the Group's companies.

It also implements the Group financing policy and ensures that its subsidiaries' financing requirements are covered. It centralizes the management of market risks (changes in interest rates, exchange rates and listed commodity prices) to which Valeo and its subsidiaries are exposed.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of Valeo (the Company) have been prepared in accordance with Standard No. 2019-09 issued by the ANC on December 18, 2019. Assets and liabilities are measured at historical cost, contribution value or revalued amount. The accounting principles and policies applied in order to prepare the 2022 parent company financial statements are consistent with those used to prepare the 2021 financial statements.

Figures in the financial statements are presented in millions of euros and are rounded to the nearest million.

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets and liabilities for both the Company and its subsidiaries and affiliates. These estimates and assumptions concern risks specific to the automotive supply business as well as more general risks to which Group companies are exposed on account of their industrial and commercial operations around the globe. The Group based the medium-term business plans and budgets on projected data for the automotive market, as well as on its order intake and its outlook for new markets thanks to new technologies. These business plans and budgets were used to measure investments in subsidiaries and affiliates (when these measurements are based on subsidiaries' projected data).

The medium-term business plan for 2023-2027 is underpinned by the following assumptions:

- global automotive production of 85 million light vehicles in 2023 and 93.4 million light vehicles in 2027, representing average annual growth of 3.5% for 2022-2025 and 1.1% for 2025-2027. This production assumption is consistent with those underlying several independent external forecasts and has been revised downwards slightly compared with the forecasts used in 2021 for the 2022-2026 medium-term business plan. Although the effects of the electronic components shortage are gradually being reversed, it will continue to affect the market until 2024, when production volumes are expected to return to 2019 levels. At the end of the period covered by the new business plan, Asia and the Middle East should represent 58% of global production, Europe and Africa 21%, North America 17% and South America 4%;
- inflation assumptions based on (i) forecasts by a panel of banks and the International Monetary Fund for general price inflation, and (ii) internal estimates of market prices for raw materials, electronic components, energy and transportation. The medium-term business plan was prepared assuming that the Group would obtain compensation from customers for the higher cost of sales;
- exchange rate assumptions based on projections of a panel of banks at the time the business plan is drawn up. The exchange rates used for the main currencies featured in the business plan are 1 euro for: 1.12 US dollars, 7.28 Chinese renminbi, 131 Japanese yen, 1,322 South Korean won and 5.94 Brazilian real at the end of the plan;
- Group sales were forecast based on the orders known at the time the business plan was drawn up and by reference to an estimate of the orders to be taken over the term of the business plan. These target order numbers represent around 22% of cumulative original equipment sales over the five-year forecast period and around 48% of original equipment sales for the final year.

The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in future financial statements may differ from the amounts resulting from these estimates.

2.2 Foreign currency translation

Transactions in foreign currencies are translated using the exchange rates prevailing at the transaction date.

Assets and liabilities denominated in foreign currencies are translated using the year-end exchange rate.

If no foreign currency hedges are in place, the differences resulting from the translation of foreign currency receivables and payables at the year-end exchange rate are recognized within accruals in the balance sheet. Provisions are recognized for unrealized foreign exchange losses at the year-end to the extent of the unhedged risk. If foreign currency hedges are in place (see Note 6.3, pages 449 to 450), the remeasurement of foreign currency assets and liabilities at the year-end exchange rate is offset by the gains and losses arising on the derivative instruments.

NOTE 3 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

3.1 Free shares

Some Valeo Group employees of its direct and indirect subsidiaries receive equity-settled compensation, consisting of free share plans. Substantially all costs relating to these plans are recognized in Valeo's financial statements.

The different types of plans in place within the Group and their respective accounting treatment are described below.

3.1.1 Equity-settled plans involving the issuance of new shares

No provision has been recognized in respect of these plans pursuant to Article 624-6 of the French General Chart of Accounts. Shares subscribed by employees within the scope of the plans described in Note 9.1, page 453 fall within this category.

3.1.2 Free share plans involving the delivery of existing shares

At the date of the decision by Valeo's Board of Directors to allot shares, the Company has an obligation that results in an outflow of resources on the date the shares are delivered to the beneficiaries, with no equivalent consideration expected in return.

To determine the provision amount, plans are classified into one of two categories: exercisable or non-exercisable plans.

Plans are considered to be non-exercisable when performance and presence conditions are highly unlikely to be met for free share plans.

In the case of exercisable plans, a provision is recognized for treasury shares set aside to cover these plans, corresponding to:

- the number of shares to be allotted; multiplied by
- the cost of the shares at the date they are allocated to the plan.

When the vesting of free shares is explicitly dependent on the grantee remaining employed by Valeo over a certain future period ("vesting period"), the provision is recognized on a straight-line basis over this vesting period.

However, when the beneficiaries are employees of other Group companies, Valeo recognizes the entire expense when the decision to award the plan is made.

The amount of the provision recognized changes depending on whether or not treasury shares have been allocated to the relevant free share plans. These treasury shares are recognized within marketable securities in the balance sheet (see Note 6.1.6, pages 447 to 448) at their repurchase price. When they are allocated to specific plans as from the acquisition date, the value of the shares in the balance sheet continues to be their repurchase price, until they are delivered to the beneficiaries: no impairment is therefore recognized if their acquisition price moves above their market price.

More generally, amounts set aside to these provisions for contingencies and charges are shown on the "Provisions" line within operating income for beneficiaries who are employees of other Group companies. When the shares are delivered to their beneficiaries, i.e., employees of other Group companies, the provision is reversed for the corresponding amount on the "Provision reversals" line within operating income. However, movements in these provisions for contingencies and charges are recorded under "Other personnel expenses" for beneficiaries who are employees of the Company, in the same way as the net carrying amount of the shares delivered. The balance of provisions recognized in respect of these plans is shown under "Provisions for contingencies arising on free share plans" in the balance sheet.

Movements in these provisions and in personnel expenses relating to the plans are set out below.

Terms and conditions of free share plans

The terms and conditions of the shareholder-approved free share plans for Valeo Group employees at December 31, 2022 were as follows:

Year in which plan was set up	Number of free shares authorized	*Of which subject to conditions*[(1)]	December 31, 2022	Year of vesting[(2)]
2018	1,234,623	*570,123*	226,039	2021/2022/2023
2019	1,699,281	*779,496*	255,910	2022/2024
2020	2,342,306	*1,134,116*	1,896,414	2023/2025
2021	2,070,829	*904,339*	1,562,640	2024/2026
2022	2,308,057	*1,143,042*	2,267,964	2025/2027
TOTAL	**9,655,096**	***4,531,116***	**6,208,967**	

(1) These free shares are subject to the Group meeting performance conditions over the three years following their allotment.
(2) The year of vesting varies depending on the country in which the beneficiaries of plans set up prior to 2019 are resident. For the 2019 to 2021 plans, only free shares allotted to the former Chairman of the Board of Directors and to the Chief Executive Officer are subject to a two-year holding period. For the 2022 plan, this holding period applies to free shares granted to the Chief Executive Officer.

Provisions for contingencies arising on free share plans

Movements in provisions for contingencies arising on free share plans in 2021 and 2022 were as follows:

(in millions of euros)	2022	2021
PROVISIONS AT JANUARY 1	**96**	**92**
Utilizations	(60)	(33)
Reversals	(34)	(4)
Additions	30	41
Other movements	58	—
PROVISIONS AT DECEMBER 31	**90**	**96**
Of which current portion (less than 1 year)	29	57

The 60 million euros provision utilization in 2022 mainly reflects the delivery of shares (i) to non-French beneficiaries under the 2017 free share plan, (ii) to beneficiaries under the 2018 free share plan (related to performance shares), (iii) to beneficiaries under the entire 2019 free share plan, (iv) to non-French beneficiaries under the 2017 employee share ownership plan (Shares4U), and (v) to Spanish and Italian beneficiaries under the 2019 Shares4U plan. Utilizations and reversals of provisions amounting to 94 million euros are recorded in the income statement under "Provision reversals" (90 million euros) and "Other personnel expenses" (4 million euros).

The 33 million euros provision utilization in 2021 mainly reflected the delivery of shares (i) to non-French beneficiaries under the 2016 free share plan, (ii) to beneficiaries under the 2017 free share plan (related to performance shares), (iii) to French beneficiaries under the 2018 free share plan, (iv) to non-French beneficiaries under the 2016 employee share ownership plan (Shares4U), and (v) to Spanish and Italian beneficiaries under the 2018 Shares4U plan.

3.2 Personnel expenses

(in millions of euros)	2022	2021
Employee compensation	(3)	(3)
Other personnel expenses	(48)	(37)
PERSONNEL EXPENSES	**(51)**	**(40)**

3.2.1 Employee compensation

This item notably includes compensation awarded to Valeo's Chairman and Valeo's Chief Executive Officer. (see Note 3.4, page 441).

3.2.2 Other personnel expenses

In 2022, the Company delivered 1,494,228 shares, including 435,150 shares under the 2018 free share plan (performance shares), 898,011 shares under the 2019 free share plan, and 121,181 shares to beneficiaries under the 2017 Shares4U plan. Valeo recognized an expense of 55 million euros corresponding to the net carrying amount of the treasury shares delivered in the year (see Note 3.1.2, pages 439 to 440). The provision set aside in respect of settled plans was also utilized in an amount of 60 million euros.

In 2021, the Company delivered 618,069 shares, including 348,458 shares to beneficiaries under the 2017 free share plan (performance shares), 66,020 shares to French beneficiaries under the 2018 free share plan, and 159,836 shares to beneficiaries under the 2016 Shares4U plan. Valeo recognized an expense of 34 million euros corresponding to the net carrying amount of the treasury shares delivered in the year (see Note 3.1.2, pages 439 to 440). The provision set aside in respect of settled plans was also reversed in an amount of 33 million euros.

In 2021, other personnel expenses also included a provision for 1 million euros in respect of social security contributions due upon delivery of shares to French beneficiaries under free share plans.

3.3 Provisions for pensions and other employee benefits

The Company accounts for its pension obligations in accordance with ANC Recommendation No. 2013-02 of November 7, 2013, as amended by the opinion dated November 5, 2021 on the measurement and recognition of pension and other employee benefit obligations.

These pension obligations solely correspond to supplementary pension benefits payable to former employees. No additional entitlement to these benefits was therefore recognized in 2022 or 2021.

Actuarial gains and losses resulting from experience adjustments and/or changes in assumptions are amortized through expenses in future periods over the expected average residual life of former employees or their beneficiaries, after applying a 10% corridor to the amount of the obligations.

These obligations are calculated on an actuarial basis at the end of each reporting period. The calculations were made using an annual discount rate of 3.75% at December 31, 2022 and 1.35% at December 31, 2021.

The provision amounts to 1 million euros at both December 31, 2022 and December 31, 2021.

The pension obligation relating to Valeo's Chief Executive Officer is carried on the books of another Group company (Valeo Management Services), along with the obligations relating to the Group's other executives.

3.4 Other information

	2022	2021
Headcount at December 31	3	3
Compensation granted to the corporate officers *(in thousands of euros)*	(3,169)	(3,253)
Compensation granted to directors *(in thousands of euros)*[1]	(964)	(1,057)

(1) Compensation granted to directors is recorded on the "Other purchases and external charges" line in the income statement.

NOTE 4 OTHER OPERATING ITEMS

4.1 Other operating income items

4.1.1 Other operating income

(in millions of euros)	2022	2021
Trademark license fees	24	23
Other	4	4
OTHER OPERATING INCOME	**28**	**27**

Trademark license agreements, under which Valeo allows some of its French subsidiaries to benefit from the Group's expertise, values, business model and processes, generated income of 24 million euros in 2022.

The amount recorded under "Other" corresponds to rebillings to subsidiaries.

4.1.2 Expense transfers

Expense transfers represented 11 million euros in 2022 and related mainly to issuance fees on the *Schuldschein* loan and on the bonds issued in the last quarter of 2022 (respectively, 341 million euros and 750 million euros). Expense transfers represented 4 million euros in 2021 and related to issuance fees on the 700 million euros bond issued in July 2021.

4.1.3 Other purchases and external charges

(in millions of euros)	2022	2021
Deferred charges	(11)	(4)
Other external charges	(28)	(24)
OTHER PURCHASES AND EXTERNAL CHARGES	**(39)**	**(28)**

Deferred charges totaling 11 million euros correspond to fees related to the drawdown of the final tranche of the loan granted by the European Investment Bank in February 2022, the *Schuldschein* issues in October and December 2022, and the bond issue in November 2022. These fees are recognized over the term of the borrowings.

Other external charges include fees, commissions and duties incurred by Valeo in the course of its activities. The increase in this item is primarily due to the 4 million euros increase in the contribution payable to the intragroup partnership Valeo Management Services.

4.1.4 Amortization

Amortization expense totaling 12 million euros in 2022 relates to the deferred recognition of (i) 11 million euros in issuance fees on all long-term debt described in the long-term debt section (see Note 6.1.3, pages 445 to 446), and (ii) 1 million euros in fees relating to the credit lines set up in 2020 and extended in 2022.

Amortization expense totaling 15 million euros in 2021 included the deferred recognition of (i) 11 million euros of issuance fees on all of the bonds and the *Schuldschein* loan and (ii) 4 million euros in fees relating to the credit lines arranged in 2020 and extended in 2021.

4.2 Other provisions and accrued assets/liabilities

4.2.1 Other provisions for contingencies and charges

Breakdown of other provisions for contingencies and charges

(in millions of euros)	December 31, 2022	December 31, 2021
Provisions for contingencies related to subsidiaries	13	6
Provisions for disputes	6	7
OTHER PROVISIONS FOR CONTINGENCIES AND CHARGES	**19**	**13**

At December 31, 2022, other provisions for contingencies and charges comprise:

- a 13 million euros provision for contingencies intended to cover the negative net equity of certain subsidiaries in which Valeo holds a direct investment (see Note 7, page 451);
- a provision for disputes totaling 6 million euros, chiefly intended to cover disputes with employees as well as provisions for clean-up costs related to Valeo's former plants.

Movements

Movements in other provisions for contingencies and charges in 2021 and 2022 are shown in the table below:

(in millions of euros)	2022	2021
OTHER PROVISIONS AT JANUARY 1	**13**	**74**
Utilizations	(1)	(1)
Reversals	(5)	(63)
Additions	12	3
OTHER PROVISIONS AT DECEMBER 31	**19**	**13**
Of which current portion (less than 1 year)	—	—

The increase in other provisions is mainly due to an 11 million euros charge to provisions for contingencies relating to the subsidiary Valeo Service. A 5 million euros reversal of the provision for contingencies relating to the subsidiary Valeo Embrayages Tunisie was fully offset by a provision accrued for impairment of investments in subsidiaries and affiliates to reflect the capital increase carried out at this subsidiary in 2022.

In 2021, a 62 million euros reversal of the provision for contingencies had been booked in relation to the subsidiary Valeo Embrayages, fully offset by a provision accrued for impairment of investments in subsidiaries and affiliates to reflect the capital increases carried out at this subsidiary in 2021.

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving the Company were reviewed at the date on which the financial statements were authorized for issue. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

4.2.2 Accrued assets

At December 31, 2022, accrued assets totaling 32 million euros mainly include issuance fees and premiums on long-term borrowings for 31 million euros (34 million euros at end-2021).

NOTE 5 FINANCIAL ASSETS

Investments in subsidiaries and affiliates are initially recognized at cost, including transfer duties, fees and commission and legal costs.

At the end of the reporting period, the Company measures investments in subsidiaries and affiliates at their value in use, as calculated based on relevant criteria for each of the investments valued. The inputs for the value in use calculation include projected data from subsidiaries' medium-term business plans (see Note 2.1, page 438), as well as stockholders' equity and the Group's strategic interests.

The calculation of value in use based on projected data draws on various methods:

- first, post-tax cash flow projections covering a period of five years, prepared on the basis of medium-term business plans, are discounted at the post-tax weighted average cost of capital (WACC), while cash flows beyond the five-year period are extrapolated by applying a perpetuity growth rate to normative forecast cash flows, corresponding to the last year of the medium-term plan adjusted, where applicable, for non-recurring items. The discount rate and perpetuity growth rate assumptions are the same as those used for the Group's cash-generating units (CGUs) and goodwill impairment tests, i.e., respectively 10% and 1.5% for 2022 (9.5% and 1.5%, respectively, in 2021);
- when value in use as determined on the basis described above falls below the carrying amount of the investments, it is based on an average of the discounted projected cash flows and the projected operating income multiple applied to the third year of the subsidiaries' medium-term business plans.

When value in use as determined on the basis described above falls below the carrying amount of the investments, an impairment provision is recorded corresponding to the difference between these two amounts. However, the carrying amount of the investments after impairment cannot be below the Company's share of the subsidiary or affiliate's equity.

5.1 Analysis by type

	December 31, 2022			December 31, 2021
(in millions of euros)	Gross	Impairment	Net	Net
Investments in subsidiaries and affiliates	5,218	(69)	5,149	4,968
Loans and advances to subsidiaries and affiliates	2,809	(19)	2,790	2,945
Other investment securities	2	(2)	—	1
LONG-TERM FINANCIAL ASSETS	**8,029**	**(90)**	**7,939**	**7,914**

Loans and advances to subsidiaries and affiliates comprise medium- and long-term loans granted to Valeo's direct and indirect subsidiaries, as well as to the Group's joint venture investees.

5.2 Movements

(in millions of euros)	Investments in subsidiaries and affiliates	Loans and advances to subsidiaries and affiliates	Other investment securities	Long-term financial assets
Net carrying amount at December 31, 2020	**4,951**	**2,771**	**—**	**7,722**
Acquisitions and increase in the share capital of subsidiaries	122	—	—	122
Disposals and decrease in the share capital of subsidiaries	—	—	—	—
Changes in impairment losses	(105)	(3)	1	(107)
Other movements	—	177	—	177
Net carrying amount at December 31, 2021	**4,968**	**2,945**	**1**	**7,914**
Asset and liability transfer	191	—	—	191
Acquisitions and increase in the share capital of subsidiaries	938	—	—	938
Disposals and contributions of shares of subsidiaries (net value)	(917)	—	—	(917)
Changes in impairment losses	(31)	(2)	(1)	(34)
Other movements	—	(153)	—	(153)
Net carrying amount at December 31, 2022	**5,149**	**2,790**	**—**	**7,939**

At the end of the first half of 2022, Valeo, in its capacity as sole shareholder, decided to dissolve – ahead of term and without liquidation – the holding company Société de Participations Valeo by means of a transfer of all of its assets and liabilities. This led to the derecognition of 3,606 million euros in Société de Participations Valeo shares and the transfer of shares in Valeo Systèmes d'Essuyage (110 million euros) and Valeo Bayen (3,319 million euros), to which the 368 million euros technical loss on the merger was allocated.

In June 2022, Valeo recapitalized its subsidiary Valeo Embrayages Tunisie for an amount of 6 million euros.

On December 2, 2022, the holding company Valeo International Holding BV decided to distribute a 16 million euros stock dividend consisting of the shares of the subsidiary Valeo Autosystemy Sp Z.o.o.

On December 14, 2022, Valeo transferred to Valeo Bayen the shares in its subsidiaries Valeo Vision, Valeo Systèmes d'Essuyage, Valeo Systèmes Thermiques, Valeo Matériaux de Friction, Valeo Embrayages, Valeo Systèmes de Contrôle Moteur and Valeo Autosystemy Sp Z.o.o. Consideration for this partial contribution of assets at the net carrying amount of the shares took the form of an issue of new Valeo Bayen shares (capital increase) for 916 million euros.

The value of the shares transferred to Valeo Bayen led to the accrual of 24 million euros to the provision for impairment of Valeo Embrayages shares. Following the completion of this transaction, the measurement of the portfolio of investments in subsidiaries and affiliates at the end of 2022 led the Company to recognize an accrual of 7 million euros to provisions for impairment of investments in subsidiaries and affiliates. This includes a 1 million euros accrual in respect of the subsidiary Valeo Service, and a 6 million euros accrual in respect of the subsidiary Valeo Embrayages Tunisie (see Note 4.2.1, page 442).

In 2021, the Company had recognized a net accrual of 105 million euros to impairment provisions for investments in subsidiaries and affiliates. This included a 91 million euro accrual to the provision in respect of Valeo Embrayages, offset by a 62 million euros reversal of provisions for contingencies following the recapitalization of this subsidiary in an amount of 122 million euros during the year (see Note 4.2.1, page 442).

The 153 million euro decrease in loans and advances to subsidiaries and affiliates in 2022 was mainly due to the early repayment of loans granted to subsidiaries, offset by new financing granted in the first half of the year, prior to the takeover on July 4, 2022.

NOTE 6 FINANCING AND RISK HEDGING

6.1 Net debt

6.1.1 Analysis of net debt

The Company's net debt at December 31, 2021 and 2022 can be analyzed as follows:

(in millions of euros)	Notes	December 31, 2022	December 31, 2021
Long-term portion of long-term debt	*6.1.3*	4,604	3,948
Current portion of long-term debt	*6.1.3*	890	645
Short-term debt with external counterparties	*6.1.4*	1,059	665
Other short-term debt	*6.1.4*	3,727	3,766
GROSS DEBT		**10,280**	**9,024**
Loans and advances to subsidiaries and affiliates(1)	*5*	(2,790)	(2,945)
Financial receivables	*6.1.5*	(3,906)	(3,444)
Marketable securities and cash and cash equivalents	*6.1.6*	(2,852)	(2,047)
NET DEBT		**732**	**588**

(1) Loans and advances to subsidiaries and affiliates are included in the calculation of net debt.

6.1.2 Analysis of net cash and cash equivalents

The Company's net cash and cash equivalents comprise marketable securities and cash and cash equivalents, financial receivables and other short-term debt.

(in millions of euros)	Notes	December 31, 2022	December 31, 2021
Other short-term debt	*6.1.4*	3,727	3,766
Financial receivables	*6.1.5*	(3,906)	(3,444)
Marketable securities and cash and cash equivalents	*6.1.6*	(2,852)	(2,047)
NET CASH AND CASH EQUIVALENTS		**(3,031)**	**(1,725)**

6.1.3 Analysis of long-term debt

(in millions of euros)	December 31, 2022				December 31, 2021
	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Bonds	500	2,650	700	3,850	3,700
Private placement	336	504	50	890	548
European Investment Bank (EIB) loans	—	350	250	600	300
Bilateral bank loan		100		100	—
Accrued interest	54	—	—	54	45
LONG-TERM DEBT	**890**	**3,604**	**1,000**	**5,494**	**4,593**

In February 2021, the EIB approved 600 million euros in financing for Valeo's research and development projects focused on technologies that reduce CO_2 emissions and improve active vehicle safety. The funds are to be allocated to Valeo's Europe-based R&D projects, primarily in France, but also in Germany, the Czech Republic and Ireland. The Group drew down an initial amount of 300 million euros in 2021, followed by the remaining 300 million euros tranche on February 10, 2022. The loan, which matures in 2030, carries fixed-rate interest of 1.083% and is repayable in six equal annual installments from February 2025.

Valeo also took out a bilateral bank loan in September 2022 for a nominal amount of 100 million euros, maturing in August 2026 and bearing variable-rate interest of 3-month Euribor +1.25%.

Valeo issued two *Schuldschein* loans (German private placements) in October and December 2022, representing a total nominal amount of 341 million euros and breaking down as follows:

- a 30 million euros tranche maturing in October 2025 and paying a fixed coupon of 4.95%;
- a 149 million euros tranche maturing in October 2025 and paying a variable coupon of 6-month Euribor +1.90%;
- a 30 million euros tranche maturing in October 2027 and paying a fixed coupon of 5.251%;
- two tranches of 52 million euros and 30 million euros maturing in October 2027 and paying a variable coupon of 6-month Euribor +2.1%;
- a 5 million euros tranche maturing in October 2029 and paying a fixed coupon of 5.503%;
- a 45 million euros tranche maturing in October 2029 and paying a variable coupon of 6-month Euribor +2.30%.

The tranches falling due in 2027 and 2029 are indexed to a sustainability objective to be met by December 2025. At the reporting date, Valeo assumes that this objective will be met.

Valeo carried out the following operations under its Euro Medium Term Note financing program in 2022:

- redemption in September 2022 of the 600 million euros bond issued in 2017;
- issue on November 28, 2022 of 750 million euros' worth of bonds maturing in May 2027 and paying a coupon of 5.375%. These bonds are indexed to a sustainability objective to be met by December 2025. At the reporting date, Valeo assumes that this objective will be met.

Two interest rate swaps for a total nominal amount of 600 million euros were set up at the same time to swap the 5.375% fixed coupon for a variable rate.

At December 31, 2022, the key terms and conditions of long-term debt were as shown below:

Type	Outstanding at Dec. 31, 2022 *(in millions of euros)*	Issuance	Maturity	Nominal interest rate
BONDS				
EMTN program	500	January 2017	January 2023	0.625%
EMTN program	700	January 2014	January 2024	3.25%
EMTN program	600	June 2018	June 2025	1.50%
EMTN program	600	March 2016	March 2026	1.625%
EMTN program(1)	700	July 2021	August 2028	1.00%
EMTN program(1)(2)	750	November 2022	May 2027	5.375%
***SCHULDSCHEIN* LOAN ISSUED IN 2019**				
Tranche 1	115	April 2019	April 2023	0.95%
Tranche 2(3)	221	April 2019	April 2023	6-month Euribor +0.95%
Tranche 3	90	April 2019	April 2025	1.291%
Tranche 4(3)	122	April 2019	April 2025	6-month Euribor +1.15%
***SCHULDSCHEIN* LOAN ISSUED IN 2022**				
Tranche 1	30	October 2022	October 2025	4.95%
Tranche 2	149	October 2022	October 2025	6-month Euribor +1.90%
Tranche 3(1)	30	October 2022	October 2027	5.251%
Tranche 4(1)	52	October 2022	October 2027	6-month Euribor +2.10%
Tranche 5(1)	5	December 2022	October 2027	6-month Euribor +2.10%
Tranche 6(1)	30	October 2022	October 2029	5.503%
Tranche 7(1)	45	December 2022	October 2029	6-month Euribor +2.30%
BILATERAL BANK LOAN				
	100	September 2022	August 2026	3-month Euribor +1.25%
EUROPEAN INVESTMENT BANK (EIB) LOAN				
Tranche 1(4)	300	June 2021	June 2029	0.885%
Tranche 2(5)	300	February 2022	February 2030	1.083%
OTHER				
Accrued interest	54	-	-	—
TOTAL LONG-TERM DEBT	**5,494**			

(1) Indexed to a 2025 carbon footprint objective.
(2) Fixed-rate coupons partly exchanged for floating-rate coupons indexed to six-month Euribor via interest rate swaps with a notional amount of 600 million euros.
(3) Variable-rate coupons exchanged for fixed-rate coupons via interest rate swaps.
(4) Reduced-rate loan repayable in six annual installments of 50 million euros as from June 2024.
(5) Reduced-rate loan repayable in six annual installments of 50 million euros as from February 2025.

The current portion of long-term debt corresponds to the 500 million euros bond falling due in January 2023, the tranches of the *Schuldschein* loan maturing in April 2023 for 336 million euros, and accrued interest on debt.

6.1.4 Analysis of short-term debt

(in millions of euros)	December 31, 2022	December 31, 2021
Negotiable European Commercial Paper	1,059	665
SHORT-TERM DEBT	**1,059**	**665**
Current accounts and loans with Group subsidiaries	3,487	3,637
Bank overdrafts	76	—
Other short-term debt	164	129
OTHER SHORT-TERM DEBT	**3,727**	**3,766**
SHORT-TERM DEBT	**4,786**	**4,431**

Short-term debt mainly consists of current accounts and loans with subsidiaries and issuance of commercial paper.

At December 31, 2022, other short-term debt mainly reflects the carrying amount of:

- currency hedging instruments taken out as part of the Group's pooled management of currency risk, representing an unrealized loss of 139 million euros. Since the Company acts as an intermediary for the Group's subsidiaries, these liabilities are matched to currency hedging assets which have generated an unrealized gain of a similar amount (see Note 6.1.5, page 447);
- currency instruments hedging the Company's foreign currency loans and borrowings, representing an unrealized loss of 16 million euros.

At December 31, 2021, other short-term debt primarily included unrealized losses on forward financial instruments contracted for hedging purposes.

6.1.5 Analysis of financial receivables

(in millions of euros)	December 31, 2022	December 31, 2021
Current account advances	3,736	3,128
Other financial receivables	170	316
FINANCIAL RECEIVABLES	**3,906**	**3,444**

Financial receivables consist primarily of current account advances to subsidiaries.

At December 31, 2022, other financial receivables relate mainly to hedging instruments for 170 million euros, including mainly:

- currency hedging instruments taken out as part of the Group's pooled management of currency risk, representing an unrealized gain of 139 million euros (see Note 6.1.4, page 447);
- currency instruments hedging the Company's foreign currency loans and borrowings, representing an unrealized gain of 23 million euros.

At December 31, 2021, other financial receivables related mainly to the dividend receivable from Valeo International Holding BV for 180 million euros, and to unrealized gains on forward financial instruments contracted for hedging purposes in an amount of 130 million euros.

6.1.6 Marketable securities and cash and cash equivalents

Marketable securities are stated at the lower of cost and market value when the related securities correspond to treasury shares purchased for the purpose of stabilizing the Company's share price or shares that have not been allocated to employee share plans.

(in millions of euros)	December 31, 2022	December 31, 2021
Marketable securities	651	969
Cash and cash equivalents	2,201	1,078
MARKETABLE SECURITIES AND CASH AND CASH EQUIVALENTS	**2,852**	**2,047**

Cash equivalents include term deposits amounting to 100 million euros at December 31, 2022 (434 million euros at December 31, 2021).

The marketable securities portfolio at December 31, 2022 includes money-market mutual funds for 612 million euros, compared to 925 million euros at December 31, 2021.

It also includes 2,385,577 treasury shares with a carrying amount of 39 million euros at December 31, 2022. No impairment was recognized during the year.

At December 31, 2021, Valeo held 848,616 of its own shares with a carrying amount of 44 million euros.

Valeo may be required to buy back treasury shares on the market to cover its obligations with regard to free share and employee share ownership plans, as well as the liquidity agreement.

In 2022, Valeo requested the assistance of an investment services provider to meet certain objectives of its share buyback program as authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. Pursuant to the agreement signed on March 24, 2022, the parties agreed that the investment services provider would sell a certain quantity of Valeo shares to Valeo, which undertook to acquire them at term, within the limit of 50 million euros, at an average price determined in an objective and independent manner by the market during the full term of the agreement. This average price could not in any case exceed the maximum purchase price set by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. This agreement was effective between March 25, 2022 and May 13, 2022. At that date, Valeo was therefore bound to purchase all of the treasury shares acquired by the investment services provider over the term of the agreement. Delivery of 3,031,189 treasury shares at an average price of 16.4952 euros per share resulted in a cash outflow of 50 million euros. All of the shares acquired were allocated to cover allotments of free shares to employees designed to involve them in the Company's growth and Company savings plans.

The liquidity agreement was signed with an investment services provider on March 25, 2019 pursuant to the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI). At December 31, 2022 and December 31, 2021, no resources had been allocated to this liquidity agreement.

In 2022, the Company purchased 3,748,353 and sold 3,748,353 of its own shares under this agreement.

For shares allocated to free share plans, the Company applies ANC Standard No. 2014-03. This Standard sets out the methods for recognizing provisions over the vesting period of plans served by existing shares (see Note 3.1.2, pages 439 to 440).

In 2022, the Company delivered 1,494,228 shares under free share plans. In 2021, 618,069 shares were delivered.

6.2 Liquidity reserve and covenants

6.2.1 Credit lines

At December 31, 2022, Valeo had confirmed bank credit lines with an average maturity of 3.7 years, representing an aggregate amount of 1.8 billion euros. None of these credit lines were drawn down during 2022. These bilateral credit lines were taken out with 11 leading banks with an average rating of A from S&P and A1 from Moody's.

Since July 2022, Valeo has also had access to bridge-to-bond financing in the form of undrawn credit lines for an amount of 650 million euros. These facilities have a 12-month maturity, with two six-month extension options exercisable at Valeo's discretion, and were arranged with four leading banks with an average rating of A from S&P and A1 from Moody's.

6.2.2 Financing programs

At December 31, 2022, the Group had drawn an amount of 3.85 billion euros (up 150 million euros compared with December 31, 2021) under its Euro Medium Term Note financing program capped at 5 billion euros.

6.2.3 Negotiable European Commercial Paper (NEU CP)

Valeo has a short-term Negotiable European Commercial Paper financing program for a maximum amount of 2.5 billion euros. At December 31, 2022, a total of 1,059 million euros (665 million euros at December 31, 2021) had been drawn on this program.

6.2.4 Debt rating

The Group is rated by several credit rating agencies. Moody's rating confirms Valeo's investment grade status.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	June 17, 2022	BB+	Stable	B
Moody's	October 12, 2022	Baa3	Negative	P-3

6.2.5 Covenants

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenant:

Financing agreements	Ratio	Thresholds	Ratio at December 31, 2022[(1)]
Credit lines	Consolidated net debt/consolidated EBITDA	<3.5	1.67
EIB (European Investment Bank) loan			
Bilateral bank loan			
Schuldschein loans (German private placements)			

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The *Schuldschein* loans and the European Investment Bank loan also include a change of control clause under which investors can request early repayment.

The Group's bank credit lines and long-term debt include cross-default clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date the consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

6.3 Foreign currency, commodity and interest rate risk hedging

Since Valeo acts as a holding company, it is not exposed to operational foreign currency or commodity risk.

As part of the pooled management of market risk (foreign currency, commodity and interest rate risks), Group subsidiaries hedge the forex and commodity risk exposure arising on their industrial and commercial activities with the parent company, which enters into derivatives with banks. Gains and losses on such derivatives are passed on to the subsidiaries requesting the hedge.

The Company contracts derivatives to hedge the foreign currency risk on its financing and liquidity pooling activities carried out on behalf of the Group. The remeasurement of foreign currency balance sheet positions (intercompany loans and borrowings, debt with external counterparties, current accounts and bank accounts) at the year-end exchange rate is offset by gains and losses on foreign currency derivatives. Swap points arising on derivatives are recognized over the term of the hedge within financial income.

Financial income and expenses relating to interest rate hedges are recognized on a symmetrical basis with the income and expenses resulting from the remeasurement of the hedged items.

6.3.1 Currency risk hedging

Operational currency risk

The principal hedging instruments used by the Company are forward purchases and sales of foreign currencies.

Financial currency risk

Pooling foreign currency cash surpluses, the financing needs of foreign subsidiaries and certain Group financing transactions exposes the Company to financial currency risk. This risk corresponds to the risk of changes in the value of foreign currency financial receivables or payables. This currency risk is primarily hedged by currency swaps.

The Company tends to finance its subsidiaries in their local currencies and systematically enters into hedges to protect itself against the resulting currency risk.

The Company's external borrowings and investments are generally denominated in euros, in particular for debt issues under the Euro Medium Term Note financing program.

At December 31, 2022, Valeo's forex position in the main foreign currencies was as follows:

	December 31, 2022						December 31, 2021
(in millions of euros)	USD	CZK	CNY	PLN	Other	Total	Total
Forward sales with subsidiaries	(827)	(291)	(22)	(616)	(148)	(1,904)	(2,326)
Forward purchases with subsidiaries	301	185	6	172	19	683	864
DERIVATIVES WITH SUBSIDIARIES	**(526)**	**(106)**	**(16)**	**(444)**	**(129)**	**(1,221)**	**(1,462)**
Forward sales with external counterparties	(96)	(443)	(70)	(300)	(392)	(1,301)	(1,436)
Forward purchases with external counterparties	1,456	263	770	560	313	3,362	3,401
DERIVATIVES WITH EXTERNAL COUNTERPARTIES	**1,360**	**(180)**	**700**	**260**	**(79)**	**2,061**	**1,965**
NET POSITION ON DERIVATIVES	**834**	**(286)**	**684**	**(184)**	**(208)**	**840**	**503**
Balance sheet exposure	(767)	384	(690)	200	59	(814)	(507)
TOTAL NET POSITION	**67**	**98**	**(6)**	**16**	**(149)**	**26**	**(4)**

Net positions in foreign currencies on currency derivatives are match-funded to Valeo's intercompany loans and borrowings and cash positions.

The market value of currency hedging instruments included in the net position with external counterparties represented an unrealized gain of 91 million euros at December 31, 2022 (unrealized gain of 46 million euros at December 31, 2021).

6.3.2 Commodity risk hedging

The Company favors commodity hedging instruments which do not involve physical delivery of the underlying commodity (primarily swaps on the average monthly price).

Volumes of non-ferrous metals hedged at December 31, 2022 and 2021 break down as follows:

(in metric tons)	December 31, 2022	December 31, 2021
Aluminum	31,850	8,688
Secondary aluminum	11,344	3,527
Copper	11,302	4,463
Zinc	—	—
Polypropylene	—	2,587
TOTAL	**54,496**	**19,265**

Commodities hedged at December 31, 2022 and 2021 were as follows:

	December 31, 2022			December 31, 2021
(in millions of euros)	With subsidiaries	With external counterparties	Total	Total
Forward sales	172	3	175	69
Forward purchases	(3)	(172)	(175)	(69)
TOTAL NET POSITION	**169**	**(169)**	**—**	**—**

The market value of instruments hedging metals prices included in the net position with external counterparties represented an unrealized loss of less than 1 million euros at December 31, 2022 (unrealized gain of less than 1 million euros at December 31, 2021).

6.3.3 Interest rate risk hedging

Valeo uses interest rate swaps to manage its interest rate risk. These swaps convert the interest rates on its debt into a variable or a fixed rate, either at the origination of the loan or during its term.

The two variable-rate tranches of the *Schuldschein* loan issued in April 2019 are hedged by floored interest rate swaps, which exchange the variable coupon with a 0% floor for a fixed rate. The floors expired in April 2021.

In March 2019, the Group converted the 159 million euros loan to one of its Czech subsidiaries into Czech koruna. At the same time, the Group set up a cross currency swap in Czech koruna for the same amount and with the same maturity.

In November 2022, two interest rate swaps were contracted for a total of 600 million euros, exchanging a fixed coupon for a variable coupon in order to hedge the fixed interest rate on the new bond issue.

At December 31, 2022, 87% of long-term debt was at fixed rates (92% at December 31, 2021).

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	2,585	3,091	3,150	454	955	45	6,690	3,590	10,280
Financial receivables and loans and advances to subsidiaries and affiliates	(2,984)	(3,712)	—	—	—	—	(2,984)	(3,712)	(6,696)
Marketable securities and cash and cash equivalents	(750)	(2,102)	—	—	—	—	(750)	(2,102)	(2,852)
NET POSITION BEFORE HEDGING	**(1,149)**	**(2,723)**	**3,150**	**454**	**955**	**45**	**2,956**	**(2,224)**	**732**
Derivative instruments	221	(221)	(477)	477	—	—	(256)	256	—
NET POSITION AFTER HEDGING	**(928)**	**(2,944)**	**2,673**	**931**	**955**	**45**	**2,700**	**(1,968)**	**732**

NOTE 7 NET FINANCIAL INCOME

(in millions of euros)	2022	2021
Dividends	244	212
Interest income	165	138
Interest expense	(169)	(95)
Net (additions to)/reversals from provisions for impairment and for investments in subsidiaries and affiliates	(40)	(45)
Other financial income and expenses	1	(6)
NET FINANCIAL INCOME	**201**	**204**

Dividend income amounted to 244 million euros in 2022, an increase compared with 2021. This amount includes a dividend of 100 million euros from Valeo International Holding BV, including 16 million euros in the form of a stock dividend in shares of the subsidiary Valeo Autosystemy Sp Z.o.o, 116 million euros from the holding company Société de Participations Valeo, 23 million euros from the South Korean subsidiaries (including 12 million euros from Valeo Pyeong Hwa Co. Ltd, 6 million euros from VPH Components and 5 million euros from Valeo Pyeong Hwa International) and 5 million euros from the Indian subsidiaries (including 3 million euros from Valeo Friction Materials India).

Dividend income in 2021 included a 180 million euros dividend from Valeo International Holding BV, a 17 million euros dividend from Turkish subsidiary Valeo Otomotiv Sanayi ve Ticaret AS, a 10 million euros dividend from South Korean subsidiaries, and a 3 million euros dividend from the Indian subsidiary Valeo Friction Material India.

Interest income chiefly relates to financing granted to Group subsidiaries and joint ventures. The 27 million euros increase in interest income versus 2021 is mainly due to the higher interest rates applicable to this financing.

In 2022, 75 million euros of interest expense related to external financing (51 million euros in 2021), while 94 million euros related to the interest paid on subsidiaries' cash surpluses and expenses associated with the hedging of foreign currency transactions (44 million euros in 2021).

The Company recognized a 24 million euros accrual to the impairment provision for Valeo Embrayages shares, before transferring them to Valeo Bayen. At December 31, 2022, the measurement of the portfolio of investments in subsidiaries and affiliates resulted in a net 9 million euros accrual to impairment provisions for these items (see Note 5.2, pages 443 to 444), and a net 7 million euros net accrual to provisions for contingencies (see Note 4.2.1, page 442).

At December 31, 2021, the measurement of the portfolio of investments in subsidiaries and affiliates had resulted in a net 107 million euros accrual to impairment provisions for these items, offset by a 62 million euros reversal of provisions for contingencies. Net additions for the year mainly concerned the provision for impairment of investments and the provision for contingencies relating to Valeo Embrayages (29 million euros), the provision for impairment of investments in Valeo Service (11 million euros), and the provision for contingencies relating to Valeo Embrayages Tunisie (1 million euros).

Other financial income and expenses in 2022 mainly include the ineffective portion of the interest rate hedge on the *Schuldschein* loans. In 2021, other financial income and expenses mainly included the amortization of stock purchase option premiums covering convertible bond issues in an amount of 5 million euros.

NOTE 8 INCOME TAXES

8.1 Tax group and taxable income

Valeo has elected for tax consolidation. The tax group includes the parent company and its principal French subsidiaries.

At December 31, 2022, the amount of tax savings arising from tax losses transferred to Valeo by its subsidiaries came to 1,408 million euros (1,357 million euros at December 31, 2021).

If a subsidiary returns to profit, it will utilize the previous tax losses and Valeo will be required to pay over the corresponding tax savings to the French State. If a subsidiary leaves the tax consolidation group, Valeo may be required to pay over the related tax savings to this subsidiary, based on the terms and conditions stipulated in the sale agreement. Valeo does not recognize a provision for repayment of tax losses to subsidiaries.

8.2 Income tax

(in millions of euros)	2022	2021
Net tax benefit arising on tax consolidation	7	3
INCOME TAX	**7**	**3**

The net tax benefit receivable from subsidiaries as a result of tax consolidation in 2022 amounts to 7 million euros, up 4 million euros compared to 2021.

The Company will not incur any tax expense for 2022, taking into account both its individual tax loss and that of the tax consolidation group. In the absence of tax consolidation, the Company would have been liable for an income tax expense of 8 million euros in the year ended December 31, 2021.

8.3 Items that could result in a decrease or increase in Valeo's future tax liability

	December 31, 2022		December 31, 2021	
(in millions of euros)	Tax basis	Corresponding tax	Tax basis	Corresponding tax
Timing differences between the recognition of income and expenses for accounting and tax purposes	57	15	58	15
Contribution premium	(134)	(35)	(134)	(35)
Tax loss carryforwards	1,408	364	1,357	351
TOTAL	**1,331**	**344**	**1,281**	**331**

8.4 Prepaid and recoverable taxes

At December 31, 2022, prepaid and recoverable taxes totaling 15 million euros included the tax benefit of 7 million euros arising on the 2022 tax consolidation (see Note 8.2, page 452). The research tax credit receivable at the so-called "seed" stage in respect of 2022 was sold by Valeo at a discount to a bank during the year, for 45 million euros. This receivable had been derecognized on the balance sheet, with an adjusting entry recorded in cash received.

In 2021, the research tax credit receivable at the so-called "seed" stage was sold by Valeo to a bank for 51 million euros.

8.5 Other payables

At December 31, 2022, other payables included the 219 million euros owed to subsidiaries that are members of the tax consolidation group in respect of the research tax credit for years 2019 to 2022.

At December 31, 2021, other payables included the 246 million euros owed to subsidiaries that are members of the tax consolidation group in respect of the research tax credit for years 2018 to 2021 and the CICE tax credit for 2018, representing 231 million euros and 15 million euros, respectively.

NOTE 9 STOCKHOLDERS'EQUITY

9.1 Share capital

In countries that meet the Group's eligibility criteria and where permitted by local laws and regulations, Valeo offers its employees the possibility of becoming shareholders through an employee share issue carried out specifically for this purpose.

As in 2021, a new plan was offered to employees in the second half of 2022. This plan allows employees to subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set on September 16, 2022 by the Group's Chief Executive Officer, acting on the authority of the Board of Directors. The 2022 subscription price of 15.17 euros is the average of the Group's opening share price on the 20 trading days between August 19, 2022 and September 15, 2022 inclusive, less a 20% discount. The shares are locked up for five years (except in the case of an early release event provided for by the applicable local law). Employees bear the risk of fluctuations in the share price relative to the subscription price. By subscribing to shares within the scope of the Group Employee Savings Plan (*Plan d'Épargne de Groupe* – PEG), employees can benefit from a contribution from their employer. Outside France, employees were awarded free shares subject to certain conditions, governed by the regulations applicable to the Group-approved free share plan. The free shares allotted are existing Valeo shares repurchased on the market. At the end of the subscription period, which ran from September 19, 2022 to October 7, 2022, 927,163 shares were subscribed at a price of 15.17 euros each, resulting in a capital increase of 1 million euros on November 17, 2022.

At December 31, 2022, Valeo's share capital totaled 244 million euros, divided into 243,501,944 shares of common stock with a par value of 1 euro each, all fully paid-up. Shares that have been registered in the name of the same holder for at least four years carry double voting rights (6,473,234 shares at December 31, 2022). Share capital stood at 243 million euros at December 31, 2021.

9.2 Additional paid-in capital

Additional paid-in capital represents the net amount received by the Company, either in cash or in assets, in excess of the par value on issuance of Valeo shares.

The employee share subscription offer launched in 2022 generated additional paid-in capital of 13 million euros in the year. Additional paid-in capital was 15 million euros for the employee share subscription offer launched in 2021.

9.3 Reserves

Reserves available for distribution amounted to 2,240 million euros at December 31, 2022 (2,178 million euros at December 31, 2021) before appropriation of income for the year and after deduction of the net carrying amount of treasury shares held at December 31, 2022 (39 million euros versus 44 million euros at December 31, 2021).

9.4 Movements

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and other	Stockholders' equity
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2020	**242**	**1,545**	**2,176**	**3,963**
Dividends paid	—	—	(73)	(73)
Capital increase	1	15	—	16
Net income for the year	—	—	148	148
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2021	**243**	**1,560**	**2,251**	**4,054**
Dividends paid	—	—	(84)	(84)
Capital increase	1	13	—	14
Other movements	—	—	(62)	(62)
Net income for the year	—	—	203	203
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2022	**244**	**1,573**	**2,308**	**4,125**

NOTE 10 OTHER INFORMATION

10.1 Maturity of receivables and payables

(in millions of euros)	December 31, 2022	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Prepaid and recoverable taxes	15	13	2	—
Other operating receivables	8	8	—	—
OPERATING RECEIVABLES	**23**	**21**	**2**	**—**

(in millions of euros)	December 31, 2022	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Accounts and notes payable	9	9	—	—
Accrued taxes and payroll costs	12	7	5	—
OPERATING PAYABLES	**21**	**16**	**5**	**—**
OTHER PAYABLES	**219**	**67**	**152**	**—**

Accrued expenses included in trade payables amounted to 9 million euros at December 31, 2022.

An analysis of long-term debt by maturity is provided in Note 6.1.3, pages 445 to 446.

10.2 Related party transactions

10.2.1 Transactions with related companies

The Company's financial statements include transactions carried out in the normal course of business between Valeo and its subsidiaries. These transactions are carried out at arm's length and represented the following amounts:

(in millions of euros)	2022	2021
INCOME STATEMENT		
Net financial income	331	300
BALANCE SHEET AT DECEMBER 31		
Loans and advances to subsidiaries and affiliates	2,790	2,945
Financial receivables	3,736	3,350
Prepaid and recoverable taxes	15	6
Debt	3,598	3,714
Other payables	218	246

Net financial income essentially includes dividends and interest income on current accounts and loans granted to subsidiaries.

10.2.2 Transactions with related parties

All material related party transactions within the meaning of Article R.123-198 of the French Commercial Code were carried out at arm's length in 2022.

10.3 Off-balance sheet commitments

10.3.1 Commitments given

	December 31, 2022			December 31, 2021		
(in millions of euros)	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year	Total
Commitments given	–	72	72	–	91	91

Commitments given mainly include the guarantee given in 2005 to the IUE-CWA-Local 509 trade union as part of the agreement signed in September 2005 in relation to the closure of the Rochester plant (representing 72 million euros at December 31, 2022 compared with 91 million euros at December 31, 2021). It is a first-call guarantee with an indefinite term and covers the commitments undertaken by Valeo North America Inc. (formerly Valeo Electrical Systems Inc.) concerning pensions and other employee benefits.

At December 31, 2021, other commitments given also included a five-year reciprocal vendor warranty commitment agreed with PHC Co Ltd. in connection with the creation of the Valeo-Kapec joint venture. This commitment, which was for an unlimited amount, expired on December 1, 2022.

10.3.2 Commitments received

At December 31, 2022, no commitments had been received by the Company. At December 31, 2021, commitments received included reciprocal commitments with PHC Co Ltd. (see Note 10.3.1, page 455).

10.4 Fees paid to the Statutory Auditors

Fees paid to the Statutory Auditors and recognized in Valeo's income statement are as follows:

	Ernst & Young		Mazars	
(in thousands of euros)	2022	2021	2022	2021
Audit				
Statutory audit, review of the individual and consolidated financial statements	25	32	29	25
Non-audit services	258	660	160	10
TOTAL FEES	**283**	**692**	**189**	**35**

Non-audit services provided by Ernst & Young et Autres and Mazars to Valeo and the entities it controls in 2022 mainly concern (i) comfort letters in connection with the renewal of the EMTN program, and (ii) voluntary audit procedures on the combined financial statements of some of the Group's operating entities.

NOTE 11 LIST OF SUBSIDIARIES AND AFFILIATES

At December 31, 2022

Company *(in millions of euros)*	Share capital	Other equity[1]	interest *(in %)*	Carrying amount of shares Gross	Carrying amount of shares Net	Outstanding loans and advances granted	Guarantees and endorsements given	Sales	Net income (loss)	Dividends
Valeo Bayen Paris – France (SIREN: 380 072 520)	2,837	969	100	4,603	4,603	620	—	—	78	—
Valeo Service Saint-Denis – France (SIREN: 306 486 408)	13	(24)	100	38	—	—	—	183	(12)	—
Équipement 11 Paris – France (SIREN: 440 331 411)	—	(1)	100	8	2	8	—	—	—	—
Valeo International Holding BV Helmond – Netherlands	128	688	100	443	443	—	—	38	32	100
Coreval Strassen – Luxembourg	23	5	99	23	23	—	—	6	—	—
Valeo Auto-Electric GmbH Bietigheim – Germany	—	196	5	27	10	—	—	4	—	—
Valeo Embrayages Tunisie Jedeida – Tunisia	6	1	100	6	—	3	—	11	(1)	—
Valeo Otomotiv Sanayi ve Ticaret AS[3] Bursa – Turkey	7	94	100	40	40	—	—	497	47	—
Amalgamations Valeo Clutch Private Ltd[2][3] Chennai – India	4	5	50	9	9	—	—	77	3	2
Valeo Pyeong Hwa Co. Ltd.[3] Daegu – South Korea	10	171	50	12	12	—	—	525	16	12
Valeo Pyeong Hwa International Co. Ltd Seoul – South Korea	2	73	50	1	1	—	—	187	21	5
Valeo Pyeong Hwa Automotive Components Co. Ltd Daegu – South Korea	2	48	27	2	2	—	—	239	20	6
Other French subsidiaries and affiliates (aggregate)				4	—					
Other foreign subsidiaries and affiliates (aggregate)				3	3	102				3
TOTAL				**5,218**	**5,149**	**733**				**128**

(1) Including net income for 2022 before appropriation.
(2) Last financial year ended March 31, 2022.
(3) Translated at the year-end exchange rate and at average exchange rates for 2021.

NOTE 12 SUBSEQUENTS EVENTS

On January 11, 2023, Valeo redeemed the 500 million euros bond issued in 2017 under the Euro Medium Term Note program.

5.6.5 Statutory Auditors' report on the financial statements

Year ended December 31, 2022

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This Statutory Auditors' report includes information required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Valeo,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Valeo for the year ended December 31, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity securities, related receivables and provisions for risks on subsidiaries

Risk identified

As of December 31, 2022, the net carrying amount of investments in subsidiaries and affiliates and related receivables are recorded on the balance sheet for a net book value of 7,939 million euros, i.e. 54% of total assets. At their date of entry, equity securities are accounted for at their acquisition cost.

At closing, your Company values its securities at their value in use. When this value is less than the carrying amount, an impairment is recorded for the amount of this difference.

As of December 31, 2022, impairments of equity securities amounted to 69 million euros. Provisions for exposures to subsidiaries are intended to cover the negative net position of certain subsidiaries.

As of December 31, 2022, they amounted to 13 million euros.

The value in use is determined using the following criteria, adapted to the holdings evaluated: forecast data from the subsidiaries, medium-term plans, shareholders' equity and the strategic interest of the group.

The receivables attached to these participations consist mainly of medium and long-term loans granted to direct or indirect subsidiaries of your Company as well as to joint ventures in which the Valeo group has invested.

Given their particularly significant amount, the judgments inherent in certain items and their sensitivity to management's expectations, we considered the valuation of equity securities, related receivables and risk provisions to be a key audit matter.

Our response

To assess the valuation of the utility of the value in use of the investments, based on the information obtained from your company, we have implemented due diligence which mainly consisted in analyzing the valuation method as well as the data used and, depending on the securities concerned, to:

- reconcile retained equity with entity accounts prepared in accordance with international accounting standards, for valuations based on historical elements;
- if applicable, an analysis of the business plans drawn up by management for subsidiaries whose equity securities are subject to material impairments;
- analyze, with the help of our valuation specialists, the main assumptions, such as the discount rate and the long-term growth rate, that we have compared with the values retained by financial analysts for the group and companies in the sector;
- reconcile the values in use retained by your Company with the amount of equity securities and related receivables by subsidiaries, net of any provisions for impairment recorded on each of these assets.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code *(Code de commerce)*.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code *(Code de commerce)*.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code *(Code de commerce)* relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.22-10-11 of the French Commercial Code *(Code de commerce)*, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by Statutory Auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code *(Code monétaire et financier)*, prepared under the General Manager's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Valeo by the Annual General Meeting held on June 3, 2010.

As at December 31, 2022, we were in the thirteen year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 28, 2023

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.7 Statutory Auditors' report on related party agreements

Annual General Meeting held to approve the financial statements for the year ended December 31, 2022

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R.225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended December 31, 2023, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Agreements submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements authorized during the year ended December 31, 2022 to be submitted to the Annual General Meeting for approval in accordance with Article L.225-38 of the French Commercial Code (*Code de commerce*).

Agreements previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting, whose implementation continued during the year ended December 31, 2022.

Paris-La Défense, March 28, 2023

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.8 Other financial and accounting information

5.8.1 Five-year financial summary

	2018	2019	2020	2021	2022
1. SHARE CAPITAL AT DECEMBER 31					
Share capital *(in millions of euros)*	240	241	242	243	244
Number of ordinary shares outstanding	240,253,100	241,036,743	241,717,403	242,574,781	243,501,944
Maximum number of new shares to be issued:	—	—	—	—	
• on exercise of equity warrants	—	—	—	—	—
• on exercise of stock subscription options	—	—	—	—	—
• on conversion of bonds into new shares	—	—	—	—	—
2. RESULTS OF OPERATIONS FOR THE YEAR *(in millions of euros)*					
Sales	—	—	—	—	—
Income before tax, depreciation, amortization and impairment losses	240	372	321	216	189
Income tax	30	14	2	3	7
Employee profit-sharing	—	—	—	—	—
Net income	258	282	200	148	203
Net dividend	297	48	72	85	92
3. PER-SHARE DATA *(in euros)*					
Net income after tax, but before depreciation, amortization and impairment losses	1.14	1.61	1.33	0.91	0.81
Earnings per share	1.09	1.18	0.83	0.61	0.84
Net dividend	1.25	0.20	0.30	0.35	0.38
4. PERSONNEL					
Headcount at December 31	1	1	1	3	3
Wages and salaries *(in millions of euros)*(1)	47	25	26	38	55
Social security contributions *(in millions of euros)*(2)	1	—	8	2	(4)

(1) In 2022, this amount includes an expense of 55 million euros relating to the delivery of free shares (performance shares) under the 2018 free share plan and to the delivery of free shares to all beneficiaries under the 2019 free share plan, as well as an expense of 1 million euros in respect of shares settled in cash for certain foreign beneficiaries of the 2017 and 2019 plans (see Note 3.2, page 440).

(2) In 2022, this amount includes a net provision reversal of 4 million euros relating to social security contributions on the free shares delivered to French beneficiaries (see Note 3.2, page 440).

5.8.2 List of subsidiaries, affiliates and marketable securities

	Number of shares	Net carrying amount *(in millions of euros)*
Valeo Bayen	189,154,088	4,603
Valeo International Holding BV	2,845,121	443
Valeo Otomotiv Sanayi ve Ticaret AS	121,513,059	40
Valeo Service	860,000	—
Coreval	928,434	23
Valeo Pyeong Hwa Co. Ltd	1,359,405	12
Valeo Auto-Electric GmbH	1,305	10
Amalgamations Valeo Clutch Private Ltd	56,252,500	9
Équipement 11	32,549	2
Other securities with a net carrying amount below 2 million euros		7
INVESTMENTS IN SUBSIDIARIES AND AFFILIATES		**5,149**
Other securities		—
OTHER INVESTMENT SECURITIES		**—**
MONEY MARKET FUNDS		**612**
TREASURY SHARES		**39**
TOTAL		**5,800**

6 SHARE CAPITAL AND OWNERSHIP STRUCTURE

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

6.1 Stock market data

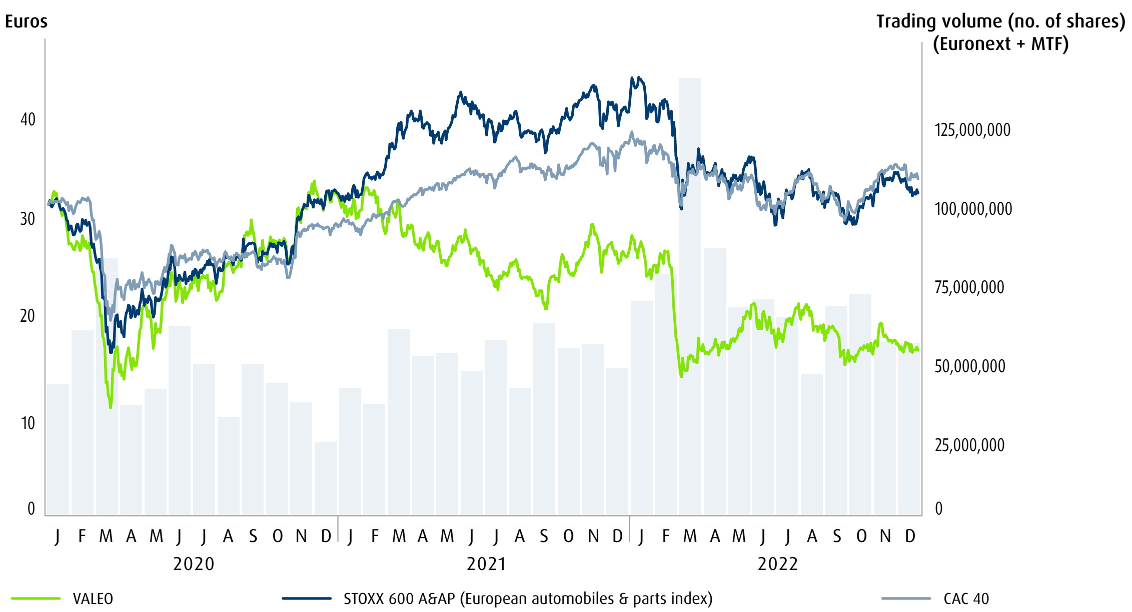
	2020	2021	2022
Market capitalization at year-end *(in billions of euros)*	7.80	6.45	4.07
Number of shares *(at December 31)*	241,717,403	242,574,781	243,501,944
Highest share price *(in euros)*	34.05	33.66	28.5
Lowest share price *(in euros)*	10.51	20.47	13.8
Average share price *(in euros)*	24.86	27.01	19.19
Share price at year-end *(in euros)*	32.28	26.58	16.7

6.1.1 Share performance

	Share price *(in euros)*			Trading volume		
Effective	**High**	**Low**	**Closing (average)**	**MTF**(1) *(in number of shares)*	**Euronext**(2) *(in number of shares)*	**Euronext**(2) *(in capital and millions of euros)*
December 2021	28.18	25.15	26.58	27,680,478	18,767,113	498.93
January 2022	28.50	23.64	26.32	43,426,501	24,399,797	637.78
February 2022	27.31	19.04	25.05	47,023,281	29,232,317	704.46
March 2022	19.89	13.80	15.85	91,244,942	47,321,834	762.97
April 2022	18.33	15.80	16.86	55,647,122	29,000,736	489.43
May 2022	20.68	15.82	18.21	40,029,201	25,764,546	474.06
June 2022	21.90	17.64	19.98	42,082,247	26,398,765	524.16
July 2022	21.39	17.01	18.94	39,666,123	22,845,560	431.55
August 2022	21.82	18.14	20.11	27,374,676	17,276,774	346.44
September 2022	19.65	15.06	17.94	42,296,514	23,834,191	423.05
October 2022	17.54	15.10	16.48	47,128,022	22,910,214	375.94
November 2022	19.70	15.96	17.87	33,316,437	21,546,259	388.69
December 2022	18.06	16.32	17.02	35,103,223	19,409,897	332.56

(1) MTF (Multilateral Trading Facility): includes the trading volumes on platforms such as ChiX, Turquoise, Bats and Aquis.
(2) Source: Euronext monthly statistics.

6.1.2 Share price and monthly trading volumes



6.2 Investor relations

Valeo's Investor Relations Department serves as an interface between the Group and the international financial community, including institutional investors such as ESG investors and impact investors, as well as financial analysts and individual shareholders. It aims to provide clear, thorough and transparent information in real time to all these market participants, in order to keep them informed of Valeo's strategy, positioning, results and short- and medium-term financial and non-financial objectives.

Valeo's website, www.valeo.com, features a dedicated "Investors & shareholders" section for its shareholders and the financial community featuring:

- the Universal Registration Document including the Integrated Report, as well as the Half-Year Financial Report ("Regulated information" section);
- presentations and press releases on Valeo's financial and non-financial results ("Presentations & releases" section);
- technology presentations ("Presentations & releases" section);
- the capital structure, the list of analysts covering the Valeo share, and information regarding the American Depositary Receipt program ("Stock market" section);
- details of the Group's debt, and the credit ratings assigned by Moody's and Standard & Poor's ("Bond investors" section);
- information for individual shareholders ("Individual shareholders" section);
- information about the Shareholders' Meeting ("Shareholders' Meeting" section).

6.2.1 Institutional investors

The Group's Investor Relations Department closely and consistently interacts with the financial community. The department places great importance on holding meetings throughout the year with shareholders, investors and financial and non-financial analysts, whether at the Group's headquarters, at roadshows held in major global centers (Europe, North America and Asia) or during conferences. In all, the Investor Relations team met nearly 1,200 institutional investors and analysts at these events during 2022, with the Group's Management present at a large number of these meetings.

Valeo includes detailed non-financial information in its financial communications aimed at all stakeholders, in particular ESG investors and analysts, and impact funds. In 2022, the Group had the opportunity to present its ambitions in corporate governance, and social and environmental responsibility, particularly relating to reducing greenhouse gas emissions and achieving carbon neutrality by 2050. Information on these subjects is available on the Group's website under "SRI" in the "Sustainability" section.

6.2.2 Individual shareholders

Valeo consistently interacts with individual shareholders, who control approximately 5% of Valeo's share capital. An "Individual shareholders" section is available on the Group's website and features information related to the stock market and dividends. The Group's Investor Relations Department regularly sends information, such as "flash" e-newsletters and shareholders' letters, to individual shareholders to keep them informed about the Group's latest news and financial results. Since 2017, individual shareholders in France have been able to join an online Shareholders' Club, where they can access presentations on the Group and its operations. In addition, the Group's Investor Relations Department met private wealth managers on several occasions during the year, both in Paris and elsewhere in France. The share registrar service has been provided by Société Générale since the end of 2000 and offers a share information line (+33 (0)2 51 85 67 89) for questions concerning dividends, tax issues and order placing.

For any other information about the Group, individual shareholders can call the number provided in section 6.2.4.

6.2.3 Employee shareholders

Since 2010, Valeo has had a policy of allotting free shares to promote the development of employee share ownership over time.

In 2016, Valeo launched a share subscription offering reserved for employees. Following its success, the offering has been renewed every year and in 2022 was rolled out in 20 countries to some 86,300 employees. As is the case every year, information sessions about the offering and the performance of the Valeo share were held at each Group site.

At December 31, 2022, Valeo employees held 9,025,618 shares under Group employee savings plans in France and abroad, directly or indirectly through the Valeorizon mutual fund, representing 3.71%[(1)] of the Company's share capital, compared to 7,402,071 shares representing 3.05% at the previous year-end. The Valeorizon mutual fund is an effective way of involving employees in the Group's performance.

Employee shareholders have access to the same communication tools as individual shareholders, as well as an information line managed by the banks in charge of the share ownership plans. They can call this telephone platform all year round with any questions they may have. For further information, see section 6.4.5 of this chapter, "Employee share ownership", page 472 and Chapter 4, section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", page 237.

6.2.4 Contact

Valeo

100, rue de Courcelles

CS 86960

75173 PARIS CEDEX 17 – France

Institutional investors and financial analysts

François Marion, Senior Vice-President, Group Communications and Investor Relations

Thierry Lacorre, Investor Relations Director

To arrange a meeting, please contact:
Email: valeo.corporateaccess.mailbox@valeo.com

Individual shareholders

Tel.: +33 (0)1 40 55 20 39

Email: valeo.actionnairesindividuels.mailbox@valeo.com

For questions about registered shares, please contact:
Société Générale

Tel.: +33 (0)2 51 85 67 89

6.2.5 Provisional financial publications calendar

- First-quarter 2023 sales: April 25, 2023
- First-half 2023 results: July 27, 2023
- Third-quarter 2023 sales: October 26, 2023
- Full-year 2023 results: second half of February 2024

6.3 Dividends

Dividends over the past three years were as follows:

Year	Dividend per share *(in euros)*	Tax allowance	Total *(in millions of euros)*
2019	0.20	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	47.9
2020	0.30	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	72.2
2021	0.35	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	84.0

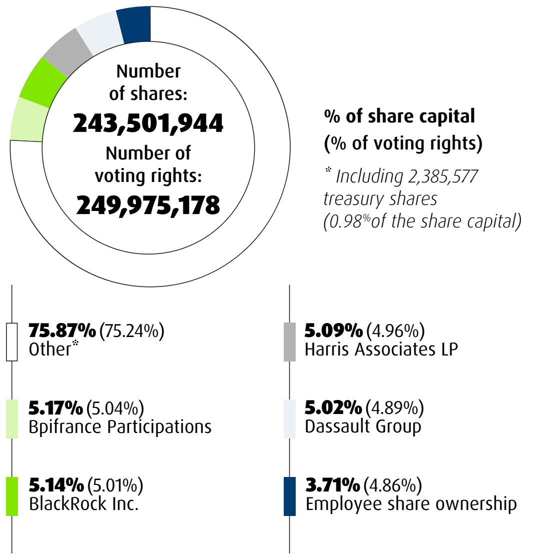
On February 23, 2023, at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2022, Valeo's Board of Directors recommend the payment of a dividend of 0.38 euro per share eligible for dividends.

(1) As calculated in accordance with Article L.225-102 of the French Commercial Code (Code de Commerce), employees held 3.04% of the share capital at December 31, 2022 (2.40% at December 31, 2021). The difference compared to the percentage stated above results in particular from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.

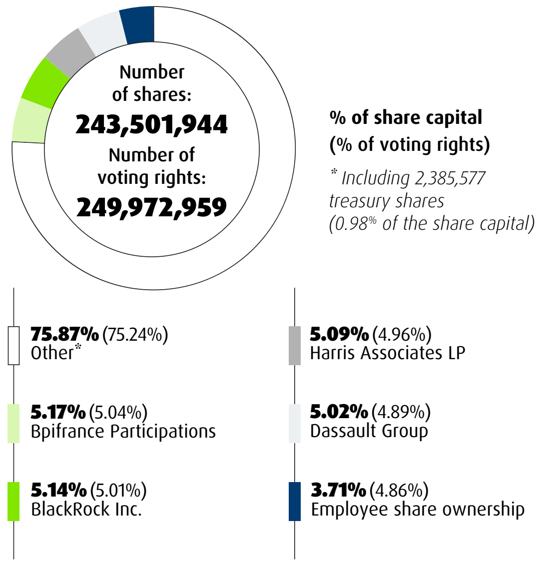
6.4 Share ownership

6.4.1 Ownership structure

OWNERSHIP STRUCTURE AT DECEMBER 31, 2022



OWNERSHIP STRUCTURE AT FEBRUARY 23, 2023



6.4.2 Direct or indirect shareholdings in the Company brought to the Company's attention

The following details on share capital and voting rights were prepared:

- based on data brought to the Company's attention;
- based on the Company's share capital and theoretical voting rights at December 31 of each of the three years under consideration (2020, 2021 and 2022), and at February 23, 2023.

At December 31, 2022, the Company's share capital amounted to 243,501,944 euros comprising 243,501,944 shares with a par value of 1 euro each, including 2,385,577 treasury shares, representing 249,975,178 theoretical voting rights.

	December 31, 2020				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.21%	12,600,000	5.08%	12,600,000
Norges Bank	12,337,905	5.10%	12,337,905	4.98%	12,337,905
BlackRock Inc.	12,237,116	5.06%	12,237,116	4.94%	12,237,116
Employee share ownership(3)	6,541,958	2.71%	8,227,660	3.32%	8,227,660
Treasury shares(4)	1,466,685	0.61%	—	—	—
Other	196,533,739	81.31%	202,415,711	81.68%	202,415,711
Total	**241,717,403**	**100%**	**247,818,392**	**100%**	**246,351,707**

	December 31, 2021				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.19%	12,600,000	5.06%	12,600,000
BlackRock Inc.	12,519,631	5.16%	12,519,631	5.03%	12,519,631
Harris Associates LP	12,393,566	5.11%	12,393,566	4.98%	12,393,566
Dassault Group	12,227,876	5.04%	12,227,876	4.91%	12,227,876
Employee share ownership(3)	7,402,071	3.05%	9,742,062	3.91%	9,742,062
Treasury shares(4)	848,616	0.35%	—	—	—
Other	184,583,021	76.10%	189,543,257	76.11%	189,543,257
Total	**242,574,781**	**100%**	**249,026,392**	**100%**	**248,177,776**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 483). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).

(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).

(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 472.

(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 474.

	December 31, 2022				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.17%	12,600,000	5.04%	12,600,000
BlackRock Inc.	12,519,631	5.14%	12,519,631	5.01%	12,519,631
Harris Associates LP	12,393,566	5.09%	12,393,566	4.96%	12,393,566
Dassault Group	12,227,876	5.02%	12,227,876	4.89%	12,227,876
Employee share ownership(3)	9,025,618	3.71%(5)	12,150,466	4.86%	12,150,466
Treasury shares(4)	2,385,577	0.98%	—	—	—
Other	182,349,676	74.89%	188,083,639	75.24%	188,083,639
Total	**243,501,944**	**100%**	**249,975,178**	**100%**	**247,589,601**

	February 23, 2023(6)				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.17%	12,600,000	5.04%	12,600,000
BlackRock Inc.	12,519,631	5.14%	12,519,631	5.01%	12,519,631
Harris Associates LP	12,393,566	5.09%	12,393,566	4.96%	12,393,566
Dassault Group	12,227,876	5.02%	12,227,876	4.89%	12,227,876
Employee share ownership(3)	9,025,618	3.71%(5)	12,150,466	4.86%	12,150,466
Treasury shares(4)	2,385,577	0.98%	—	—	—
Other	182,349,676	74.89%	188,081,420	75.24%	188,081,420
Total	**243,501,944**	**100%**	**249,972,959**	**100%**	**247,587,382**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 483). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).

(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).

(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 472.

(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 474.

(5) As calculated in accordance with Article L.225-102 of the French Commercial Code (Code de Commerce), employees held 3.04% of the share capital at December 31, 2022 (2.40% at December 31, 2021). The difference compared to the percentage stated above results in particular from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.

(6) At January 31, 2023.

Shareholders representing more than 5% of the share capital or voting rights

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at December 31, 2022, other than:

- Bpifrance Participations, which held 12,600,000 shares in the Company, i.e., 5.17% of the share capital and 5.04% of the voting rights;
- BlackRock Inc., which, acting on behalf of funds and clients it manages, held 12,519,631 shares in the Company, i.e., 5.14% of the share capital and 5.01% of the voting rights;
- Harris Associates LP, which held, directly or indirectly, 12,393,566 shares in the Company, i.e., 5.09% of the share capital and 4.96% of the voting rights;
- Dassault Group, which held 12,227,876 shares in the Company, i.e., 5.02% of the share capital and 4.89% of the voting rights.

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at February 23, 2023, other than:

- Bpifrance Participations, which held 12,600,000 shares in the Company, i.e., 5.17% of the share capital and 5.04% of the voting rights;
- BlackRock Inc., which, acting on behalf of funds and clients it manages, held 12,519,631 shares in the Company, i.e., 5.14% of the share capital and 5.01% of the voting rights;
- Harris Associates LP, which held, directly or indirectly, 12,393,566 shares in the Company, i.e., 5.09% of the share capital and 4.96% of the voting rights;
- Dassault Group, which held 12,227,876 shares in the Company, i.e., 5.02% of the share capital and 4.89% of the voting rights.

Crossing of disclosure thresholds

Between January 1, 2022 and February 24, 2023, Valeo was notified of the following disclosure threshold crossings:

Shareholder	Date of notification(1)	Effective date(1)	Number of Valeo shares held(1)	Percentage of capital reported(1)	Number of voting rights held(1)	Percentage of theoretical voting rights reported(1)	Threshold crossed/ Increase or decrease(1)
Norges Bank	03/15/2022	03/14/2022	12,193,643	5.03%	4.90%	5% of share capital	↗
Norges Bank	03/22/2022	03/21/2022	12,452,105	5.13%	5.00%	5% of voting rights	↗
Norges Bank	12/07/2022	12/06/2022	12,412,231	5.12%	4.98%	5% of voting rights	↘
Norges Bank	12/12/2022	12/09/2022	12,146,642	4.99%	4.86%	5% of share capital	↘

(1) Information sourced from disclosure threshold crossing notifications published by the AMF.

6.4.3 Directors' interests in Valeo's share capital

At December 31, 2022, to the best of the Company's knowledge, Jacques Aschenbroich, Christophe Périllat and other individual members of the Board of Directors held less than 1% of Valeo's share capital and voting rights in a personal capacity(2). Bpifrance Participations and the Fonds Stratégique de Participations held 12,600,000 and 10,213,000 shares and voting rights, respectively, bringing the percentage interest held by all members of the Board of Directors (both individuals and companies) in a personal capacity to 9.82% of the share capital and 9.93% of the voting rights(1). The number of shares held by each member of the Board of Directors is given in Chapter 3, section 3.2.1, paragraphs "Composition of the Board of Directors at December 31, 2022 and changes (made or decided) during the year" and "Presentation of directors in 2022", pages 117 to 146.

(2) Excluding shares held in the Valeorizon mutual fund (Group savings plan).

6.4.4 Transactions carried out in the Company's shares by senior management and directors

Transactions carried out from January 1, 2022 up to the date of this Universal Registration Document by senior management and directors and by related persons, that fall within the scope of the transactions set out in the applicable legal and regulatory provisions are presented below:

Name	Position	Type of security	Type of transaction	Date of transaction	Gross unit price	Number of shares	Gross amount
Christophe Périllat	Chief Executive Officer	Share	Vesting of performance shares allotted by the Board of Directors on March 22, 2018(1)	March 22, 2022	N/A	27,810	N/A
Christophe Périllat	Chief Executive Officer	Share	Vesting of performance shares allotted by the Board of Directors on May 23, 2019(1)	May 23, 2022	N/A	33,734	N/A
Jacques Aschenbroich	Chairman of the Board of Directors (until December 31, 2022)	Share	Vesting of performance shares allotted by the Board of Directors on May 23, 2019(2)	May 23, 2022	N/A	43,561	N/A
Alexandre Dayon	Director	Share	Purchase	August 17, 2022	€20.10	3,043	€61,164.30
Alexandre Dayon	Director	Share	Purchase	August 19, 2022	€20.10	11,957	€240,335.70
Stéphanie Frachet	Director	Share	Purchase	March 1, 2023	€20.0653	1,500	€30,097.95
Christophe Périllat	Chief Executive Officer	Share	Vesting of performance shares allotted by the Board of Directors on March 24, 2020(1)	March 24, 2023	N/A	67,198	N/A

(1) *These shares were allotted to Christophe Périllat in his capacity as Chief Operating Officer (employee rather than corporate officer).*
(2) *These shares were allotted to Jacques Aschenbroich in his capacity as Chairman and Chief Executive Officer.*

To the best of the Company's knowledge, no other senior managers, directors or persons related to them reported having carried out transactions involving the Company's shares pursuant to the applicable legal and regulatory provisions from January 1, 2022 up to the date of this Universal Registration Document.

6.4.5 Employee share ownership

At December 31, 2022, Valeo employees held 9,025,618 shares under Group employee savings plans in France and abroad, directly or indirectly through the Valeorizon mutual fund, representing 3.71%[3] of the Company's share capital, compared to 7,402,071 shares representing 3.05% the previous year. The Valeorizon mutual fund is an effective way of involving employees in the Group's performance.

As has been the case since 2016, a share subscription offering reserved for employees was launched in 2022 in 20 of the Group's main countries, giving more than 84% of employees the opportunity to become Valeo shareholders. The offering is part of the development of Valeo's employee share ownership policy in France and abroad, which aims to involve employees in the Group's performance. At the close of the subscription period, which ran from September 19, 2022 to October 7, 2022, employees had subscribed to 927,163 new shares at a unit price of 15.17 euros, reflecting a 20% discount on the reference price. Since the offering in France was carried out under the Group Employee Savings Plan (*Plan d'Épargne Groupe* – PEG), employees who subscribed to shares benefited from a top-up contribution from the Company. Outside France, employees were granted free shares subject to certain conditions.

(3) *As calculated in accordance with Article L.225-102 of the French Commercial Code (Code de Commerce), employees held 3.04% of the share capital at December 31, 2022 (2.40% at December 31, 2021). The difference compared to the percentage stated above results in particular from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.*

6.5 Share buyback program AFR

6.5.1 Current share buyback program adopted by the Shareholders' Meeting of May 24, 2022

In accordance with Articles L.22-10-62 and L.225-210 *et seq.* of the French Commercial Code, Regulation No. 596/2014 of the European Parliament and of the Council of April 16, 2014 and Commission Delegated Regulation No. 2016/1052 of March 8, 2016, as well as all other applicable legal and regulatory provisions, the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2022, in its seventeenth resolution, granted the Board of Directors (with power to subdelegate) an authorization to carry out transactions in the shares issued by the Company, for the following purposes:

- the implementation of any Company stock option plan under the terms of Articles L.225-177 *et seq*. and L.22-10-56 *et seq*. of the French Commercial Code (or other similar plan), in particular for any employee and/or corporate officer of the Company and of related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment of free shares in the Company pursuant to Articles L.225-197-1 *et seq.* and L.22-10-59 *et seq.* of the French Commercial Code (or other similar plan), particularly to any employee and corporate officer of the Company or related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment or sale of shares to employees as part of their involvement in the performance of the Company or pursuant to a company or Group employee savings plan (or similar plan) in accordance with applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code (*Code du travail*); or
- in general, to comply with obligations in respect of stock option plans or other allotments of shares to employees or corporate officers of the Company or of a related company; or
- the delivery of shares on the exercise of rights attached to securities giving access to the share capital (*valeurs mobilières donnant accès au capital*) by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the retention and future delivery of shares (as exchange consideration, as payment or other) in connection with acquisitions, mergers, spin-offs or contributions; or
- the cancelation of all or part of the shares so acquired; or
- market-making for the Valeo share under a liquidity agreement compliant with the market practices permitted by the AMF.

The program is also intended to allow for the implementation of any market practices that may subsequently be permitted by market authorities and, more generally, to carry out any other transactions in compliance with current or future applicable laws and regulations.

The total number of shares purchased by the Company during the share buyback program may not exceed 10% of the shares making up the Company's share capital at any time. This percentage will apply to the share capital as adjusted to take into account any transactions carried out subsequent to the Shareholders' Meeting, it being specified that:

i. when shares are acquired to increase liquidity, the number of shares used to determine the 10% limit corresponds to the number of shares purchased, less the number of shares sold during the authorized period;
ii. the number of shares purchased with a view to holding them for future delivery in connection with an external growth operation, merger, spin-off or contribution may not exceed 5% of the Company's share capital;
iii. the number of shares held by the Company at any time may not exceed 10% of the shares that constitute the Company's share capital.

The maximum purchase price is set at 70 euros per share (excluding acquisition costs) and the maximum amount allocated to the share buyback program is set at 1,698,023,460 euros (excluding acquisition costs). Based on the per-share price of 70 euros, a maximum of 24,257,478 shares may therefore be purchased under the program.

This authorization was given for an 18-month period as of the Shareholders' Meeting of May 24, 2022 and canceled, for the unused portion as at May 24, 2022, the authorization granted by the Shareholders' Meeting of May 26, 2021 in its sixteenth resolution.

A description of the 2022 renewal of the Company's share buyback program was drawn up in accordance with Articles 241-1 *et seq.* of the AMF's General Regulations.

In 2022, Valeo carried out a number of share sale and purchase transactions under the abovementioned share buyback program and under the program authorized at the Shareholders' Meeting of May 26, 2021 (see section 6.5.2 of this chapter, "Treasury shares", page 474).

6.5.2 Treasury shares

At December 31, 2022, the Company held, directly or indirectly, 2,385,577 treasury shares (i.e., 0.98% of the share capital) with an average unit value of 16.50 euros and a par value of 1 euro. At December 31, 2021, Valeo held 848,616 shares, or 0.35% of the share capital.

The shares purchased in 2022 were to be used in respect of:

- free share plans;
- the implementation of a liquidity agreement.

The share purchases were carried out in accordance with authorizations granted by the Shareholders' Meetings of May 26, 2021 and May 24, 2022 to the Board of Directors to buy back Company shares, it being specified that the seventeenth resolution of the Shareholders' Meeting of May 24, 2022 terminated and superseded the authorization granted by the Shareholders' Meeting of May 26, 2021.

The seventeenth resolution of the Shareholders' Meeting of May 24, 2022 authorized the Board of Directors (with the power to subdelegate) to purchase, or arrange for the purchase of, the Company's shares in accordance with the conditions specified in section 6.5.1 of this chapter, "Current share buyback program adopted by the Shareholders' Meeting of May 24, 2022", page 473.

Shares to be allocated to free share plans

On March 24, 2022, Valeo announced that it had requested the assistance of an investment services provider to carry out share buybacks to cover the implementation of any free share plan (performance shares) and the allotment of shares to employees as part of their involvement in the performance of the Company or the implementation of any Company savings plan, in accordance with the objectives set out in the sixteenth resolution of the Shareholders' Meeting of May 26, 2021 and in the description of the related share buyback program. On March 24, 2022, Valeo entered into an agreement with an investment services provider for this purpose. On May 17, 2022 Valeo announced that, under the terms of the abovementioned agreement, on May 13, 2022 it had bought back 3,031,189 shares at an average price of 16.4952 euros.

At December 31, 2022, the number of treasury shares to be allocated to free share plans stood at 2,385,577 compared with 848,616 at December 31, 2021.

Shares for use under a liquidity agreement

In 2022, Valeo acquired 3,748,353 shares at an average price of 19.35 euros and sold 3,748,353 shares at an average First-In-First-Out price of 19.35 euros. Trading and transaction fees incurred under the liquidity agreement entered into with an investment services provider totaled 140,000 euros. These shares were not reallocated to other purposes provided for under the share buyback program.

At December 31, 2022, 0 shares and 17,385,306.06 euros in cash had been allocated to the liquidity agreement, compared with 0 shares and 17,340,809.73 euros in cash at December 31, 2021.

6.5.3 Share buyback program to be submitted to the Shareholders' Meeting of May 24, 2023

The Shareholders' Meeting to be held on May 24, 2023 will be asked to renew the authorization granted by the seventeenth resolution approved by the Shareholders' Meeting of May 24, 2022, permitting the Company to carry out transactions in its own shares under a new share buyback program, in accordance with the provisions of Articles L.22-10-62 and L.225-210 *et seq.* of the French Commercial Code, Regulation No. 596/2014 of the European Parliament and of the Council of April 16, 2014, Commission Delegated Regulation No. 2016/1052 of March 8, 2016, the AMF General Regulations, as well as any other legal or regulatory provisions that may become applicable.

The features of the new share buyback program are described below:

Purposes of the new share buyback program

Under the new share buyback program, which will be submitted to the Ordinary and Extraordinary Shareholders' Meeting on May 24, 2023, Valeo plans to buy back, directly or indirectly, its own shares, for the following purposes:

- the implementation of any Company stock purchase option plan under the terms of Articles L.225-177 *et seq.* and L.22-10-56 *et seq.* of the French Commercial Code (or other similar plan), in particular by any employee and/or corporate officer of the Company and of related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment of free shares of the Company under the terms of Articles L.225-197-1 *et seq.* and L.22-10-59 *et seq.* of the French Commercial Code (or other similar plan), particularly to any employee and/or corporate officer of the Company or related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment or sale of shares to employees as part of their involvement in the performance of the Company or pursuant to a company or Group employee savings plan (or similar plan) in accordance with applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code (*Code du travail*); or
- in general, to comply with obligations in respect of stock option plans or other allotments or sales of shares to employees or corporate officers of the Company, or related companies or economic interest groups; or
- the delivery of shares on the exercise of rights attached to securities giving access to the share capital (*valeurs mobilières donnant accès au capital*) by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the retention and future delivery of shares (as exchange consideration, as payment or other) in connection with acquisitions, mergers, spin-offs or contributions; or
- the cancelation of all or part of the shares so acquired; or
- market-making for the Valeo share under a liquidity agreement compliant with the market practices permitted by the AMF.

The program is also intended to allow for the implementation of any market practice that may subsequently be permitted by market authorities and, more generally, to carry out any other transactions in compliance with current or future applicable laws and regulations.

Number of shares and percentage of share capital held by the issuer

At January 31, 2023, Valeo directly or indirectly held 2,385,577 shares, representing 0.98% of the Company's share capital.

Breakdown of shares owned by Valeo by purpose

At January 31, 2023:

- 2,385,577 shares were allocated to free share plans;
- 0 shares were held under the liquidity agreement signed on March 23, 2019 with Rothschild Martin Maurel. This agreement complies with the Code of Ethics of the AFEI, approved by the AMF on March 22, 2005 (which has since become the Code of Ethics of the French Association of Financial and Investment Firms approved by the AMF on October 1, 2008).

Maximum interest in the Company's share capital, maximum number and characteristics of shares that may be purchased under the new share buyback program

The maximum interest that can be purchased under the new share buyback program may not exceed 10% of the shares making up the Company's share capital (i.e., 24,350,194 shares at January 31, 2023). This percentage will apply to the share capital as adjusted to take into account any transactions carried out subsequent to the Shareholders' Meeting.

In accordance with the provisions of Article L.22-10-62 of the French Commercial Code, the number of shares that Valeo may hold at any time may not represent over 10% of the Company's share capital at the given date. Given the number of shares the Company currently owns, i.e., 2,385,577 shares at January 31, 2023 (0.98% of the Company's share capital) and subject to adjustments affecting the number of shares held by the Company (including cancellation of treasury shares) and the amount of share capital after the Shareholders' Meeting on May 24, 2023, a total of 21,964,617 shares (9.02% of the Company's share capital at January 31, 2023) could be available for purchase (or, excluding the shares held by the Company, a maximum of 24,350,194 shares).

The securities covered by the buyback program are exclusively shares.

Maximum purchase price per share

The purchase price of shares under the new share buyback program may not exceed 70 euros per share (excluding acquisition costs). This price could be adjusted in the event of a change in the par value of the share, capital increase by capitalization of reserves, allotment of free shares, a stock split or reverse stock split, distribution of reserves, or any other assets, redemption of the share capital, or any other transaction affecting shareholders' equity, so as to take account of the impact of these transactions on the value of the share.

The maximum amount that can be spent under the new share buyback program will be fixed at 1,704,513,580 euros (excluding acquisition costs). Valeo reserves the right to use the full amount authorized under the program.

Term of the new share buyback program

In accordance with the resolution that will be submitted to the Shareholders' Meeting for approval on May 24, 2023, the new share buyback program would be authorized for an 18-month period as of the meeting, i.e., until November 24, 2024. It will supersede the seventeenth resolution approved by the Shareholders' Meeting of May 24, 2022.

6.5.4 Cancelation of treasury shares

In the twenty-sixth resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021, the Company's shareholders gave the Board of Directors a 26-month authorization to reduce the Company's capital by canceling treasury shares. Under this authorization, the number of shares canceled in any given 24-month period may not exceed 10% of the Company's share capital. At the date of this Universal Registration Document, this resolution had not been implemented.

6.6 Additional disclosures concerning the share capital

6.6.1 Changes in share capital

Changes in the Company's capital during 2022 were as follows:

		Changes *(in millions of euros)*				
Year	Type of operation	Nominal	Premium	Total	Number of shares issued	Total number of shares at Dec. 31, 2022
2022	Capital increase reserved for employees	1	13	14	927,163	243,501,944

The share capital at December 31, 2022 therefore comprised 243,501,944 shares with a par value of 1 euro, fully paid up and traded on the Euronext Paris regulated market.

At December 31, 2022, there were no plans in place pursuant to which shares could be issued on exercise of stock subscription options awarded to the Group's employees and corporate officers.

To the best of the Company's knowledge, none of these shares have been pledged.

6.6.2 Other securities giving access to the share capital – Stock purchase option and free share plans

Stock purchase options at December 31, 2022

A table presenting past stock purchase option allotments, including options allotted to the corporate officers, can be found in section 3.3.2 of Valeo's 2020 Universal Registration Document, page 182.

It is recalled that the last stock purchase option plan in effect expired on March 26, 2020. Valeo has not been authorized to grant stock options by the Shareholders' Meeting since August 5, 2014.

Free share plans in force at December 31, 2022[1]

	2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan
Date of Board meeting	**05/26/2016**	**03/22/2017**	**03/22/2018**	**05/23/2019**	**03/24/2020**	**05/26/2021**	**03/23/2022**
Date of Shareholders' Meeting	05/26/2016	05/26/2016	05/26/2016	5/23/2019	05/23/2019	05/26/2021	05/26/2021
TOTAL NUMBER OF FREE SHARES ALLOTTED	**1,267,022**	**1,012,043**	**1,234,623**	**1,699,281**	**2,342,306**	**2,070,829**	**2,308,057**
• Total number of options allotted to corporate officers[2]	70,974	51,030	55,026	87,122	130,000	176,407	100,154
• Total number of shares allotted to employees	622,158	538,731	661,237	1,192,159	1,682,306	1,262,422	1,677,903
• Total number of options allotted under employee share ownership plans	573,890	422,282	518,360	420,000	530,000	632,000	530,000
• Number of corporate officer grantees[2]	1	1	1	1	1	2	1
• Number of employee grantees	28,030[1]	32,214[1]	38,418[1]	39,284	40,386	44,234	40,578

Date of Board meeting	2016 plan 05/26/2016	2017 plan 03/22/2017	2018 plan 03/22/2018	2019 plan 05/23/2019	2020 plan 03/24/2020	2021 plan 05/26/2021	2022 plan 03/23/2022
VESTING DATE OF SHARES							
• Chairman and Chief Executive Officer (under the 2016 to 2021 plans) • Deputy Chief Executive Officer (under the 2021 plan) and Chief Executive Officer (under the 2022 plan) • Operations Committee	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020(2) 03/22/2021(3) Other countries: 03/22/2021	France: 03/22/2021(2) 03/22/2022(4) Other countries: 03/22/2022(4)	France/ Other countries: 05/23/2022	France/Other countries: 03/24/2023	France/ Other countries: 05/26/2024	France/ Other countries: 03/23/2025
• Liaison Committee and main direct reports of the Liaison Committee members	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2021(3) Other countries: 03/22/2021(3)	France: 03/22/2022(4) Other countries: 03/22/2022(4)	France/ Other countries: 05/23/2022	France/Other countries: 03/24/2023	France/ Other countries: 05/26/2024	France/ Other countries: 03/23/2025
• High-potential managers	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020 Other countries: 03/22/2022	France: 03/22/2021 Other countries: 03/22/2023	France/ Other countries: 05/23/2022	France/Other countries: 03/24/2023	France/ Other countries: 05/26/2024	France/ Other countries: 03/23/2025
• All employees	France: 06/30/2019 Other countries: 06/30/2021	France: 06/30/2020 Other countries: 06/30/2022	France: 06/30/2021 Other countries: 06/30/2023	France/ Other countries: 06/30/2022	France/Other countries: 06/30/2023	France/ Other countries: 06/30/2024	France/ Other countries: 06/30/2025
• "Employee share ownership"	Spain/Italy: 11/15/2019 Belgium: 11/15/2021 Other countries: 06/30/2021	Spain/Italy: 07/27/2020 Belgium and Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2021 Other countries: 06/30/2023	Italy/Spain: 06/27/2022 Other countries: 06/30/2024	Italy/Spain: 11/16/2023 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2024 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2025 Belgium: 11/17/2027 Other countries: 06/30/2027
SHARES AVAILABLE AS AT							
• Chairman and Chief Executive Officer (under the 2016 to 2021 plans) • Deputy Chief Executive Officer (under the 2021 plan) and Chief Executive Officer (under the 2022 plan) • Operations Committee	05/26/2021	03/22/2022(5)	03/22/2023(5)	05/23/2024(5)	03/24/2025(5)	05/26/2026(5)	03/23/2027(5)
• Liaison Committee and main direct reports of the Liaison Committee members	05/26/2021	(5)	(5)	(5)	(5)	(5)	(5)
• High-potential managers	05/26/2021	03/22/2022	03/22/2023	(5)	(5)	(5)	(5)

(1) The figures in the table have been adjusted for the three-for-one stock split approved by the Shareholders' Meeting of May 26, 2016 (nineteenth resolution) and implemented by the Board of Directors on the same date. To protect the interests of the beneficiaries of free shares during the vesting period, at its meeting on May 26, 2016, the Board of Directors decided to multiply the number of free shares (including performance shares) allotted but not yet vested by three.

(2) For the Chairman and Chief Executive Officer, the 2016 to 2021 plans; for the Deputy Chief Executive Officer, the 2021 plan, and for the Chief Executive Officer, the 2022 plan. As regards the Chairman and Chief Executive Officer, the shares allotted (i) under the 2019 plan (87,122) do not take into account the one-sixth reduction for the portion represented by the internal performance criteria (80%), it being specified that the number of vested shares includes this deduction, (ii) under the 2020 plan, the number of shares allotted was reduced due to the application of the prorata temporis rule to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer and the one-sixth reduction for the portion represented by the internal performance criteria (80%) and totaled 77,683, and (iii) under the 2021 plan, the number of shares allotted was reduced due to the application of the prorata temporis rule to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer and totaled 42,218.

(3) For members of the Operations Committee and Liaison Committee, and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e. 2017, 2019 and 2020 instead of 2017, 2018 and 2019). The vesting period is four years instead of three. No holding period.

(4) For members of the Operations Committee and Liaison Committee, and the main direct reports of the Liaison Committee members only (including Christophe Perilla as Chief Operating Officer), removal of 2018 and deferral of the performance measurement period by one year (i.e. 2019, 2020 and 2021 instead of 2018, 2019 and 2020). The vesting period is four years instead of three. No holding period.

(5) No holding period.

Date of Board meeting	2016 plan 05/26/2016	2017 plan 03/22/2017	2018 plan 03/22/2018	2019 plan 05/23/2019	2020 plan 03/24/2020	2021 plan 05/26/2021	2022 plan 03/23/2022
• All employees	France/ Other countries: 05/26/2021	France/ Other countries: 03/22/2022	France/ Other countries: 03/22/2023	(5)	(5)	(5)	(5)
• "Employee share ownership"	Italy/Spain: 11/15/2022 Belgium: 11/15/2021 Other countries: 06/30/2021	Italy/Spain: 07/27/2023 Belgium/ Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2024 Other countries: 06/30/2023	Italy/Spain: 06/27/2025 Other countries: 06/30/2024	Italy/Spain: 11/16/2026 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2027 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2028 Belgium: 11/17/2027 Other countries: 06/30/2027
PERFORMANCE CRITERIA(6)							
• Chairman and Chief Executive Officer, Deputy Chief Executive Officer (under the 2021 plan), Chief Executive Officer (under the 2022 plan), Operations Committee	Operating margin – ROCE – ROA rate	Operating margin – ROCE – ROA rate	Operating margin – ROCE – ROA rate	Operating margin – ROA – TSR rate	Operating margin – ROA – TSR rate	EBITDA – ROCE rate – TSR – CSR	EBITDA – ROCE rate – TSR – CSR
• Liaison Committee and main direct reports of the Liaison Committee members	Operating margin – ROCE rate	Operating margin – ROCE rate	Operating margin – ROCE rate	Operating margin – ROA rate	Operating margin – ROA rate	EBITDA – ROCE rate – CSR	EBITDA – ROCE rate – CSR
• High-potential managers	-	-	-	-	-	-	-
• All employees	-	-	-	-	-	-	-
PERFORMANCE CRITERIA – RATE OF ACHIEVEMENT							
• Chairman and Chief Executive Officer, Deputy Chief Executive Officer (under the 2021 plan) and Chief Executive Officer (under the 2022 plan), Operations Committee	0%(7) - 0%(7)	0%(8) - 100%	0%(9) - 100%	60%(10) - 60%	80%(11) - 80%		
• Liaison Committee, Main direct reports of the Liaison Committee members	0%(7)) 0%(7)	100% 100%	100% 100%	75% 87.5%	100% 100%		
• High-potential managers	-	-	-	-	-	-	-
• All employees	-	-	-	-	-	-	-
Number of shares vested at Dec. 31, 2022 (cumulative)	274,341	579,305	520,325	942,386	4,655	4,127	0
Number of stock options canceled or forfeited at Dec. 31, 2022 (cumulative)	642,060	193,267	216,552	408,969	187,723	90,314	40,093
Number of shares outstanding at Dec. 31, 2022	**0**	**0**	**226,016**	**255,868**	**1,939,748**	**1,777,307**	**2,267,964**
Number of grantees at Dec. 31, 2022	0	0	16,944	12,402	28,822	31,764	40,491

(5) No holding period.

(6) For definitions of operating margin, EBITDA, ROCE, ROA and TSR, see financial glossary, page 47.

(7) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to achieve these criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of the WLTP, a slowdown in the Chinese market, a rise in commodities prices and, more generally, the turbulence in the financial markets.

(8) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices.

(9) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices, and in 2020 caused by the Covid-19 crisis.

(10) Given the demanding target rate inherent in the performance criteria, (i) the achievement rate for the internal performance criteria is 50% for the ROA rate and 100% for operating margin (each representing 40% of the shares allocated) and (ii) the achievement rate for the external performance criterion (Valeo's TSR) over the three-year period of the 2019 plan is zero (representing 20% of the shares allocated).

(11) Given the demanding target rate inherent in the performance criteria, (i) the achievement rate for the internal performance criteria is 100% for the ROA rate and the operating margin (each representing 40% of the shares allocated) and (ii) the achievement rate for the external performance criterion (Valeo's TSR) over the three-year period of the 2020 plan is zero (representing 20% of the shares allocated).

6.6.3 Securities not representing capital

Information about securities not representing capital (Euro Medium Term Note program and other bonds) is provided in Chapter 5, section 5.4.6, Note 9.1.2.1 "Long-term debt" to the consolidated financial statements, pages 392 to 396.

6.6.4 Other information on the share capital

Change in control

At the date of this Universal Registration Document and to the best of the Company's knowledge, there are no shareholder agreements or other agreements in force that could lead to a change in control of the Company in the future.

Capital under option of any member of the Group

At the date of this Universal Registration Document, no capital of any member of the Group was under option or conditional or unconditional agreement to be put under option.

Disclosure threshold crossing

In accordance with Article L.233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert, that holds a number of shares representing over 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90% or 95% of the Company's share capital or voting rights is required to disclose to the Company and the AMF by letter that the related disclosure threshold has been exceeded. Said disclosure must be made no later than the close of the fourth trading day from the date the threshold is exceeded and must also state the total number of shares and voting rights held by the shareholders concerned. The disclosures are subsequently published by the AMF. This disclosure obligation also applies when an interest in the Company's share capital and/or voting rights is reduced to below the abovementioned thresholds. If any shareholder fails to comply with these disclosure requirements, the shares in excess of the relevant threshold will be stripped of voting rights at all Shareholders' Meetings held within the two-year period from the date when the omission is remedied.

Article 9 of the Valeo articles of association states that, in addition to the applicable statutory disclosure thresholds, any individual or legal entity, acting alone or in concert, that raises or reduces its interest in the Company's share capital or voting rights, directly or indirectly, to above or below 2% respectively is required to disclose to the Company by registered letter with return receipt requested that the relevant disclosure threshold has been crossed. Said disclosure must be made within 15 days of the date on which the threshold is crossed and the shareholder concerned must state their own identity, as well as that of any parties acting in concert with the shareholder. This disclosure requirement also concerns ownership of each additional 2% fraction of the share capital or voting rights. The stated thresholds are calculated in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and with the AMF's General Regulations. In accordance with the seventh paragraph of Article L.228-1 of the French Commercial Code, this disclosure requirement also applies to intermediaries, without prejudice to the requirements applicable to the underlying shareholders, for all of the shares it manages.

Non-compliance with the above obligations is subject to the penalties set out in Article L.233-14 of the French Commercial Code, at the request of one or several shareholders together holding at least 2% of the Company's share capital or voting rights, as recorded in the minutes of the Shareholders' Meeting.

Shareholder identification

Registered and bearer shares are recorded in shareholders' accounts in accordance with applicable laws and regulations.

However, a bank, broker or other intermediary may register on behalf of shareholders who are domiciled outside France in accordance with Article 102 of the French Civil Code (*Code civil*). This registration may be made in the form of a joint account or several individual accounts, each corresponding to one shareholder. Any such intermediary must inform the Company or the intermediary managing the Company's account that it is holding the shares on behalf of another party.

The Company is entitled to identify all holders of shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares carrying rights to vote at Shareholders' Meetings, in accordance with the procedure provided for in Article L.228-2 *et seq.* of the French Commercial Code.

In order to identify holders of bearer shares, in accordance with the applicable laws and regulations, the Company is entitled to request, at any time, from the central depository or any intermediary referred to in Article L.228-2 of the French Commercial Code, in exchange for a fee, in particular the name, year of birth (or, in the case of corporate shareholders, the company name and year of incorporation), nationality and address of holders of shares granting immediate or future rights to vote at Shareholders' Meetings, the type of shares held, together with details of the number of shares held by the holder via the intermediary concerned, the start date of the holding period, the name and unique identifier of the third party designated by the holder, and any restrictions applicable to the shares concerned.

Based on the list provided by the abovementioned organization, where the Company considers that shares may be held on behalf of third parties, it may request, in accordance with the same conditions, either through the organization or directly from the parties mentioned on the list, the same information concerning the holders of the shares. If one of the parties mentioned on the list is a bank, broker or other intermediary, it must disclose the identity of the shareholders for whom it is acting. The information is provided directly to the financial intermediary managing the Company's share account, which will pass on said information either to the Company or the third party designated by said company.

For registered shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares, any intermediary holding the securities on behalf of a third party must disclose the identity of the person or entity for whom it is acting, as well as the number of shares held by each of them, upon simple request by the Company or its representative, which may be made at any time.

The Company may also request, from any corporate shareholder holding over 2.5% of the Company's share capital or voting rights, information concerning the identity of persons or companies holding either directly or indirectly over one-third of its share capital or voting rights.

If an individual or corporate shareholder is asked to provide information in accordance with the above conditions and fails to provide it by the applicable deadline, or provides incomplete or incorrect information, the shares or other securities redeemable, exchangeable, convertible or otherwise exercisable for shares recorded in the shareholder's account will be stripped of voting rights for all Shareholders' Meetings until the identification request has been fulfilled, and the payment of any corresponding dividends will also be deferred until that date.

In addition, if an individual or company registered in the Company's shareholders' account deliberately ignores their obligations, the Company or one or more shareholders holding at least 5% of the Company's share capital may petition the court of the place in which the Company's registered office is located to obtain an order to totally or partially strip the shares concerned of their voting rights and the corresponding dividend, for a maximum period of five years.

7

ADDITIONAL INFORMATION

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

7.1 Principal provisions of the law and the articles of association

7.1.1 Company name and headquarters

The Company's corporate name is Valeo and its headquarters are located at 100, rue de Courcelles, 75017 Paris.

Tel.: +33 (0)1 40 55 20 20.

7.1.2 Legal structure and governing law

On March 9, 2021, Valeo, incorporated in the form of a *société anonyme* (joint-stock company), became a European company (*Societas Europaea*) governed by the provisions of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company. Matters outside the scope of said regulation are governed by the provisions of the French Commercial Code (*Code de commerce*) applicable to joint-stock companies, and by the Company's articles of association. The provisions of the French Commercial Code relating to the management and governance of joint-stock companies are applicable to European companies.

7.1.3 Corporate governance

For the purposes of transparency and disclosure, the Company has set up a number of procedures to ensure that it complies with best corporate governance practices. For further information, see the cross-reference table for the Corporate Governance Report in Chapter 8, section 8.1.4, page 497.

7.1.4 Date of incorporation and term

The Company was incorporated on February 10, 1923 and its term was extended for a further 99 years on February 10, 1972.

7.1.5 Corporate purpose

The Company's corporate purpose is as follows (Article 3 of the articles of association):

- the research, manufacturing, sale, trade and supply of all products, equipment and services for the industrial and retail sectors, that may be manufactured and developed by factories of the Company or of companies of its Group or that may be of interest to their customers; and
- more generally, engaging in any transactions whatsoever, including industrial, commercial, financial, real estate and other property transactions, sales, acquisitions, capital contributions, etc., directly or indirectly related to the corporate purpose or contributing to its extension or development.

7.1.6 Registration details

The Company is registered at the Paris Trade and Companies Registry under the number 552 030 967 RCS Paris.

7.1.7 Fiscal year

The Company's fiscal year covers a twelve-month period from January 1 to December 31.

7.1.8 Dividends

Each share entitles its holder to a proportion of income equal to the proportion of capital represented by the share.

Distributable income is composed of net income for the year less any prior year losses and amounts appropriated to the legal reserve, plus any income carried forward. Furthermore, shareholders in a Shareholders' Meeting may decide, subject to the conditions set out by law, to distribute amounts taken from available reserves and/or retained earnings. In this case, the related resolution approved by the Shareholders' Meeting must clearly specify the reserve account from which the distributed amounts are to be taken.

Shareholders may resolve to pay out a dividend only after approving the financial statements for the year and noting that amounts are available for distribution. The dividend payment terms are defined by the Shareholders' Meeting or, by default, the Board of Directors.

The Board of Directors may decide to pay an interim dividend for the current year or the year ended before the financial statements are approved, subject to the conditions set out by law, and may set the amount and date of payment.

At the Shareholders' Meeting called to approve the annual financial statements, shareholders may decide to offer a stock dividend alternative to cash dividends representing all or part of the dividend, or interim dividend, as provided for by law.

Dividends unclaimed after a period of five years from the date they were made payable are paid over to the French State.

7.1.9 Liquidation surpluses

Liquidation surpluses are allocated between the shareholders in proportion to their interests in the Company's share capital.

7.1.10 Shareholders' Meetings

Ordinary and Extraordinary Shareholders' Meetings are called and conduct business in accordance with the conditions set out by law.

In accordance with Article R.22-10-28 of the French Commercial Code, shareholders may participate in Shareholders' Meetings subject to submitting evidence of ownership of their shares. Share ownership is evidenced by an entry in Valeo's share register in the name of the shareholder (or of the intermediary acting on their behalf) or in the register of bearer shares held by an accredited intermediary. Such entries must be recorded by 00:00 hours (12:00 a.m.) (CET) on the second working day preceding the date of the meeting. In the case of bearer shares, the accredited intermediary shall provide a share ownership certificate for the shareholders concerned, which must be attached to the postal voting or proxy form or to the admission card made out in the name of the shareholder or in the name of the registered intermediary representing the shareholder.

Subject to the abovementioned conditions, all shareholders are entitled to attend Shareholders' Meetings provided they have settled all capital calls related to their shares.

Shareholders who are unable to attend a meeting in person may choose one of the following three options:

- vote online prior to the Shareholders' Meeting via the secure VOTACCESS platform; or
- cast a postal vote; or
- give proxy to the Chair of the Shareholders' Meeting or to an appointed individual.

In compliance with the conditions set out by the applicable laws and regulations, shareholders may send proxy and postal voting forms for any Shareholders' Meetings either by post or electronically.

Minutes of Shareholders' Meetings are drawn up, and copies and extracts thereof are certified and delivered, in accordance with the law.

7.1.11 Double voting rights

Each shareholder has a number of votes corresponding to the number of shares held or represented by proxy.

However, since the Shareholders' Meeting of June 16, 1992, Article 23 of the Company's articles of association provides that double voting rights are attached to all fully paid shares that have been registered in the name of the same holder for at least four years. In the case of a capital increase paid up by capitalizing reserves, profit or share premiums, the new registered free shares allotted to a shareholder in respect of existing shares with double voting rights will also carry double voting rights from the date of issue. Double voting rights are automatically stripped from any registered shares that are converted into bearer shares or transferred. However, registered shares are not stripped of voting rights and the above four-year qualifying period continues to run following the transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or relative in the direct line of succession. Double voting rights may be removed by decision of the Extraordinary Shareholders' Meeting, subject to the approval of shareholders entitled to double voting rights, at a special meeting held for that purpose.

7.1.12 Changes in share capital and rights attached to shares

Any changes in the Company's share capital or voting rights attached to shares are subject to the applicable laws as the articles of association do not contain any specific provisions in relation to such operations.

7.1.13 Stock market

Valeo's shares are listed on Euronext Paris (ISIN code: FR0013176526). They are also included in the CAC Next 20 and CAC 40 ESG indices (LEI code: 5493006IH2N2WMIBB742).

Valeo's shares are also available on the over-the-counter market in the United States in the form of American depositary receipts (ADR) through its depositary bank, JP Morgan (symbol: VLEEY).

7.2 Information on subsidiaries and affiliates

The Group's overall legal and operational structure is described in Chapter 1 "Presentation of Valeo", pages 49 to 71.

Following the creation of subsidiaries for its industrial activities in 2002, Valeo SE is now solely a holding and cash management company for the Group. The Company is the head of the tax consolidation group in France.

Excluding certain exceptions, Valeo SE centralizes the management of market risks to which its operating subsidiaries are exposed, including changes in interest rates and fluctuations in exchange rates and prices of quoted commodities.

Valeo SE also centralizes the financing requirements of these subsidiaries and is generally the sole counterparty of the financial institutions that provide the funding to cover these requirements. The related assets (cash and cash equivalents) and liabilities (external debt) are included in Valeo's balance sheet. The Group is also responsible for upholding the image of the Valeo brand. To this end, it has entered into agreements with some of its French subsidiaries, under which Valeo SE allows them to benefit from the Group's expertise, values, business model and processes.

Group-wide control and support functions, encompassing accounting, legal services, information technology, procurement, communication and business development, research and development strategy and management, and quality audits, etc., are performed by the intragroup partnership (*groupement d'intérêt économique*), Valeo Management Services. The purpose of this entity is to make common resources available and to implement the necessary means and take the required action to increase savings and optimize the costs of its members. Valeo Management Services is financed by contributions from its 13 members, which consist of companies belonging to the Group.

The Group's operating assets and liabilities are carried by its subsidiaries with plants, research and/or development centers and distribution platforms. These subsidiaries representing 80% of consolidated sales are listed in the table on the following page.

The entities with distribution platforms are active only on the independent aftermarket, in the countries where they operate. Sales to automakers are handled directly by the Business Groups, Product Groups and Product Lines involved in the production process. The commercial activities of the Business Groups, Product Groups and Product Lines with a given customer are coordinated by the networks of the Sales and Business Development Department, described in Chapter 1, section 1.5.2 "Sales and Business Development", page 85.

A list of consolidated companies is provided in Chapter 5, section 5.4.6, Note 14 "List of consolidated companies" to the 2022 consolidated financial statements, pages 418 to 425 (the list also shows the location of the companies). The position of the direct subsidiaries and interests of Valeo SE, the parent company, is presented in the table included in Chapter 5, section 5.6.4, Note 11 "List of subsidiaries and affiliates" to the parent company financial statements, page 456.

MAIN COMPANIES (representing 80% of consolidated sales)
Direct and indirect interests by country *(% interest at December 31, 2022)*

EUROPEAN UNION					
FRANCE	Valeo Équipements Électriques Moteur	100%	✓	✓	
	Valeo Vision	100%	✓	✓	
	Valeo Systèmes Thermiques	100%	✓	✓	
	DAV	100%	✓	✓	
	Valeo Embrayages	100%	✓	✓	✓
	Valeo Service	100%			✓
IRELAND, GERMANY	Connaught Electronics Limited	100%	✓	✓	
	Valeo Schalter und Sensoren GmbH	100%	✓	✓	
	Valeo eAutomotive Germany GmbH	100%	✓		
	Valeo Klimasysteme GmbH	100%	✓	✓	
	Valeo Wischersysteme GmbH	100%	✓	✓	
SPAIN, ITALY	Valeo España S.A.	100%	✓	✓	
	Valeo Termico, SAU	100%	✓	✓	
	Valeo S.p.A.	100%	✓	✓	
HUNGARY, POLAND, CZECH REPUBLIC, ROMANIA	Valeo Auto-Electric Hungary LLC	100%	✓	✓	
	Valeo eAutomotive Hungary Kft.	100%	✓		
	Valeo Autosystemy Sp.Z0.0	100%	✓	✓	
	Valeo Electric and Electronic Systems Sp.Z0.0	100%	✓	✓	
	Valeo Autoklimatizace k.s.	100%	✓	✓	
	Valeo Lighting Injection SA	100%	✓		
EUROPE OUTSIDE THE EU					
TURKEY	Valeo Otomotiv Sanayi ve Ticaret A.S.	100%	✓	✓	✓
AFRICA					
MOROCCO	Valeo Vision Maroc, SA	100%	✓	✓	
NORTH AMERICA					
UNITED STATES	Valeo North America, Inc.	100%	✓	✓	
MEXICO	Valeo Sistemas Electricos, SA de CV	100%	✓		✓
	Valeo Sistemas Automotrices de México, SA de CV	100%			✓
	Delmex de Juarez S de RL de CV	100%	✓		
	Valeo Kapec, SA de CV	50%	✓		
SOUTH AMERICA					
BRAZIL	Valeo Sistemas Automotivos Ltda	100%	✓	✓	✓
ASIA					
CHINA	Valeo Interior Controls (Shenzhen) Co. Ltd	100%	✓	✓	
	Valeo Automotive Air Conditioning Hubei Co. Ltd	100%	✓	✓	
	Valeo Ichikoh (China) Auto Lighting Co., Ltd	94.2%	✓		
	Valeo Compressor (Changchun) Co.	100%	✓	✓	
	Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd	94.2%	✓	✓	
SOUTH KOREA, JAPAN	Valeo Kapec Co. Ltd	50%	✓		
	Valeo Pyeong HWA Co. Ltd	50%	✓	✓	
	Valeo Electrical Systems Korea, Ltd	100%	✓	✓	
	Ichikoh Industries Limited	61.2%	✓	✓	
	Valeo Japan Co. Ltd	100%	✓	✓	✓
INDIA	Valeo India Private Ltd	100%	✓	✓	

✓ *Plant* ✓ *Research and Development center* ✓ *Distribution platform*

7.3 Material contracts

Neither Valeo nor any of the Group's companies have signed any major contracts over the past two years, other than those related to the ordinary course of their business, with the exception of the agreement to acquire Siemens' 50% stake in Valeo Siemens eAutomotive, the leader in high-voltage electrification. On July 3, 2022, Valeo announced that it had (i) acquired said stake, as provided for in the agreement signed with Siemens on February 9, 2022, and (ii) integrated 100% of Valeo Siemens eAutomotive into its Powertrain Systems Business Group. This strategic transaction strengthens Valeo's position as a major player in electrification with a unique advantage in this fast-accelerating market.

7.4 Documents on display

The Company's press releases, Registration Documents and Universal Registration Documents filed with the French financial markets authority (*Autorité des marchés financiers* – AMF), including historical financial information relating to the Company and the Group, as well as any updates thereto can be accessed on the Company's website at: www.valeo.com.

In accordance with Article 221-3 of the AMF's General Regulations, the regulated information defined in Article 221-1 of these regulations is posted on the Company's website (www.valeo.com), as well as on the website of the French Directorate of Legal and Administrative Information (www.info-financiere.fr), the French officially appointed mechanism for the storage of regulated information. It remains on the Company's website for at least five years after the related documents are issued, with the exception of the Registration Documents, Universal Registration Documents, and Annual and Interim Financial Reports, which remain online for at least 10 years.

In accordance with the AMF's General Regulations, the Company's Internal Procedures and the articles of association are available on the Company's website. Together with the minutes of Shareholders' Meetings, Statutory Auditors' reports and all other corporate documents, these documents are also available at Valeo's headquarters in accordance with the conditions set out by law and the Company's articles of association.

Notifications of disclosure thresholds crossed are also published on the AMF's website (www.amf-france.org).

Accordingly, in respect of the period April 7, 2022 to March 31, 2023, the following documents are on display:

Full-year and half-year financial reports, quarterly financial information, share buyback programs and other information (www.valeo.com)

March 6, 2023	Monthly share buyback information – February 2023
February 23, 2023	2022 results press release and presentation
February 23, 2023	2022 consolidated financial statements – 2022 results
February 2, 2023	Monthly share buyback information – January 2023
January 9, 2023	Half-year update on the liquidity agreement at December 31, 2022
January 9, 2023	Monthly share buyback information – December 2022
December 8, 2022	Monthly share buyback information – November 2022
November 7, 2022	Monthly share buyback information – October 2022
October 27, 2022	Presentation – Third-quarter 2022 sales
October 27, 2022	Press release – Third-quarter 2022 sales
October 7, 2022	Monthly share buyback information – September 2022
September 7, 2022	Monthly share buyback information – August 2022
August 26, 2022	Monthly share buyback information – July 2022
July 26, 2022	Presentation – First-half 2022 results
July 26, 2022	2022 half-year financial report
July 26, 2022	Press release – First-half 2022 results
July 6, 2022	Half-year update on the liquidity agreement at June 30, 2022
July 6, 2022	Monthly share buyback information – June 2022
June 7, 2022	Monthly share buyback information – May 2022
May 24, 2022	2021 Activity and Sustainable Development Report
May 17, 2022	Press release – Acquisition of shares
May 9, 2022	Monthly share buyback information – April 2022
April 26, 2022	Presentation – First-quarter 2022 sales
April 26, 2022	Press release – First-quarter 2022 sales
April 8, 2022	Valeo: 2021 Universal Registration Document availability
April 7, 2022	2021 Universal Registration Document
April 7, 2022	2021 Integrated Report

Notifications of disclosure threshold crossings (published on the AMF's website www.amf-france.org)

Notifications of disclosure thresholds crossed may be viewed in section 6.4.2 of Chapter 6, "Direct or indirect shareholdings in the Company brought to the Company's attention", paragraph "Crossing of disclosure thresholds", page 471.

Information relating to the total number of voting rights and shares forming Valeo's share capital (www.valeo.com)

Information covering the period from April 7, 2022 to March 31, 2023 is available on Valeo's website under Investors & shareholders/ Regulated information: https://www.valeo.com/en/other-regulated-information/

Information published by Valeo in the French legal gazette (*Bulletin des annonces légales obligatoires* – BALO), available in French on the BALO website (www.journal-officiel.gouv.fr/balo)

June 15, 2022	Approval of the 2021 financial statements by the Shareholders' Meeting of May 24, 2022
April 29, 2022	Convening notice for Shareholders' Meeting of May 24, 2022
March 30, 2022	Notice of Shareholders' Meeting of May 24, 2022

Information published by Valeo in financial media

February 23, 2023	Press release announcing second-half and full-year 2022 results published on Notified
October 27, 2022	Press release announcing third-quarter 2022 sales published on Notified
July 26, 2022	Press release announcing first-half 2022 results published on Notified

Press releases published on Valeo's website (www.valeo.com)

March 2023	
March 27, 2023	Valeo announces it won General Motor's Supplier of the Year award in Advanced Driver Assistance Systems (ADAS) at a ceremony held on March 23, 2023
March 23, 2023	Valeo receives an Innovation award in the "Infrastructure and Vehicle Improvement" category from *Sécurité routière* – the French national road safety authority – for its Everguard™ Silicone wiper blades
March 20, 2023	Valeo at Taipei Cycle Show 2023
March 7, 2023	Valeo celebrates 100 years of innovating and constantly striving to make mobility simpler, safer and more sustainable
February 2023	
February 23, 2023	Valeo achieves its 2022 objectives and accelerates in electrification and ADAS
February 14, 2023	BMW and Valeo engage in a strategic cooperation to co-develop the next-generation Level 4 automated parking experience
January 2023	
January 12, 2023	Valeo innovations at the heart of the transformation of mobility in India
January 4, 2023	NTT Data, Valeo and Embotech form a consortium to provide automated parking solutions
January 3, 2023	Thanks to its expertise in electronics and software, Valeo presents at CES Las Vegas its innovations that equip all new forms of mobility and the infrastructure of the city of tomorrow
December 2022	
December 20, 2022	Valeo and Ningbo Swell Industry sign strategic alliance agreement
December 15, 2022	Valeo recognized with A score for transparency on climate change
December 8, 2022	Co-optation to Valeo Board of Directors
December 8, 2022	Gilles Michel replaces Jacques Aschenbroich as Chairman of the Board of Directors of Valeo
November 2022	
November 29, 2022	Valeo and École Polytechnique renew partnership to accelerate innovation projects
November 23, 2022	Valeo announces the outcome of its 750 million euros sustainability-linked bond issue with maturity May 2027
November 16, 2022	Valeo has produced its 10 millionth front camera system integrating Mobileye's EyeQ® technology, at its Wemding site in Germany
October 2022	
October 27, 2022	Press release – Q3 2022 sales
October 20, 2022	TotalEnergies and Valeo partner to innovate battery cooling in electric vehicles and reduce their carbon footprint
October 19, 2022	Valeo and SRG Global® enter a strategic alliance
October 13, 2022	Valeo will showcase megatrends of sustainable mobility at the 2022 "Mondial de l'Auto"
October 12, 2022	Valeo announces two record order intakes for its thermal systems dedicated to the electrification of vehicles – The Group's orders amount to more than 4 billion euros since the beginning of the year
September 2022	
September 20, 2022	Valeo wins 2022 Automotive News PACE Award for its innovative Pendulum Gen. 2
September 19, 2022	Valeo announces a new edition of its employee share offering
September 15, 2022	Valeo at IAA Transportation 2022: order intake up 50% for passenger and goods mobility
September 13, 2022	Valeo and the CEA to collaborate on advanced research in power electronics to prepare for tomorrow's electric mobility
July 2022	
July 26, 2022	Co-optation to Valeo Board of Directors
July 26, 2022	Press release – H1 2022 Results
July 12, 2022	Valeo at Eurobike 2022: 20 customers in less than 20 months
July 8, 2022	Valeo and the CNRS sign a framework agreement to accelerate research and innovation in future mobility
July 4, 2022	Valeo integrates 100% of Valeo Siemens eAutomotive's share capital into its Powertrain Systems business, creating an electric mobility champion

June 2022	
June 28, 2022	Valeo signs major contract with the BMW Group in advanced driving assistance systems
June 21, 2022	Valeo, Atul and Honda join hands to accelerate three wheelers electrification in India
June 14, 2022	Valeo once again ranked as the world's leading French patent applicant
June 14, 2022	Valeo's third generation LiDAR chosen by Stellantis for its Level 3 automation capability
June 7, 2022	High-voltage electrification: Valeo Siemens eAutomotive has already exceeded its target of 4 billion euros in order intake for the 2021-2022 period seven months ahead of schedule
May 2022	
May 24, 2022	Valeo's Annual Shareholders' Meeting 2022
May 17, 2022	Acquisition of shares
April 2022	
April 29, 2022	Valeo has produced its 100 millionth camera at its Tuam site in Ireland
April 26, 2022	Press release – Q1 2022 sales
April 8, 2022	Availability of the 2021 Universal Registration Document
March 2022	
March 30, 2022	Press release – Announcement of the decision of the Board of Directors of Orange to appoint Jacques Aschenbroich as Chairman of the Board
March 24, 2022	Share buyback to cover performance share plans and allotment of shares to employees
March 23, 2022	Valeo's General Shareholders' Meeting 2022
March 22, 2022	Valeo's LiDAR technology, the key to conditionally automated driving, part of the Mercedes-Benz DRIVE PILOT SAE-Level 3 system
March 3, 2022	Valeo receives Honda Supplier Award in the Development Category for its contribution to the world's first SAE Level 3 Automated Driving System authorized for commercial use
February 2022	
February 25, 2022	Valeo launches its Move Up plan, a value creation strategy built on the sustainable mobility megatrends
February 25, 2022	2021 Financial Results
February 16, 2022	14 months after unveiling its electric assistance technology for bikes, Valeo has its 14 first customers
February 10, 2022	Renault Group, Valeo and Valeo Siemens eAutomotive join forces to develop and manufacture a new-generation automotive electric motor in France
February 9, 2022	Valeo strengthens its leadership in the very fast-growing electrification market Agreement signed for Valeo to hold 100% of Valeo Siemens eAutomotive
January 2022	
January 26, 2022	2021 preliminary financial information
January 26, 2022	Publication of 2021 annual results and presentation of the strategic and financial outlook 2022-2025
January 26, 2022	Governance evolution – appointment of Christophe Périllat as Chief Executive Officer
January 4, 2022	Valeo named as CES 2022 innovation awards honoree with its UV Air Purifier protective shield

7.5 Information related to the Statutory Auditors

7.5.1 Principal Statutory Auditors

Principal Statutory Auditors

- Ernst & Young et Autres, represented by Philippe Berteaux and Guillaume Rouger – Tour First TSA 14444 – 92037 Paris-La Défense, France:
  - Member of the Versailles and the Centre Region's Institute of Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles et du Centre*);
  - Term of office began: Shareholders' Meeting of May 24, 2022 (third term);
  - End of current term of office: term expires at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2027.
- Mazars, represented by Gonzague Senlis and Jean-Marc Deslandes – Exaltis, 61, rue Henri Regnault, 92400 Courbevoie, France:
  - Member of the Versailles and the Centre Region's Institute of Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles et du Centre*);
  - Term of office began: Shareholders' Meeting of May 24, 2022 (third term);
  - End of current term of office: term expires at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2027.

7.5.2 Fees paid to the Statutory Auditors

	Ernst & Young et Autres				Mazars			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%	
(in millions of euros)	2022	2021	2022	2021	2022	2021	2022	2021
AUDIT								
Statutory audit and review of the individual and consolidated financial statements	5.2	4.8	90%	76%	4.4	3.3	94%	97%
Non-audit services	0.6	1.5	10%	24%	0.3	0.1	6%	3%
Total fees	**5.8**	**6.3**	**100%**	**100%**	**4.7**	**3.4**	**100%**	**100%**

7.6 Person responsible for the Universal Registration Document

7.6.1 Name of the person responsible for the Universal Registration Document containing the Annual Financial Report AFR

Christophe Périllat, Chief Executive Officer of Valeo.

7.6.2 Declaration by the person responsible for the Universal Registration Document containing the Annual Financial Report AFR

"I hereby declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I further declare that, to the best of my knowledge, the accounts have been prepared in accordance with applicable accounting standards and that they give a true and fair view of the assets, liabilities, financial position, and results of the Company and of all the companies included in the consolidation scope, and that the information provided in the Management Report and listed in the cross-reference table in Chapter 8, section 8.1.3 fairly presents the activity, results and financial position of the Company and of all the companies in the consolidation scope, and the main risks and uncertainties to which they are exposed."

Paris, March 30, 2023

Christophe Périllat

Chief Executive Officer

8

APPENDICES

AFR *Information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.*

8.1 Cross-reference tables

8.1.1 Cross-reference table for the Universal Registration Document

This cross-reference table lists the main headings provided for by European Regulation No. 2019/980 of March 14, 2019 (the "Regulation") and gives reference to the sections and, when appropriate, the chapters in this document where information can be found regarding each of these headings. It also refers to the sections and chapters of the Universal Registration Document for the fiscal year ended December 31, 2021, registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022, under number D.22-0254 ("2021 URD") and, where necessary, to the sections and chapters of the Universal Registration Document for the fiscal year ended December 31, 2020, registered with the AMF on April 6, 2021 under number D.21-0260 ("2020 URD").

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
1.	**Persons responsible**		
1.1	Names and functions of persons responsible	7.6.1	490
1.2	Declaration by persons responsible	7.6.2	490
2.	**Statutory Auditors**		
2.1	Name and address of the Statutory Auditors	7.5.1	490
2.2	Information on the resignation of the Statutory Auditors	N/A	
3.	**Risk factors**		
3.1	Description of the material risks	2.1	93-103
4.	**Information about the issuer**		
4.1	Legal and commercial name	7.1.1	482
4.2	Place of registration, registration number and legal entity identifier (LEI)	7.1.6	482
4.3	Date of incorporation and term	7.1.4	482
4.4	Domicile and legal form, legislation under which it operates, country of incorporation, address and telephone number of its registered office, and website	7.1.1 and 7.1.2	482
5.	**Business overview**		
5.1	Principal activities		
5.1.1	Nature of the issuer's operations and principal activities	Integrated Report – Strategy and 1.3	20-39; 53-82
5.1.2	Significant new products that have been introduced	Integrated Report – Strategy and 1.3	20-39; 53-82
5.2	Principal markets in which the issuer operates	Integrated Report – Strategy and 1.3	20-39; 53-82
5.3	Important events	Integrated Report – Strategy; 1.1 and 1.3	20-39; 50-51; 53-82
5.4	Strategy and objectives	Integrated Report – Strategy; Integrated Report – Integrated performance & outlook and 5.3	20-39; 42-47; 332
5.5	Dependence on patents or licenses, contracts and manufacturing processes	4.5.2	289-292
5.6	The basis for any statements made by the issuer regarding its competitive position	1.3	53-83
5.7	Investments		
5.7.1	Material investments	5.1.4; 5.1.5 of the 2021 URD; 5.1.5 of the 2020 URD	328-331
5.7.2	Material investments that are in progress or for which firm commitments have already been made	5.1.4; 5.1.5 of the 2021 URD; 5.1.5 of the 2020 URD	328-331
5.7.3	Joint ventures and undertakings in which the issuer holds a proportion of the capital	5.4.6 (Note 13); 5.6.4 (Note 11) and 7.2	418-425; 456; 484-485
5.7.4	Environmental issues that may affect the issuer's utilization of property, plant and equipment	4.1.3	214-216
6.	**Organizational structure**		
6.1	Brief description of the Group	1.2 and 7.2	52; 484-485
6.2	List of significant subsidiaries	5.4.6 (Note 13); 5.6.4 (Note 11) and 7.2	418-425; 456; 484-485
7.	**Operating and financial review**		
7.1	Financial condition	5.1.4; 5.1.5 of the 2021 URD; 5.1.5 of the 2020 URD	328-331
7.1.1	Development and performance of the business Financial and non-financial key performance indicators	Integrated Report – Integrated performance & outlook	42-46
7.1.2	Indication of the issuer's likely future development and of activities in the field of research and development	N/A	

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
7.2	Operating results	5.1.1 to 5.1.3; 5.1.1 to 5.1.4 of the 2021 URD; 5.1.1 to 5.1.4 of the 2020 URD	322-327
7.2.1	Significant factors materially affecting the issuer's income from operations	2.1.2 and 5.1	97-98; 322-324
7.2.2	Explanation of material changes in net sales or revenues	5.1	322-324
8.	**Capital resources**		
8.1	The issuer's capital resources (both short term and long term)	5.1.4 (sections 5.1.5 of the 2021 URD and 5.1.5 of the 2020 URD), 5.4.5, 5.4.6 (Notes 8.1 and 10.1), 5.6.4 (Note 9) and 6.6	328-331; 337; 390-408; 412-414; 453; 476-480
8.2	Sources and amounts of cash flows	5.1.4 (sections 5.1.5 of the 2021 URD and 5.1.5 of the 2020 URD), 5.4.4, 5.4.6 (Note 12) and 5.6.3	328-331; 336; 415-416; 436
8.3	Borrowing requirements and funding structure	5.1.4 (section 5.1.5 of the 2021 URD and 5.1.5 of the 2020 URD) and 5.4.6 (Note 9)	328-331; 390-408
8.4	Restrictions on the use of capital resources	5.4.6 (Note 9.1.3.2) and 5.6.4 (Note 6.2.5)	398-399; 448-449
8.5	Anticipated sources of funds	5.4.6 (Note 9.1.2)	392-397
9.	**Regulatory environment**		
9.1	Description of the regulatory environment and information regarding any governmental, economic, fiscal, monetary or political policies or factors	2.1 and 4.3	93-103; 234-284
10.	**Trend information**		
10.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year Significant changes in the financial performance of the group since the end of the last fiscal year	5.2 and 5.6.4 (Note 12)	332; 456
10.2	Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	Integrated Report – Strategy; Integrated Report – Integrated performance & outlook and 5.3	20-39; 42-47; 332
11.	**Profit forecasts or estimates**		
11.1	Statement setting out the principal assumptions upon which the issuer has based its forecasts or estimate	N/A	
11.2	Preparation of the profit forecast or estimate	N/A	
11.3	Statement attesting that the profit forecast or estimate is valid	N/A	
12.	**Administrative, management and supervisory bodies, and senior management**		
12.1	Members – Statements	3.1; 3.2.1; 3.2.2; 3.2.3	114-116; 117-146; 147-159; 159-160
12.2	Conflicts of interest	3.2.3	159-160
13.	**Compensation and benefits**		
13.1	Compensation and benefits in kind	3.3 and 5.4.6 (Notes 6.3, 6.4 and 6.5)	166-203; 366-375
13.2	Pension, retirement or similar benefits	3.3 and 5.4.6 (Notes 6.3 and 6.5)	166-203; 366-372; 375
14.	**Board practices**		
14.1	Terms of office of members of the Board of Directors	3.1; 3.2.1	114-116; 117-146
14.2	Service contracts between the members of the Board of Directors and the Company	3.2.3	159-160
14.3	Information about the Audit & Risks Committee and Compensation Committee	3.2.2	147-159
14.4	Statement regarding corporate governance	3.2.4 and 7.1.3	160; 490
14.5	Potential material impacts on the corporate governance	3.2	117-165
15.	**Employees**		
15.1	Number of employees	1.4 and 4.1.4 (Employee policy) 1.4 and 4.1.4 of the 2021 URD; 1.4 and 4.1.4 of the 2020 URD	83; 223-225
15.2	Shareholdings and stock options	3.3, 6.2.3 and 6.4.5	166-203; 468; 472
15.3	Arrangements for involving employees in the capital of the issuer	4.3.3 and 6.4.5; 4.4.3 and 6.4.5 of the 2021 URD and the 2020 URD	236-273; 472

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
16.	**Major shareholders**		
16.1	Identification of major shareholders	6.4	469-472
16.2	Existence of differing voting rights	6.4.2 and 7.1.11	469-471; 483
16.3	Control of the issuer	6.4.2	469-471
16.4	Arrangements which may result in a change in control of the issuer	6.6.4	479-480
17.	**Related party transactions**		
17.1	Related party transactions entered into by the issuer	3.2.7; 5.4.6 (Notes 4.5.3.4 and 5.5) and 5.7; 3.2.7, 5.4.6 (Notes 4.5.3.4 and 5.5) and 5.7 of the 2021 URD; 5.7 and 3.2.7 of the 2020 URD	162; 363; 375; 461
18.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information		
18.1.1	Audited historical financial information	5.4	333-431
18.1.2	Change of accounting reference date	N/A	
18.1.3	Accounting standards	5.4.6	336-431
18.1.4	Change of accounting framework	N/A	
18.1.5	Audited financial information prepared according to national accounting standards	5.4	333-431
18.1.6	Consolidated financial statements	5.4	333-431
18.1.7	Age of financial information	Dec. 31, 2022	
18.2	Interim and other financial information	N/A	
18.2.1	Half-yearly or quarterly financial information	N/A	
18.3	Auditing of historical annual financial information		
18.3.1	Statement that the historical financial information has been audited	5.4.7 and 5.6.5 of the 2021 URD and the 2020 URD	426-431
18.3.2	Other information audited by the Statutory Auditors	5.4.7 and 5.6.5 of the 2021 URD and the 2020 URD	426-431
18.3.3	Source of financial information not extracted from the issuer's audited financial statements and therefore not audited	N/A	
18.4	Pro forma financial information	N/A	
18.5	Dividend policy		
18.5.1	Policy on dividend distributions and any restrictions thereon	7.1.8	482
18.5.2	Amount of the dividend per share	6.3	468
18.6	Legal and arbitration proceedings	5.4.6 (Notes 4.6.2 and 7)	364; 387-388
18.7	Significant change in the issuer's financial position	5.2	332
19.	**Additional information**		
19.1	Share capital		
19.1.1	Amount of issued capital	5.4.6 (Note 11.1), 6.4.1, 6.4.2 and 6.6.1	412-413; 469; 469-471; 476
19.1.2	Shares not representing capital	6.6.3	479
19.1.3	Shares held by or on behalf of the issuer itself or by its subsidiaries	6.5.2	474
19.1.4	Convertible securities, exchangeable securities or securities with warrants	6.6.2	476-478
19.1.5	Information about the terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	3.2.12	164-165
19.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	6.6.4	479-480
19.1.7	Share capital history	6.6.1	476
19.2	Memorandum and articles of association		
19.2.1	Description of the issuer's objects and purposes	7.1.5	482
19.2.2	Description of the rights, preferences and restrictions attaching to each class of existing shares	7.1.8; 7.1.9 and 7.1.11	482; 483
19.2.3	Brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	3.2.11	163

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
20.	**Material contracts**		
20.1	Summary of each material contract to which the issuer or any member of the Group is party	7.3	485
21.	**Documents available**		
21.1	Statement regarding documents that can be inspected for the term of the Universal Registration Document	7.4	486-489

8.1.2 Cross-reference table for the Annual Financial Report

	Annual Financial Report	Chapters/Sections	Pages
1.	**Parent company financial statements**	**5.6**	**434-460**
2.	**Consolidated financial statements**	**5.4**	**333-431**
3.	**Management Report (French Monetary and Financial Code)**		
3.1	Articles L.225-100-1 and L.22-10-35 of the French Commercial Code	5.1.1, 5.1.3	322-324; 326-327
3.1.1	• Analysis of business trends	5.1.1, 5.1.3; 5.1.1 and 5.1.3 to 5.1.4 of the 2021 URD and 5.1.1, 5.1.3 and 5.1.4 of the 2020 URD	322-324; 326-327
3.1.2	• Analysis of results	5.1.1, 5.1.3; 5.1.1 and 5.1.3 to 5.1.4 of the 2021 URD and 5.1.1, 5.1.3 and 5.1.4 of the 2020 URD	322-324; 326-327
3.1.3	• Analysis of financial position	5.1.4; 5.1.5 of the 2021 URD; 5.1.5 of the 2020 URD	328-331
3.1.4	• Key financial and non-financial performance indicators related to the Company's specific business, such as information pertaining to environmental issues and personnel matters	4.2 and 5.1	228-234; 322-331
3.1.5	• Principal risks and uncertainties	2.1	93-103
3.1.6	• Financial risks related to the impacts of climate change and measures taken by the Company to reduce them by implementing a low-carbon strategy in all components of its business	2.1.3, 4.3.3, 4.5.3	103; 236-284; 292-296
3.1.7	• Internal control and risk management procedures	2.3	104-111
3.1.8	• Company hedging objectives and policy, and exposure to price, credit, liquidity and cash flow risks	5.4.6 (Notes 5.2, 5.3 and 9.1)	355-356; 390-407
3.2	Article L.225-211 of the French Commercial Code		
3.2.1	• Buyback by the Company of its own shares	6.5	473-475
4.	**Declaration by the person responsible for the Annual Financial Report**	**7.6.2**	**490**
5.	**Statutory Auditors' report on the parent company financial statements**	**5.6.5**	**457-460**
6.	**Statutory Auditors' report on the consolidated financial statements**	**5.4.7**	**426-431**
7.	**Fees paid to the Statutory Auditors**	**5.4.6 (Note 13), 5.6.4 (Note 10.4) and 7.5.2**	**417; 455; 490**
8.	**Board of Directors' report on corporate governance, prepared in accordance with Article L.225-37 of the French Commercial Code**	**See dedicated cross-reference table in section 8.1.4**	**492**
9.	**Statutory Auditors' report on the Corporate Governance Report**	**5.6.5**	**457-460**

8.1.3 Cross-reference table for the Management Report as provided for by Articles L.225-100 *et seq.* and L.22-10-35 *et seq.* of the French Commercial Code

	Management Report	Chapters/Sections	Pages
1.	**Financial position and operations**		
1.1	Financial position and operations of the Company during the past fiscal year	5.1 and 5.5	322-327; 432-433
1.2	Results of operations of the Company and the Group	5.1 and 5.5	322-327; 432-433
1.3	Review of the business, results of operations and financial position	5.1 and 5.5	322-327; 432-433
1.4	Key financial and non-financial performance indicators	4.2 and 5.1	228-324; 322-331
1.5	Material events occurring between the end of the reporting period and the date the report was prepared	5.2 and 5.6.4 (Note 12)	332; 456
1.6	Company and Group outlook	5.3	332
1.7	Research and Development activity	1.5.8, 4.1.3, 4.2 and 4.5.2	90; 214-216; 228-234; 289-292
1.8	Material investments or controlling interests taken during the past fiscal year in companies with registered offices in France	5.1.4. (sections 5.1.5 of the 2021 URD and 5.1.5 of the 2020 URD) and 5.4.6 (Note 2.2)	328-331; 349
2.	**Share ownership structure and share capital**		
2.1	Share ownership structure and changes during the past fiscal year	6.4 and 6.6.1	469-472; 476
2.2	Status of employee share ownership plans	6.4.5	472
2.3	Trading by the Company in its own shares	6.5	473-475
2.4	Name of companies controlled and equity interest	5.4.6 (Note 14) and 5.6.4 (Note 11)	418-425; 456
2.5	Share disposals to adjust reciprocal shareholdings	N/A	
2.6	Amount of dividends and other distributed earnings paid during the past three fiscal years	6.3	468
2.7	Adjustments for the issuance of marketable securities giving access to the share capital	N/A	
2.8	Adjustments for stock subscription or purchase options	3.3.1	166-182
2.9	Information on stock subscription and purchase option plans granted to corporate officers and employees	3.3.1, 3.3.4 and 6.6.2	166-182; 203; 476
2.10	Restriction on exercising stock subscription or purchase options or obligation for executive corporate officers to hold shares obtained on exercising stock subscription or purchase options	3.3.1 and 6.6.2	166-182; 476
2.11	Information on free shares granted to corporate officers and employees	3.3.1, 3.3.3, 3.3.4 and 6.6.2	166-182; 202; 203; 476
2.12	Obligation for executive corporate officers to hold free shares	3.3.1, 3.3.4 and 6.6.2	166-182; 203; 476
3.	**Risk factors and internal control**		
3.1	Description of major risks and uncertainties	2.1	93-103
3.2	Financial risks relating to the impacts of climate change and measures taken by the Company to reduce them by implementing a low-carbon strategy	4.3 5.4.6 (Note 1.3)	234-284; 342
3.3	Company hedging objectives and policy, and exposure to price, credit, liquidity and cash flow risks	5.4.6 (Notes 5.2, 5.3 and 9.1)	355-356; 390-407
3.4	Internal control and risk management procedures related to the preparation and processing of accounting and financial information	2.3.5	105
4.	**Environmental, social and employee information**		
4.1	Non-financial information statement	4.3	234-284
4.2	Duty of care plan and report on its implementation	4.4	285-287
4.3	Information on facilities classified as high-threshold Seveso sites	N/A	
5.	**Other disclosures**		
5.1	Supplier and customer payment cycles	5.4.6 (Notes 4.2 and 9.1.5.2) and 5.5	355; 407; 432-433
5.2	Changes in the presentation of the annual parent company financial statements and methods of measurement	5.4.6 (Note 1.1.1 and 1.1.2) and 5.6.4 (Note 2)	339-341; 438
5.3	Information on existing branches	N/A	
5.4	Sumptuary expenses	5.5	432-433
5.5	Add back of excessive overheads	N/A	
5.6	Injunctions or monetary penalties for anti-competitive practices	5.4.6 (Note 8.2)	388
5.7	Transactions in the Company's shares carried out by executive managers and by those with whom they have close relationships	6.4.4	472
5.8	Intercompany loans	N/A	

	Management Report	Chapters/Sections	Pages
A.	**Appendix to the Management Report**		
A.1	Board of Directors' Corporate Governance Report	See dedicated cross-reference table in section 8.1.4	492
A.2	Five-year financial summary	5.8.1	462
A.3	Opinion of the independent third party on the information given in the non-financial information statement	4.8	318-320
A.4	Statutory Auditors' statement on intercompany loans	N/A	

8.1.4 Cross-reference table for the Corporate Governance Report as provided for by Articles L.225-37 *et seq.* of the French Commercial Code

	Corporate Governance Report	Chapters/Sections	Pages
1.	**Compensation**		
1.1	Presentation of the compensation policy for corporate officers and the related draft resolutions	3.3.1	166-181
1.2	Total compensation and benefits paid or awarded during the past fiscal year to each corporate officer; relative proportion of fixed and variable compensation	3.3.1 and 3.3.2	166-181; 182-201
1.3	Use of the option to request payment of a variable compensation component	N/A	
1.4	Commitments given by the Company on behalf of corporate officers in the form of compensation or benefits owed or likely to be owed on appointment, termination or change of position or subsequent to the performance of that position	3.3.1	166-181
1.5	Compensation paid or awarded by a company included in the scope of consolidation	N/A	
1.6	Ratio between the compensation of each of the executive corporate officers and the average full-time equivalent (FTE) compensation of Company employees other than the corporate officers, and ratio between the compensation of each of these executives and the median FTE compensation of Company employees other than the corporate officers	3.3.2	182-201
1.7	Annual change in compensation over the last five years	3.3.2	182-201
1.8	Explanation of the manner in which total compensation complies with the Company's compensation policy	3.3.1, 3.3.2 and 3.3.3	166-181; 182-201; 202
1.9	Consideration of the vote of the last Shareholders' Meeting on the ordinary resolution concerning the compensation policy	3.3.1	166-181
1.10	Divergences from or waivers of the compensation policy procedure	N/A	
1.11	Suspension of compensation for breach of parity rules	N/A	
1.12	Reference to resolutions subject to an *ex ante* vote	3.3.1	166-181
1.13	Restrictions imposed on corporate officers by the Board of Directors in relation to the exercise of stock options and the sale of securities	3.3.1	166-181
2.	**Governance**		
2.1	List of all directorships and positions held in companies by each corporate officer during the past fiscal year	3.2.1	117-146
2.2	Agreements between a corporate officer or a shareholder holding at least 10% of the voting rights and a controlled company within the meaning of Article L.233-3 of the French Commercial Code	3.2.8	162
2.3	Summary table of powers currently delegated by the Shareholders' Meeting to the Board of Directors with respect to raising new equity	3.2.12	164
2.4	General Management procedures	3.2.6	161
2.5	Composition, preparation and organization of the work of the Board of Directors	3.2.1 and 3.2.2	117-146; 147-159
2.6	Diversity policy applied to the Board of Directors, balanced representation of men and women on the Operations Committee and outcome of measures to improve diversity in 10% of top management positions	3.2.1	117-146
2.7	Limitations on the powers of the Chief Executive Officer	3.2.6	161
2.8	Reference to a corporate governance code and the application of the “comply or explain” principle and indication of where the code can be consulted	3.2.4	160
2.9	Specific arrangements for attendance at Shareholders' Meetings	3.2.10 and 7.1.10	162; 483
2.10	Procedure for reviewing agreements entered into in the ordinary course of business and its implementation	3.2.9	162
3.	**Information likely to have an impact in the event of a takeover or exchange offer**	**3.2.11**	**163**

8.1.5 Cross-reference table for the non-financial information statement

	Non-financial information statement		Chapters/Sections	Pages
1.	**Business model**			
1.1	The Group's main activities		Integrated Report – Strategy	20-39
1.2	Organization		Integrated Report – Strategy	20-39
1.3	Business model		Integrated Report – Value creation model	6
1.4	Strategy, outlook and objectives		Integrated Report – Strategy; Integrated Report – Integrated performance & outlook	20-39; 42-47
2.	**Significant non-financial risk factors for the Group and the main policies**			
2.1	Environmental non-compliance and loss of opportunities in technologies contributing to CO_2 emissions reduction	Description of the risk	4.3.3	236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	4.3.3	236-273
2.2	Accidental pollution of water and soil	Description of the risk	4.3.3	236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	4.3.3	236-273
2.3	Health and safety	Description of the risk	4.3.3	236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	4.3.3	236-273
2.4	Attracting talent	Description of the risk	2.1.1 and 4.3.3	95-96; 236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	2.1.1 and 4.3.3	95-96; 236-273
2.5	Developing and retaining talent	Description of the risk	2.1.1 and 4.3.3	95-96; 236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	2.1.1 and 4.3.3	95-96; 236-273
2.6	Risk of individual corruption	Description of the risk	4.3.3	236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	4.3.3	236-273
2.7	Non-compliance with sustainable development requirements by Valeo's suppliers	Description of the risk	4.3.3	236-273
		Risk management policy	4.3.3	236-273
		Measures taken to reduce the risk	4.3.3	236-273
3.	**Other regulatory issues**			
3.1	Fight against tax evasion		1.2.3 and 4.3.1	52; 234
3.2	Impacts on climate change of the Group's operations and the use of the goods and services it produces		Introduction to Chapter 4	206-207
3.3	Social commitments in support of sustainable development		4.5.5	302-307
3.4	Circular economy		4.3.3 and 4.5.3	236-273; 292-296
3.5	Fight against food waste		4.3.1	234
3.6	Fight against food insecurity		4.3.1	234
3.7	Respect for animal welfare and responsible, fair and sustainable food		4.3.1	234
3.8	Collective bargaining agreements entered into by the Company and their impact on the Company's financial performance and employee working conditions		4.5.4	286-293
3.9	Measures to combat discrimination, promote diversity and integrate people with disabilities		4.5.4	286-293
3.10	Respecting human rights		4.5.4	286-293

8.2 Safe harbor statement

This document and the documents incorporated herein by reference contain statements which, when they are not historical fact, constitute "forward-looking statements".

These forward-looking statements include projections and estimates, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. They are based on data, assumptions and estimates considered to be reasonable by Valeo as at the date of this Universal Registration Document and should not be interpreted as guarantees that the facts or data stated will occur. Forward-looking statements can sometimes be identified by the use of terms or expressions indicating, in particular, anticipation, presumption, conviction, continuation, estimate, expectation, forecast, intention, possibility of increase, reduction or change or any similar expressions or by the use of verbs in future or conditional form. These terms or expressions are in no way the sole way of identifying such statements.

Even though Valeo's Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo's control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Universal Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the "Risk Factors" section of this Universal Registration Document. In addition, other risks which are currently unidentified or considered to be non-material by the Group, could have the same adverse impact and investors could lose all or part of their investment.

Forward-looking statements are given only as at the date of this Universal Registration Document and Valeo does not assume any obligation to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

Valeo assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo neither intends to review, nor will it confirm, any estimates issued by analysts.

INCORPORATION BY REFERENCE

In accordance with Article 19 of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

1. in respect of the year ended December 31, 2021: the consolidated financial statements, the parent company financial statements and the related Statutory Auditors' reports, as well as the review of the Company's financial position and other information relating to the Company's financial statements set out on pages 3 to 52 and 314 to 443 of the 2021 Universal Registration Document registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022 under number D.22-0254;
2. in respect of the year ended December 31, 2020: the consolidated financial statements, the parent company financial statements and the related Statutory Auditors' reports, as well as the review of the Company's financial position and other information relating to the Company's financial statements set out on pages 3 to 48 and 299 to 430 of the 2020 Registration Document registered with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 6, 2021 under number D.21-0260.

Design and production: côtécorp.

Tel.: +33 (0)1 55 32 29 74

Photo Credits: Valeo photo library; @Sébastien Borda - couloir3.com; AdobeStock

Illustrations: Stephane Jungers

Valeo

European company *(Societas Europaea)*
with a capital of 243,501,944 euros

552 030 967 RCS Paris

100, rue de Courcelles - 75017 Paris - France

Tel.: + 33 (0) 1 40 55 20 20

www.valeo.com

Institutional investor relations
Tel.: +33 (0)1 40 55 37 93

To arrange a meeting, please contact:
valeo.corporateaccess.mailbox@valeo.com

Individual shareholder relations
Tel.: +33 (0)1 40 55 20 39
E-mail : valeo.actionnairesindividuels.mailbox@valeo.com

SMART TECHNOLOGY
FOR SMARTER MOBILITY