



## SECOND PARTY OPINION (SPO)

### Sustainability Quality of the Issuer and Green and Sustainability-Linked Financing Framework

Valeo SE  
25 September 2023

#### VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"> <li>▪ Green Bonds, Green Loans, Sustainability-Linked Bonds, and Sustainability-Linked Loans</li> <li>▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)</li> <li>▪ Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)</li> </ul>
Relevant standards	<ul style="list-style-type: none"> <li>▪ Sustainability-Linked Bond Principles (SLBP) as administered by the International Capital Market Association (ICMA) (as of June 2021 and June 2023)</li> <li>▪ Sustainability-Linked Loan Principles (SLLP) as administered by the Loan Market Association (LMA) (as of February 2023)</li> <li>▪ EU Taxonomy Climate Delegated Act (as of June 2021 and June 2023)</li> </ul>
Scope of verification	<ul style="list-style-type: none"> <li>▪ Valeo Green and Sustainability-Linked Financing Framework (as of September 25, 2023)</li> <li>▪ Valeo Selection Criteria (as of September 25, 2023)</li> </ul>
Lifecycle	<ul style="list-style-type: none"> <li>▪ Pre-issuance verification</li> </ul>
Validity	<ul style="list-style-type: none"> <li>▪ Valid as long as the cited Framework remains unchanged</li> </ul>

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## SCOPE OF WORK

Valeo SE (“the Issuer”, “the Company”, or “Valeo”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bonds, Green Loans, Sustainability-Linked Bonds, and Sustainability-Linked Loans by assessing five core elements to determine the sustainability quality of the instruments:

1. Valeo’s Green and Sustainability-Linked Financing Framework (as of September 25, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Loan Market Association’s (LMA) Green Loan Principles (GLP), ICMA Sustainability-Linked Bond Principles (SLBP), and LMA Sustainability-Linked Loan Principles (SLLP).
2. The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project categories against the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation.
4. The sustainability credibility of the Key Performance Indicators (KPIs) selected, and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant, material, and strategically significant to the Borrower’s business model and industry, and whether the associated targets are ambitious.
5. Linking the transactions to Valeo’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.








## VALEO BUSINESS OVERVIEW

Valeo SE is engaged in the design, production, and sale of components, integrated systems, and modules for the automobile industry. It operates through the following business segments: Powertrain Systems, Thermal Systems, Comfort and Driving Assistance Systems and Visibility Systems. The Powertrain Systems segment deals with electrical, transmission, engine management, air management, and hybrid/electric vehicle systems. The Thermal Systems segment manufactures systems, modules, and components for climate control and front-end modules. The Comfort and Driving Assistance Systems segment develops interior controls, driving assistance, interior electronics, and access mechanisms. The Visibility Systems segment manufactures lighting and wiper systems. The company was founded on February 10, 1923, and is headquartered in Paris, France.

It is classified in the Auto Components industry, as per ISS ESG’s sector classification.

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<b>Part 1A: Alignment with GBP and GLP</b>	The Issuer has defined a formal concept for its Green Bonds and Green Loans regarding the use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the ICMA Green Bond Principles and LMA Green Loan Principles.	<b>Aligned</b>
<b>Part 1B: Alignment with SLBP and SLLP</b>	The Framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and Sustainability-Linked Loans (SLLP) as administered by the LMA.	
<b>Part 2: Sustainability quality of the Selection Criteria</b>	<p>The Green Bonds, Green Loans, Sustainability-Linked Bonds, and Sustainability-Linked Loans will finance eligible asset categories which include:</p> <p>Clean Transportation, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, and Circular Economy.</p> <p>Product and/or service-related use of proceeds categories<sup>3</sup> individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">    </div> <p>Process-related use of proceeds categories<sup>4</sup> individually improve (i) the Issuer's/Borrower's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">     </div>	<b>Positive</b>

<sup>2</sup> The evaluation is based on Valeo's Green and Sustainability-Linked Financing Framework (September 25 2023 version), on the analyzed Selection Criteria, as received on September 25, 2023, and on the ISS ESG Corporate Rating updated on June 30, 2023.

<sup>3</sup> Development of Zero Emission Technologies, Electric Vehicles Infrastructure, and Smart Mobility.

<sup>4</sup> Renewable Energy Capacities, Energy Efficiency Improvement of Industrial Processes, Water Efficiency and Sustainable Water Management, Transition to Circular Economy, and Sustainable Waste Management.

	The environmental and social risks associated with those use of proceeds categories are managed.	
<b>Part 3: Eligibility of the selection criteria against the EU Taxonomy Climate Delegated Act</b>	<p>The Valeo’s project characteristics, due diligence processes, and policies have been assessed against the EU Taxonomy’s (Climate Delegated Act of June 2023) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation on a best-efforts basis<sup>6</sup>.</p> <p>The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Issuer’s internal decision.</p>	<b>Eligible for assessing alignment at a later date</b>

**Part 4: Issuance credibility of the KPIs and SPTs for Sustainability-Linked Bonds and Sustainability-Linked Loans**

<b>KPI Selection</b>	<b>KPI 1.</b> Total adjusted carbon footprint (Scopes 1, 2, and 3 GHG emissions)	<b>KPI 2.</b> Percentage of suppliers which have been subject to evaluation of their sustainable development practices over the year
Relevant	Relevant	Relevant
Core	Core	Moderately Core
Material	Material	Moderately Material
<b>Assessment</b>	<b>Aligned</b>	<b>Aligned</b>
<b>SPT Calibration</b>	<b>SPT 1.</b> Reduce absolute Scope 1, 2, and 3 emissions to adjusted emissions of 37.95 million CO <sub>2</sub> eq tons in 2025 and 27.88 million CO <sub>2</sub> eq tons in 2030	<b>SPT 2.</b> Achieve 82% of Valeo’s production purchases performed by 2025 and 86% by 2030 with suppliers whose ESG practices have been assessed
Against Borrower’s past performance	Qualitatively Ambitious	Qualitatively Ambitious
Against Borrower’s industry peer group	In line	Ambitious
Against international targets	Ambitious	Likely to advance internationally recognized initiatives
<b>Level of ambition</b>	<b>Robust<sup>5</sup></b>	<b>Good<sup>6</sup></b>

<sup>5</sup> Three of the three SPT’s benchmarking approach has been assessed positively.

<sup>6</sup> Two of the three SPT’s benchmarking approach has been assessed positively.

**Part 5**  
**Linking the**  
**transactions to**  
**Valeo's overall**  
**ESG profile**

**Consistent with the Issuer's sustainability strategy**

The KPIs selected by the Issuer are related to climate change and supply chain. Two of the four key axes of the company's sustainability strategy focus on Valeo's environmental impact and sustainable supply chain. KPI 1 focuses on GHG emissions and links to the Issuer's ambition to create a lower-carbon portfolio. KPI 2 focuses on suppliers as it aims to increase the percentage of production purchases performed with suppliers that have been subject to evaluation of their sustainable development practices.

The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.

At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES, GREEN LOAN PRINCIPLES, SUSTAINABILITY-LINKED BOND PRINCIPLES, AND SUSTAINABILITY-LINKED LOANS

#### A. ALIGNMENT WITH THE GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of Valeo's Green and Sustainability-Linked Financing Framework (as of September 25, 2023) with the Green Bond Principles (GBP) and Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Valeo's Green and Sustainability-Linked Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental benefits are described. The Issuer defines exclusion criteria for harmful project categories.</p> <p>Valeo defined the expected look-back period, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Valeo's Green and Sustainability-Linked Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>Valeo includes internal and external expertise, including departments other than the treasury, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by Valeo's Green and Sustainability-Linked Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p>


		<p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>Valeo defined an expected allocation period, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Valeo’s Green and Sustainability-Linked Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available. Valeo explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>Valeo commits to provide impact reporting and discloses the level of reporting, information reported, frequency, scope, and duration, in line with best market practice.</p>



## B. ALIGNMENT WITH SUSTAINABILITY-LINKED BOND AND SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes our assessment of the alignment Valeo’s Green and Sustainability-Linked Financing Framework (as of September 25, 2023) with the Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP).

SLB PRINCIPLES	ASSESSMENT	OPINION
<b>1. Selection of KPIs</b>		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
<b>2. Calibration of SPTs</b>		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
<b>3. Bond Characteristics</b>	✓	The description of the Sustainability-Linked Bond Characteristics provided by the Issuer is <b>aligned</b> with the SLBP and SLLP. The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount, or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction.
<b>4. Reporting</b>	✓	<p>The Reporting description provided by the Issuer is <b>aligned</b> with the SLBP and SLLP. This will be published on its website and be made available annually to investors and include valuable information, such as</p> <ul style="list-style-type: none"> <li>▪ information on the performance of the KPIs, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant;</li> <li>▪ any relevant information enabling investors and/or lenders to monitor the ambition of the SPTs including any update in its sustainability strategy or any recent announcements, or strategic decisions on the related KPI;</li> <li>▪ when relevant, any re-assessments of KPIs and/or restatement of the SPTs and/or pro-forma adjustments of KPI scope more generally any information relevant to the analysis of the KPIs and SPTs.</li> </ul>

<b>5. External verification</b>		The Verification description provided by the Issuer is <b>aligned</b> with the SLBP and SLLP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified with an independent third-party provider annually until the target is reached.
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## PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

### A. CONTRIBUTION OF THE GREEN BONDS, GREEN LOANS, SUSTAINABILITY-LINKED BONDS, AND SUSTAINABILITY-LINKED LOANS TO THE UN SDGs<sup>7</sup>

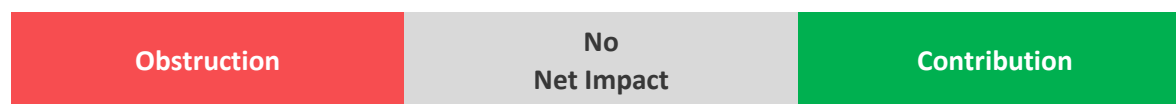
Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bonds and Green Loans' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Development of Zero Emission Technologies</b></p> <p><i>Development and production of components, systems, and solutions for vehicles with zero tailpipe emissions:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Battery electric vehicles</i></li> <li>▪ <i>Fuel-cell electric vehicles</i></li> </ul> <p><i>Research and development of technological advancements and supporting development of solutions for electric vehicles</i></p>	<b>Contribution</b>	

<sup>7</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

**Smart Mobility**

- *Investments in new modes of transportation with zero tailpipe emissions (e-scooters, e-bikes) and new surface modes using electric propulsion.*
- *Research and Development on the electric dimension and energy efficiency of the smart mobility solutions*

**Contribution**



**Electric Vehicles Infrastructure**

*Installation of charging points for Battery Electric Vehicles (BEVs)*

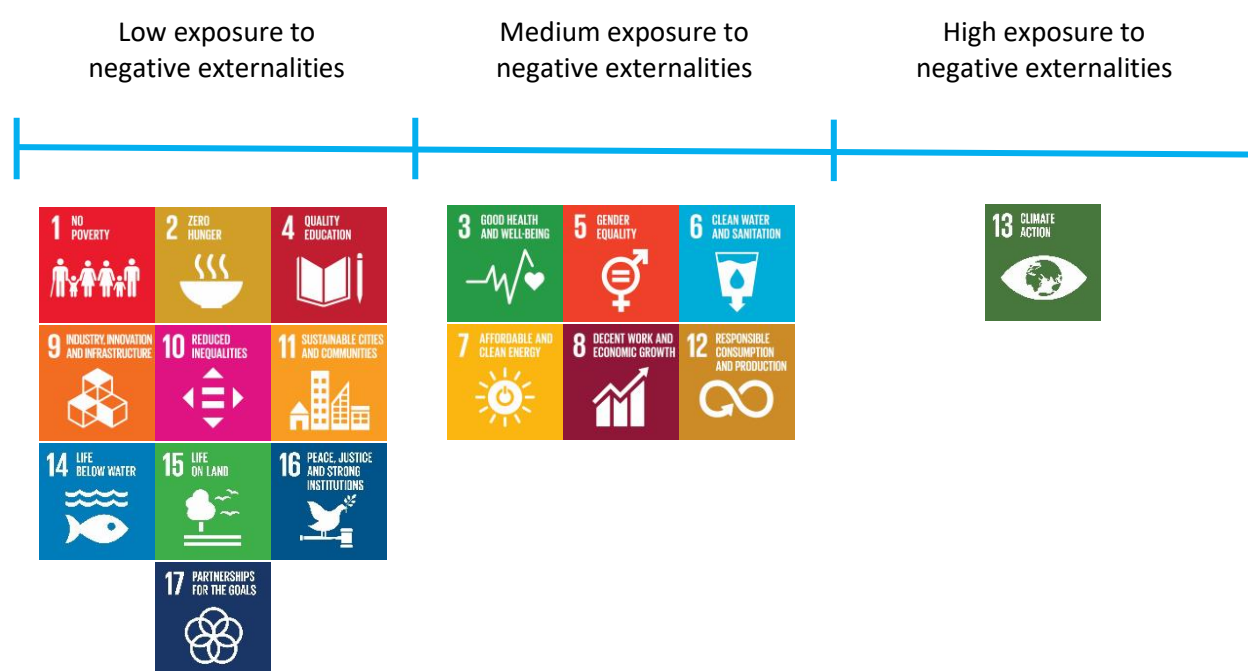
**Contribution**



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>8</sup> in the Auto Components (to which Valeo belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>9</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy Capacities</b></p> <p><i>Investments in construction or maintenance services for photovoltaic panels.</i></p>	✓	 
<p><b>Energy Efficiency Improvement of Industrial Processes</b></p>	✓	 

<sup>8</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

<sup>9</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

- Investments and assets aiming at improving energy efficiency at production level (electric ovens, heat recovery compressors, LED lighting in plants, low carbon devices to control temperature in buildings, like energy efficient inverters, calorie recovery compressors, compressed air/leakages fixed)

**Energy Efficiency Improvement of factories**

Investments and assets aiming at developing renovation measures consisting of installation, maintenance, or repair of energy efficiency equipment in existing factories (heat recovery systems, ventilation, LED lighting)



**Water Efficiency and Sustainable Water Management**

Investments related to water efficiency, and sustainable water management in industrial processes:

- Rain-fed networks
- Monitoring sites water consumption and optimization of water management
- Ceasing of residual direct water withdrawal
- Wastewater recycling circuits



**Sustainable Waste Management**

Investments related to waste diversion from landfills, waste recycling, and re-using (fitting retention tanks for better management of hazardous materials and creating waste storage areas)



**Smart Production**

Investments and assets aiming at improving efficiency (energy, raw material, etc.) of production processes through digitalization



**Transition to Circular Economy**

Investments related to the development and implementation of facilities, infrastructure, and equipment to prevent the generation of waste and enhance the re-use and recovery of materials:

- Use of recycled materials (copper, aluminum, and steel) in new and remanufactured products



## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. All of the assets are/will be located in Australia, Brazil, China, Czech Republic, Egypt, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Morocco, Netherlands, Poland, Romania, Russia, Slovakia, South Africa, South Korea, Spain, Thailand, Tunisia, Turkey, the United Kingdom, and the United States.

### ASSESSMENT AGAINST KPIs

#### Battery Production, Charging Stations and Networks, Circular Economy, Electric and Alternative Drive Vehicles, Hydrogen Fuel Cell Battery and Storage System Production, Solar, Waste Management, Wastewater, Water Supply

##### Labour, Health, and Safety

- ✓ Valeo has policies and measures in place covering labour, health, and safety standards, and complies with national and international legislation. The Human Resources Department and the Health, Safety and Environment (HSE) Department are responsible for the employee's health and safety and to ensure the policies are followed. Labour rights are covered in its Risk management policy, in compliance with the International Labour Organization (ILO). Further, a Code of Ethics and training programs are in place. At the end of 2022, 78% of its sites were ISO 45001 certified. Moreover, Valeo is committed to having all its sites ISO 45001, and all new sites which are not certified will receive the certification within 3 years.

#### Battery Production, Circular Economy, Energy Efficiency, Hydrogen Fuel Cell Battery and Storage System Production, Solar

##### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place ensuring take back and recycling at end-of-life for assets financed under this Framework. Valeo's Carbon Neutrality Plan includes ensuring the recyclability of materials. The Issuer performs life cycle analyses and follows the EcoDesign standard, in line with Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009. Valeo ensures the implementation of its policies with an EcoDesign Checklist designed to monitor the projects. Also, Valeo complies with the European End-of-Life Vehicle (ELV) Directive, which requires companies to achieve a recycling rate of 85%.

#### Battery Production, Circular Economy, Electric and Alternative Drive Vehicles, Hydrogen Fuel Cell Battery and Storage System Production, Waste Management

##### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place ensuring that assets financed under this Framework provide for a comprehensive and certified environmental management system. The Issuer has an internal control system monitored by General Management

and audited by Internal Audit. At the end of 2022, 94% of its plants were ISO 14001 certified.

### **Battery Production, Circular Economy, Hydrogen Fuel Cell Battery and Storage System Production, Waste Management, Wastewater**

#### **Community Dialogue**

- ✓ Valeo has policies and measures in place ensuring community dialogue is an integral part of the planning process and is compliant with local regulations. The Issuer has initiatives and communication with local universities and schools, governments, research ecosystems, and stakeholders. Moreover, a grievance mechanism is in place, a whistleblowing system, accessible 24/7 by everyone through the link on Valeo's website. Valeo holds project Committees and the Health, Safety and Environment and Risks and Insurance Departments manage the alerts reported through the whistleblower system, and if necessary, conduct investigations, provide responses, and implement actions.

### **Battery Production, Circular Economy, Energy Efficiency, Hydrogen Fuel Cell Battery and Storage System Production**

#### **Environmental aspects of construction (or production) and operation**

- ✓ Valeo complies with the threshold defined by the European Directive on the restriction of the use of hazardous substances in electrical and electronic equipment (REACH requirements). Valeo has established Group Standard Instructions in the form of a list of authorized components. All purchased components are checked against this list and thus allow the Issuer to ensure compliance with REACH requirements.

### **Circular Economy, Solar, Wastewater, Water Supply**

#### **Conservation and biodiversity management**

- ✓ Valeo has policies and measures in place ensuring conservation and biodiversity management. Environmental due diligence is performed for new buildings, on-site where groundwater is vulnerable, and when a building is sold. Almost 90% of Valeo's operating plants are in urban areas, with the remaining 10% in agricultural or natural areas. The Issuer conducts annual biodiversity inventories at sites in protected areas, and prior to the acquisition or leasing of land and/or buildings, a study is conducted listing protected areas and species. Valeo implements preventive measures, initiatives, and guidelines to regulate its activities.

### **Battery Production, Circular Economy, Hydrogen Fuel Cell Battery and Storage System Production**

#### **Energy Efficiency**

- ✓ Valeo has policies and measures in place at group level ensuring energy efficiency is optimised during production. The Issuer has included energy efficiency as part of its



Carbon Neutrality Plan, monitoring the reduction of energy consumption of its sites, and reporting quarterly on its energy efficient KPI. Some of the measures are monitoring consumption, making sure not to leave machines running when they are not being in use detecting air leaks, reducing temperatures in buildings, and reducing and replacing gas-based processes, with 40% of the energy supply coming from low-carbon energy until 2030. In 2022, 40% of Valeo's sites were ISO 50001 certified, and the Issuer plans to increase the number by 2030 certifying its 100 more carbon intensive facilities.

### Charging Stations and Networks, Circular Economy, Electric and Alternative Drive Vehicles

#### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place at group level ensuring life cycle assessment is conducted in its projects. As part of the Issuer's Carbon Plan, the product carbon footprint and the life-cycle assessment are standard processes for its product platforms. The life cycle assessment during project development includes the type, origin, number, and quantity of raw materials, production and packaging, transportation, and distribution, use and maintenance and disassembly, recycling, reuse, recovery, and disposal.

### Energy Efficiency, Solar Power

#### Labour, Health and Safety in the supply chain

- ✓ Valeo has policies and measures in place ensuring high health, and safety, and labour standards in the supply chain are followed. Valeo's Business Partner Code of Conduct describes the requirements that vendors, suppliers, service providers, agents and intermediaries, and distributors need to comply with. The Business Partner Code of Conduct is binding, if a supplier fails to respect these rules of conduct it would be liable to receive sanctions, ranging from temporary suspension from Valeo's new projects to definitive exclusion from the supplier base. The Code of Conduct includes all fundamental principles from the UN Global Compact (a set of fundamental rights including the freedom of association, the elimination of forced labor, the fight against corruption, and workplace health and safety). The Issuer assesses its supplier's labour, health, and safety, through a self-assessment questionnaire (SAQ) with questions regarding working conditions and human rights, health and safety, business ethics, governance, and management of its own suppliers. If the suppliers don't fill out the SAQ they will not enter Valeo's supplier base. The questionnaire undergoes an audit process worldwide, with focus on high-risk countries.

### Circular Economy, Energy Efficiency

#### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place systematically ensuring high operational safety standards in its sites. The Health, Safety and Environment (HSE) department has

developed policies covering the security and safety of buildings and facilities. HSE managers coordinate the management systems and train staff to comply with internal and external requirements. Valeo's Risk Management Manual contains the standards regarding safety and security, and emergency plans and crisis prevention. Valeo's Emergency and Recovery Management (VERM) system covers the implementation of emergency response, crisis management, and business recovery plans. The sites are audited regularly by external consultants.

## Wastewater, Water Supply, and Solar Power

### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place to ensure leak detection methods and repair systems are in place. Water cycle studies are conducted at sites to identify water losses connected to processes, evaporation, or water leaks. Some of the measures in place to reduce water consumption are identifying the needs of each of the main uses of water, optimizing washing operations by switching to closed-loop equipment, 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, and installing sensor taps, recycling shower water for toilets, installing dual flush toilets, and collecting rainwater.

## Wastewater

### Environmental aspects of construction (or production) and operation

- ✓ Valeo has information, policies, and measures in place to reduce the environmental impacts of sewage sludge disposal. The Issuer treats sewage water before disposing it, and in the cases where the amount of water to be treated is too small to do it internally, the treatment is outsourced. Additionally, Valeo complies with all wastewater national legislation and regulatory standards.

## Charging Stations and Networks

### Data protection and information security

- ✓ Valeo has policies and measures in place ensuring minimum requirements for data and information security. Valeo's Data Protection Statement and Privacy explains the information collected and its use by the Company, and it complies with the General Data Protection Regulation (GDPR).

## Circular Economy

### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place ensuring high environmental standards and requirements during the construction phase are met. The Issuer complies with local

environmental regulations and performs Environmental Impact Assessments on its sites, covering air and soil pollution, noise, and fire protection.

### Electric and Alternative Drive Vehicles

#### User Safety

- ✓ Valeo has policies and measures in place ensuring assets financed under the Framework comply with product safety standards. The Issuer's products contribute to compliance with NCAP obligations.

### Energy Efficiency

#### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place ensuring high environmental standards are followed. Valeo's Business Partner Code of Conduct includes a section about environmental stewardship, requiring suppliers to comply with local environmental laws. The suppliers must be ISO 14001 (or equivalent) certified, and in the case that they are not, they are required to propose an action plan to get certified.

### Waste Management

#### Waste

- ✓ Valeo has policies and measures in place ensuring high recycling of waste components. The Issuer's Risk Management policy covers pollution of water and soil, adopting environmental directives on liquid effluents, intervention means and limitations, management of underground tanks, waste management, and soil and groundwater management. The application of the measures is ensured by the network and external audits. 88% of Valeo's waste is recovered or recycled, with 62 sites that recycle or reuse their waste in 2022. Metal waste is reused by selling it for recycling, wood waste is recycled or used to generate heat, and plastic waste is sold.

#### Environmental aspects of construction (or production) and operation

- ✓ Valeo has policies and measures in place ensuring high standards regarding the environmentally safe operation of plants. Valeo's environmental management system covers air emissions and disposal of residues. The measures involve eradicating the use of halogenated solvents (TCE/Perchlo) and ozone-depleting substances (CFC, HCFC, HFC), and controlling air emissions with annual measurements. The Issuer has an internal tool that allows the site to issue alerts in real time when a spill occurs, facilitating the monitoring and limiting the consequences.
- ✓ Valeo's energy management of sites includes policies to remove gas usage and shift to energy and heat. The monitoring of the policies is done through an internal tool. The

Issuer applies cogeneration technology when possible and when it is relevant. The Issuer plans to have less than 20% of its sites using gas by 2030.

## PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

Valeo’s project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation Technical Screening Criteria (TSC) requirements of the EU Taxonomy Climate Delegated Act<sup>10</sup> (as of June 2021 and June 2023), based on information provided by Valeo. Where Valeo’s project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Issuer’s internal decision.

Valeo’s project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.3 Manufacture of low carbon technologies for transport
- 3.4 Manufacture of batteries
- 3.6 Manufacture of other low carbon technologies
- 3.18 Manufacture of automotive and mobility component

All projects financed under the Green and Sustainability-Linked Financing Framework are and will be located in sites out of the 31 countries Valeo is located in.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

### *a) Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation*

GREEN AND SUSTAINABILITY-LINKED FINANCING FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>11</sup>	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Clean transportation – Electric vehicles and smart mobility	3.3 Manufacture of low carbon	The activity involves investments and financing of innovative and affordable high-voltage	✓ <sup>13</sup>

<sup>10</sup> Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

<sup>11</sup> This column is based on input provided by the Issuer.

<sup>13</sup> An auditor has confirmed in the URD that the activity is compliant with 3.3 Manufacture of low carbon technologies for transport.

	technologies for transport <sup>12</sup>	components and systems for road electric vehicles.  Also, investments and assets dedicated to the emergence of new modes of transportation (e-scooters, and e-bikes) and new surface modes using electric propulsion.	
Clean transportation – Battery electric vehicles	3.4 Manufacture of batteries	This category criteria involves research and development of innovative technological advancements and supporting the development of solutions for electric vehicles. The Issuer will finance battery thermal management systems.	✓
Clean transportation - Electric vehicles and smart mobility	3.6 Manufacture of other low carbon technologies	The activity involves investments in technologies included in the area of thermal, hybrid, and electric vehicles. The Issuer will finance technologies that demonstrate a reduction of CO <sub>2</sub> in a life cycle assessment in relation to a benchmark.	✓
Clean transportation – Electric vehicles and smart mobility	3.18 Manufacture of automotive and mobility components	The activity involves investments and financing of innovative and affordable high-voltage components and systems for road electric vehicles, and technologies included in the area of thermal, hybrid, and electric vehicles. The client confirms to comply with the TSC for this activity.	✓

***b) Do No Significant Harm Criteria***

Regarding the policies and procedures to ensure that the project categories align with the relevant Do No Significant Harm Criteria, Valeo will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. Considering the Issuer’s internal decision, there is no information as to whether the project categories fulfill the Do No Significant Harm Criteria of the EU Taxonomy.

<sup>12</sup> Components and technologies for electric vehicles (with zero CO<sub>2</sub> emissions) and hybrid vehicles emitting less than 50 g of CO<sub>2</sub> /km.

## PART IV: KPI SELECTION & SPT CALIBRATION

### 1. Selection of KPI 1

**KPI 1 is defined as ‘Measurement of Valeo’s total adjusted carbon footprint (Scopes 1, 2, and 3 GHG emissions)’**

<b>Opinion</b>	<i>The KPI is relevant, core, and material to the Issuer’s overall business. It is quantifiable, measurable, and partially benchmarkable. It covers Scope 1, 2, and 3 GHG emissions and covers 94% of Valeo’s carbon footprint.</i>		
<b>Assessment<sup>14</sup></b>	Not Aligned	<b>Aligned</b>	Best Practice
<b>KPI 1</b>  <b>Characteristics and Features</b>	<b>KPI definition:</b>	<p>Measurement of Valeo’s gross carbon footprint across all of its operational activities, its supply chain, and use of products (Scopes 1, 2 &amp; 3) minus GHG emissions avoided through the electrification of Valeo’s portfolio.</p> <p>GHG emissions avoided through the electrification of Valeo’s portfolio include emissions savings generated by the use of Valeo’s products.</p>	
	<b>Scope and perimeter:</b>	<p>The KPI scope and perimeter are transparently defined as it includes a majority of Scope 1, 2, and 3 GHG emissions and covers 94% of the company’s carbon footprint. Valeo’s carbon footprint includes:</p> <ul style="list-style-type: none"> <li>▪ Direct GHG emissions: combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes</li> <li>▪ Indirect GHG emissions: associated with energy consumption, related to the consumption of electricity, steam, compressed air, and other sources;</li> <li>▪ Indirect GHG emissions linked to the purchase of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);</li> <li>▪ Indirect GHG emissions related to the use of products.</li> </ul>	
	<b>Quantifiable/Externally verifiable:</b>	<p>The KPI is quantifiable since the Issuer’s carbon footprint is calculated using the GHG Protocol for Scope 1, 2, and 3 (excluding categories 2, 3, 5, 6, 7, 8, 9, 10, 12, 13, 14, and 15 of GHG Protocol, which are not considered as material by Valeo).</p>	

<sup>14</sup> The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’, or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 on page 20.

		<p>The avoided emissions through electrification is calculated with the help of Emisia (laboratory spin-off of Thessaloniki University, official reviewer for emissions calculations of the EU Commission DG Clima), Valeo has set up a methodology to calculate the adjusted avoided emissions for the vehicles in which Valeo contributes directly through the use of its sold technologies in place in the vehicles.</p> <p>This approach will also evaluate the level of avoided emissions during the use phase of the lifetime of the vehicles taking into account the following parameters:</p> <ul style="list-style-type: none"> <li>▪ Mass and electric consumption of the product. For example, total avoided emissions thanks to Electric Vehicle (EV) Powertrain vs. Internal Combustion Engine (ICE) Powertrain.</li> <li>▪ Technical characteristics of the vehicles in which the products are integrated (differentiated evaluation by segment, product lifetime)</li> <li>▪ Market penetration of Valeo products within each vehicle segmentation and world market fleet evolution</li> <li>▪ Annual sold Valeo products are taken into account for this calculation.</li> </ul> <p>The KPI is externally verifiable because GHG emissions calculated using the GHG protocol are widely disclosed and standardized in the market. The avoided emissions through electrification calculation uses a third party to calculate this metric and the calculation methodology is disclosed.</p>
	<b>Externally verified:</b>	The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer commits to having the future data verified by an external reviewer as well.
	<b>Benchmarkable:</b>	By referring to commonly acknowledged GHG accounting standards and protocol, part of the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. However, the part of the KPI that is avoided emissions through electrification uses an indicator that does not have a widespread calculation methodology, limiting the ability to benchmark. Benchmarking of the SPT in relation to this KPI has been analyzed below.
<b>KPI 1</b>	The KPI is considered:	



## Analysis

**Relevant** to Valeo's business as its industry is highly GHG-emitting and exposed to climate change mitigation risks. In fact, the environmental impact of products is considered a key ESG issue faced by the Auto Components industry according to key ESG standards<sup>15</sup> for reporting and ISS ESG assessment. Solutions to this include the decarbonization of production processes, but also the manufacture of components that contribute to the decarbonization of manufactured vehicles.

**Core** to the Issuer's business as Scope 1, 2, and 3 CO<sub>2</sub> emission reduction measures affect key processes and operations that are core to the business model of the Issuer such as product design and supplier targets. The company will invest EUR 440m to reduce emissions from its operations, targeting Scope 1 and 2 through both a 30% reduction in energy consumption and by having 80% of electricity consumption come from low-carbon sources<sup>16</sup> by 2030 (of which 40% has already been secured). Part of the Scope 1 and 2 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) certifications. To target upstream Scope 3 reductions, Valeo plans to set supplier GHG targets and to integrate circular economy concepts (i.e., collecting obsolete or broken manufactured goods to extract precious metals and reuse them, recycling of production waste, reuse of packaging materials, and offering remanufactured products). To target gross downstream Scope 3 emissions, the Company plans to make product efficiency improvements (reducing the weight of its products so as to reduce the final weight of the cars, which will therefore consume less energy) and to expand its range of technologies that contribute to low-carbon mobility, in particular solutions for vehicle electrification.

**Material**<sup>17</sup> to Valeo's business model and sustainability profile from an ESG perspective:

- The KPI is material to the company's direct operations because the KPI focuses on Scope 1, 2, and 3 emissions covering 94% of the carbon footprint.
- The perimeter is in line with the SBTi expectation of covering at least 95% of Scope 1 and 2 and at least 67% of Scope 3 emissions. Therefore, KPI 1 is deemed to be material to the entire Corporate Value Chain of the company as per ISS ESG's methodology.
- Avoided emissions are not part of either the GHG protocol, or the methodology developed by the Science Based Targets initiative (SBTi) for GHG emissions accounting. Neither methodology allows for emissions avoided by the products sold by companies to be considered in its GHG accounting or GHG reduction targets. For this KPI, the Issuer is accounting for the avoided emissions from the use of their products, however, the GHG emissions reduction commitment submitted by Valeo to the SBTi does not include the carbon emissions avoided through the use of its technologies and their reduction target is SBTi approved to 1.5°C in the short term and committed to Net Zero in the long term. Thus, in

<sup>15</sup> Key ESG Standards include SASB and TCFD, among others.

<sup>16</sup> Low-carbon sources are not identified at this stage.

<sup>17</sup> This analysis is based on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2, or 3 emissions reporting, either in relation to the GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

addition to an already complete perimeter of reduction according to the SBTi's methodology, the KPI is accounting for avoided emissions and is considered material to the Issuer.

## 2. Calibration of SPT 1

SPT 1 is defined as ‘Reduce absolute Scope 1, 2, and 3 emissions to adjusted emissions of 37.95 million CO<sub>2</sub>eq tons in 2025 and 27.88 million CO<sub>2</sub>eq tons in 2030’

<b>Opinion</b>	<i>The SPT is (i) qualitatively ambitious against the company’s past performance, (ii) is in line with industry peers, and (iii) it is ambitious against international targets and contributes to national targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s Framework.</i>			
<b>Level of Ambition<sup>18</sup></b>	No Evidence	Limited	<b>Good</b>	<b>Robust</b>
<b>SPT 1</b>	<b>SPT definition:</b>	Reduce absolute Scope 1, 2, and 3 emissions to adjusted emissions of 37.95 million CO <sub>2</sub> eq tons in 2025 and 27.88 million CO <sub>2</sub> eq tons in 2030 from a 2019 base year.		
<b>Characteristics and Features</b>	<b>Baseline performance and year:</b>	49.6 million CO <sub>2</sub> eq tons in 2019		
	<b>Target performance and observation date:</b>	<ul style="list-style-type: none"> <li>▪ SPT 1.1: 37.95 million CO<sub>2</sub>eq tons adjusted emissions on December 31st 2025</li> <li>▪ SPT 1.2: 27.88 million CO<sub>2</sub>eq tons adjusted emissions on December 31<sup>st</sup> 2030</li> </ul>		
	<b>Trigger event:</b>	The trigger events are to be specified in the bond documentation.		
	<b>Long-term target:</b>	Carbon neutrality 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 its operations in Europe (Scopes 1, 2 and 3, including the end use of its products) <sup>19</sup>		
	<b>Strategy and action plan to reach the target:</b>	<ul style="list-style-type: none"> <li>▪ The company will invest EUR 440m to reduce emissions from its operations, targeting Scope 1 and 2 through both a 30% reduction in energy consumption and by having 80% of electricity consumption come from low-carbon sources by 2030.</li> <li>▪ To target upstream Scope 3 reductions, they plan to set supplier GHG targets, incorporate eco-design (use of recycled materials and inclusion for CO<sub>2</sub> criteria in product design), and integrate circular economy concepts such as remanufacturing, repair, and recycling.</li> <li>▪ To target gross downstream Scope 3 emissions, they plan to make product efficiency improvements (products with reduced energy consumption and lightweight product design)</li> </ul>		

<sup>18</sup> The SPT selection assessment is classified on a 4-level scale: ‘No Evidence’, ‘Limited’, ‘Good’, or ‘Robust’. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 on page 21.

<sup>19</sup> Carbon neutrality will only be 100% achieved in Europe by 2050 since the global target only includes upstream Scope 3 emissions.

	<p><b>Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:</b></p>	<p>The Issuer did not identify relevant risks that could impact the achievement of SPT 1.</p>
	<p><b>Recalculations or pro-forma adjustments of baselines</b></p>	<p>The legal documentation of a Sustainability-Linked Instrument may include recalculation provisions to take into consideration potential exceptional events, such as significant evolution in methodology or perimeters (acquisition and/or disposal) or drastic changes in the regulatory environment that could substantially impact the calculation of the KPI, the restatement of the SPT, and/or pro-forma adjustments of baselines or KPI scope.</p> <p>In the event of any change, which occurs between the issue date of a Sustainability-Linked Instrument and the SPT date:</p> <ul style="list-style-type: none"> <li>▪ in the Group's perimeter (due to an acquisition, a merger or a demerger or other restructuring (scission or apport partiel d'actifs), an amalgamation, a consolidation or other form of reorganization with similar effect, a spin-off, a disposal or a sale of assets);</li> <li>▪ in or any amendment to any applicable laws, regulations, rules, guidelines, and policies relating to the business of the group; or</li> <li>▪ to the methodology for calculation of any Key Performance Indicator to reflect changes in the market practice or the relevant market standards (including the GHG Protocol).</li> </ul> <p>which, individually or in aggregate, has a significant impact on the level of any SPT or any KPI baseline (each, a "Recalculation Event"), the relevant Sustainability Performance Target may be recalculated in good faith by Valeo to reflect such change, provided that the Independent External verifier has independently confirmed that the proposed revision is consistent with the initial level of ambition of the relevant Sustainability Performance Target taking into account the Recalculation Event.</p>
<p><b>SPT 1</b></p> <p><b>Analysis</b></p>	<p>The level of ambition of the SPT is assessed as follows:</p>	

**(i) Against past performance:**

The Issuer provided 3 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past

performance shows that the Issuer has achieved an average yearly change of -5.62% between 2019 and 2022 for KPI 1.

TABLE 1.	2019 – BASELINE	2020	2021	2022	2025 – TARGET	2030 – TARGET
Million CO <sub>2</sub> eq tons	49.6	40.5	45.0	41.7	37.95	27.88
CAGR 2019-2022				-5.62%		
CAGR 2019-2025 and 2019-2030					-4.36%	-5.10%

Source: Valeo’s Green and Sustainability-Linked Financing

Valeo sets SPT 1 to achieve a reduction of Scope 1, 2, and 3 emissions by approximately 23% in 2025 and 44% in 2030 compared to a 2019 baseline. Calculating the compound annual growth rate (CAGR) amounts to an average of -4.36% annual reduction between 2019 and 2025 and -5.10% annual reduction between 2019 and 2030. For the issuer, the year 2022 presented a decrease in GHG emissions which is related to the slowdown of the automotive sector and region’s activity but looking forward the activity is expected to grow<sup>20</sup>. This industry has been affected by electronic components shortages, supply chain disruption and bottlenecks, as well as by the Ukrainian War.

Since the projected average annual reductions to achieve SPT 1 are quantitatively less significant but still quite similar to what was observed in the past, the GHG emissions in 2022 were reduced by an industry-wide slowdown, and considering that the target is SBTi approved, we conclude that the SPT is qualitatively ambitious against past performance.

## (ii) Against peers:

We conducted a benchmarking of SPT 1 set by Valeo against the peer group shared by the Issuer, composed of 11 companies (including the Issuer).

Aside from Valeo, all other peers have also set an SBTi approved target covering Scopes 1 & 2 emissions. Three companies have set their SBTi targets for 2025-2026 and 8 companies (including Valeo) have set their SBTi target for 2030. Valeo’s GHG emissions reduction target lies in approximately the middle of its peers, with 4 companies targeting larger reductions and 6 targeting smaller reductions.

Benchmarking for Scope 3 emissions was also conducted against the peer group shared by the Issuer. This time, only 9 companies (including the Issuer) had SBTi approved Scope 3 targets. One peer sets a 2025 target, and the other eight set a 2030 target. Of these eight companies, Valeo’s gross Scope 3 target is top 7 out of 8. Meanwhile, their Scope 3 adjusted target for KPI 1 includes their Scope 3 avoided emission, which puts them in the top 2 out of 8.

However, since the peers are not including avoided emissions for their Scope 3 calculations, there is limited information to individually assess the ambition of Valeo’s Scope 3 target against its peers.

The issuer points that some of the Scope 3 categories they account for are included in different peers’ targets. While this technically limits the comparability of Scope 3 targets within the peer group, it

<sup>20</sup> European Automobile Manufacturers Association, Economic and Market Report State of the EU auto industry Full-year 2022, [https://www.acea.auto/files/Economic-and-Market-Report\\_Full-year-2022.pdf](https://www.acea.auto/files/Economic-and-Market-Report_Full-year-2022.pdf)

should be noted that since all other peers have SBTi approved targets, all material Scope 3 emissions reductions have also been assessed to be aligned with SBTi standards, with excluded categories considered as not material.

Therefore, we conclude that SPT 1 set by Valeo is in line with industry peers, thanks to the Scope 1 & 2 component of its target. Meanwhile, there is limited evidence to assess the 'adjusted' Scope 3 component of the company's target due to limited comparability with the gross targets set by peers.

**(iii) Against international targets:**

**Paris Agreement**

Valeo has a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 1, 2, and 3 emissions by approximately 23% in 2025 and 44% in 2030 compared to a 2019 baseline. The company's GHG reduction targets have been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to 1.5°C.

It should be noted that the definition of this specific SPT includes avoided emissions. These fall under a separate accounting system from corporate inventories and do not count toward near-term or long-term science-based emission reduction targets. Nonetheless, Valeo confirms that SPT set under this Framework will imply a decrease in absolute emissions in line with the one validated by the SBTi.

Therefore, ISS ESG concludes that SPT 1 is ambitious against the Paris Agreement, based on the issuer's commitment to achieve it through the same gross reductions defined in its SBTi validated 2030 target, and based on the issuer's commitment to achieve SPT 1 through gross reductions.

**National targets**

France, which is the headquarters of Valeo, has a target to cut greenhouse gas emissions by 50% by 2030 using their 1990 emissions as the baseline. The Government of France includes an objective for French industry to reduce GHG emissions by 35% between 2015 and 2030. Valeo's SPT contributes to the achievement of France's national target.

### 3. Selection of KPI 2

KPI 2 is defined as ‘Percentage of Valeo’s production purchases performed with suppliers which have been subject to the evaluation of their sustainable development practices over the year’

<b>Opinion</b>	<i>The KPI is relevant, moderately core, and moderately material to the Issuer’s overall business. It is appropriately measurable, quantifiable, externally verifiable, and benchmarkable. It covers more than 6000 suppliers.</i>		
<b>Assessment<sup>21</sup></b>	Not Aligned	Aligned	Best Practice
<b>KPI 2</b>  <b>Characteristics and Features</b>	<b>KPI definition:</b>	Percentage of Valeo’s production purchases performed with suppliers that have been subject to the evaluation of their sustainable development practices over the year. The KPI is the result of a questionnaire composed of 52 questions related to sustainability topics sent to the company’s suppliers. The sub-sections that compose the questionnaire are for Environment: Climate Impact, Resource Use, Biodiversity, Product Stewardship; for Social: Human Trafficking and Slavery, Labor Rights, Human Rights, Diversity and Inclusion; for Governance: Organizational Commitment, Resiliency, Data Protection and Privacy. Each supplier is required to complete the questionnaire and after a site visit, Valeo decides whether or not the supplier can be included on the supplier panel. A Supplier Quality Engineer from the project team monitors the development and guides the supplier through final qualification. To be included in the supplier panel, suppliers must meet Valeo’s ethics, integrity, and sustainable development requirements.	
	<b>Scope and perimeter:</b>	The KPI scope and perimeter are transparently defined as it covers 100% of Valeo suppliers (more than 6000 suppliers in 2022).	
	<b>Quantifiable/Externally verifiable:</b>	The KPI is quantifiable as it is assessed on a yearly basis. 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 (governance, health, and safety, environmental and carbon, working conditions and human rights, management of own suppliers, business ethics). The assessment of the suppliers includes corrective actions in the area of sustainability when needed. It is followed by a sampling of audits mixing commodities, size of companies, and targets locations where the risk is higher.	
	<b>Externally verified:</b>	The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer	

<sup>21</sup> The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’, or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 on page 20.



		commits to having the future data verified by an external reviewer as well.
	<b>Benchmarkable:</b>	By referring to commonly acknowledged standards and laws, the KPI is easily comparable with national targets and the data reported by other companies. Benchmarking of the SPT in relation to this KPI has been analyzed below.
<b>KPI 2</b>		
<b>Analysis</b>	The KPI is considered:	

**Relevant** to Valeo’s business as its industry is at the center of the automotive industry supply chain. In fact, the company is an order-giver to tier-two and lower-tier suppliers and a supplier of technologies and systems to automakers. Moreover, the value chain is considered a key ESG issue faced by the Auto Components industry according to key ESG standards<sup>22</sup> for reporting and ISS ESG assessment.

**Moderately Core** to the Issuer’s business as evaluating suppliers’ sustainable practices affects certain key processes and operations that are core to the business model of the Issuer. The company has implemented a policy to monitor its suppliers through questionnaires on key areas that have become control points for Valeo, whose supplier base comprehends more than 6,000 suppliers, of which 2,131 represents 95% of Valeo’s purchasing volume. The remaining 5% of the purchasing volume represents around 3,869 suppliers. The current baseline is 80% and the missing 20% to reach 100% of purchased volume represents smaller suppliers and small volumes of purchasing. Therefore, a 1% increase in the number of purchases represents new smaller suppliers that are subject to evaluation which requires work from both the purchasing and sustainability teams.

Before any supply agreement is awarded, each supplier is required to complete a detailed questionnaire to enable Valeo to identify potential risks and to determine the overall level of risk, 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, runs tests, and takes 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.

Group buyers, quality specialists, engineers, and a Sourcing Committee are involved in the process, performing on-site audits if needed (i.e., if the questionnaire flags significant risks), proposing improvement plans, and having the ability to exclude a company from the supplier base. Moreover, the Sustainable Development and External Affairs, Purchasing and Quality departments are in charge of overseeing and acting on this KPI.

The processes of the company mentioned above are affected by the KPI, however, the departments they take place in represent only a small portion of Valeo’s operations. Notably, the KPI does not affect the company’s production but only its supply chain (through the purchasing department). Moreover,

<sup>22</sup> Key ESG Standards include SASB and TCFD, among others.



there is little relevant impact on day-to-day operations: the KPI depends on suppliers filling out the questionnaire, which only requires of Valeo to send it out once a year but is not conditioned to the outcome of the questionnaire. This notably includes the aforementioned actions that Valeo may take in its relationship with 'problematic' suppliers.

**Moderately Material** to Valeo's business model and sustainability profile from an ESG perspective:

- The KPI covers the majority of the company's operations because it focuses on Valeo's suppliers, covering the entirety of the company's supply chain. In 2022, 2,131 suppliers accounted for 95% of the amount of direct purchases (manufacturing purchases). The Group's Purchasing Department has two key priorities: commodity/segment and project and mass production; purchasing departments in each of the Group's regions interact with the commodity/segment teams. These cover the entirety of purchasing activities.
- KPI 2 is focused on suppliers' sustainable practices as suppliers go through a standard assessment process including mandatory requirements on sustainability in order to maintain their position in Valeo's supplier panel. 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.
- The Methodology to evaluate sustainable practices includes questions on six topics: environment & carbon (12 questions), working conditions and human rights (14 questions), health and safety (8 questions), business ethics (4 questions), governance (8 questions), management of own suppliers (6 questions). 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 (Scope 1, 2, and 3) over ten years, in line with Valeo's objectives. These requirements are circulated and assessed annually within the Valeo supplier panel.
- According to the Issuer, the questionnaire goes beyond simple legal compliance. However, the content of the questionnaire remains confidential, meaning it cannot be accessed and evaluated. Moreover, even though the questionnaire informs the Issuer's purchasing decisions, the achievement of the KPI is not tied to whether the information disclosed in the questionnaire will lead to an action or impact. Finally, as the questionnaire is self-reporting, the risks identified in the questionnaire are only the ones that the suppliers themselves have identified and disclosed. Because of this lack of visibility, the KPI is viewed as moderately material.

#### 4. Calibration of SPT 2

**SPT 2 is defined as ‘Achieve 82% of Valeo’s production purchases performed by 2025 and 86% by 2030 with suppliers whose ESG practices have been assessed’**

<b>Opinion</b>	<i>The SPT is (i) ambitious against the company’s past performance, (ii) ambitious against industry peers, and (iii) is likely to advance internationally recognized initiatives. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s Framework.</i>			
<b>Level of Ambition<sup>23</sup></b>	No Evidence	Limited	<b>Good</b>	Robust
<b>SPT 2</b>  <b>Characteristics and Features</b>	<b>SPT definition:</b>	Achieve 82% of Valeo’s production purchases performed with suppliers which have been subject to the evaluation of their sustainable development practices by 2025 and 86% by 2030		
	<b>Baseline performance and year:</b>	80% in 2019		
	<b>Target performance and observation date:</b>	<u>Observation date:</u> 31 <sup>st</sup> December each year  <u>Target performance:</u> <ul style="list-style-type: none"> <li>▪ SPT 2.1: 82% in 2025</li> <li>▪ SPT 2.2: 86% in 2030</li> </ul>		
	<b>Trigger event:</b>	The trigger events are to be specified in the bond documentation.		
	<b>Long-term target:</b>	N/A		
	<b>Strategy and action plan to reach the target:</b>	To achieve the two SPTs, Valeo is focusing its efforts on three key levers for action: <ul style="list-style-type: none"> <li>▪ 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.);</li> <li>▪ Boosting suppliers’ competitiveness by guiding them toward continuous improvement practices in terms of optimizing logistics and environmental costs, reducing energy costs, etc.;</li> <li>▪ Putting down deep roots in local ecosystems, applying a purchasing location policy at a regional level.</li> </ul>		
	<b>Key factors/risks beyond the Issuer’s direct control</b>	<ul style="list-style-type: none"> <li>▪ Supply chain disruptions driven by geopolitical, logistical, or stock-out reasons, could cause major suppliers to drop out of the purchasing volume and</li> </ul>		

<sup>23</sup> The SPT selection assessment is classified on a 4-level scale: ‘No Evidence’, ‘Limited’, ‘Good’, or ‘Robust’. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 on page 21.

	<p><b>that may affect the achievement of the SPTs:</b></p> <p><b>Recalculations or pro-forma adjustments of baselines</b></p>	<p>may lead to a sudden, exponential increase in the number of suppliers to be evaluated.</p> <p>The legal documentation of a Sustainability-Linked Instrument may include recalculation provisions to take into consideration potential exceptional events, such as significant evolution in methodology or perimeters (acquisition and/or disposal) or drastic changes in the regulatory environment that could substantially impact the calculation of the KPI, the restatement of the SPT, and/or pro-forma adjustments of baselines or KPI scope.</p> <p>In the event of any change, which occurs between the issue date of a Sustainability-Linked Instrument and the SPT date:</p> <ul style="list-style-type: none"> <li>▪ in the Group’s perimeter (due to an acquisition, a merger or a demerger or other restructuring (scission or apport partiel d'actifs), an amalgamation, a consolidation or other form of reorganization with similar effect, a spin-off, a disposal or a sale of assets);</li> <li>▪ in or any amendment to any applicable laws, regulations, rules, guidelines, and policies relating to the business of the group; or</li> <li>▪ to the methodology for calculation of any Key Performance Indicator to reflect changes in the market practice or the relevant market standards (including the GHG Protocol).</li> <li>▪ which, individually or in aggregate, has a significant impact on the level of any SPT or any KPI baseline (each, a “Recalculation Event”), the relevant Sustainability Performance Target may be recalculated in good faith by Valeo to reflect such change, provided that the Independent External verifier has independently confirmed that the proposed revision is consistent with the initial level of ambition of the relevant Sustainability Performance Target taking into account the Recalculation Event.</li> </ul>
<p><b>SPT 2</b></p> <p><b>Analysis</b></p>	<p>The level of ambition of the SPT is assessed as follows:</p>	

**(i) Against past performance:**

The Issuer provided 4 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1.

TABLE 1.	2019 – BASELINE	2020	2021	2022	TARGET - 2025	TARGET – 2030
<b>KPI metric</b>	80%	80%	82%	85%	82%	86%
<b>Annual change in pp</b>		0 pp	2 pp	3 pp	-1 pp	1 pp

Source: Valeo Framework

Valeo sets SPT 2.1 and SPT 2.2 to respectively achieve 82% of Valeo’s production purchases performed with suppliers which have been subject to the evaluation of their sustainable development practices by 2025 compared to a 2019 baseline and by 2030 compared to a 2019 baseline.

Since the projected average annual reductions to achieve SPT 2.1 and SPT 2.2 are quantitatively smaller than the historical data, we conclude that the SPT is quantitatively not ambitious against past performance.

However, the ongoing purchasing difficulties in the automotive industry caused significant disruptions across the entire supplier base of Valeo. The car market has been affected by supply chain disruption, especially electronic components shortages, as well as by the Ukrainian War. Those disruptions, although being gradually reversed, are expected to continue to affect the market until 2024. These issues make it harder for Valeo to pursue its supplier engagement policy, which entails a long-term relationship. Considering this, the SPT set by Valeo can be viewed as qualitatively ambitious against past performance.

**(ii) Against peers:**

We conducted a benchmarking of the SPT set by Valeo against the Auto Components industry peer group of 10 companies (including the Issuer) as per the ISS ESG Universe.

Out of the 10 companies analyzed, all have a Supplier Code of Conduct, of which only three conduct self-assessment reviews and questionnaires, and three calculated the share of purchasing volume assessed. Aside from Valeo, 1 other peer also set a target covering the share of direct purchasing volume assessed. Therefore, Valeo belongs in the top 20% of the industry peer group since it conducts self-assessment reviews and questionnaires, tracks the purchasing volume assessed, and sets targets on the latter.

Therefore, we conclude that SPT 2 set by Valeo is ambitious compared to industry peers on the basis of setting a target.

**(iii) Against international targets / National targets**

Valeo plans to achieve the SPT2 through a questionnaire that all its suppliers have to fill out in order to understand their sustainability performance. This questionnaire is based on the French Duty of Care Law that rules the need for large companies to follow the UN Guiding Principles on Business and Human Rights in the execution of their business. It requires companies to establish due diligence processes throughout the supply chains to prevent human rights and environmental violations. Valeo complies with this law and goes beyond it by, for instance, composing the audit team of Group buyers, quality specialists, and engineers that are selected and sent to some sites to verify the information given by the supplier. Moreover, the company applies this due diligence process in all the geographic areas in which it operates, not only in France.

Valeo can be considered likely to advance internationally recognized initiatives as it goes beyond French law, but this is a broad regulation that is not specific enough to say that the Issuer is ambitious against international targets.

## **PART V: LINKING THE TRANSACTIONS TO VALEO'S ESG PROFILE**

### **A. CONSISTENCY OF GREEN BONDS, GREEN LOANS, SUSTAINABILITY-LINKED BONDS, AND SUSTAINABILITY-LINKED LOANS WITH VALEO'S SUSTAINABILITY STRATEGY**

#### *Key sustainability objectives and priorities defined by the Issuer*

After a review of the actions and outcomes of the 2016-2020 five-year plan, Valeo has set new sustainable development objectives for 2025, using 2019 as the baseline year for its new 2021-2025 five-year plan. The objectives have been formalized in a collaborative approach in partnership with the departments concerned and in line with the results of the materiality analysis. 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 in February 2021. The challenges identified for this new five-year plan are based on 4 key axes:

1. Innovation
  - a. Carbon Neutrality Plan and Low-Carbon Mobility Solutions: 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, by lowering temperatures in buildings by 2°C. Valeo's Business Groups are also stepping up the transition from gas-based processes to electricity-powered processes to reduce direct GHG emissions.
2. Environmental eco-efficiency
  - a. Energy and carbon efficiency of production: 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.
  - b. Discharges and waste: 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.
  - c. Water: 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.
3. Employees
  - a. Health and safety: the Health, Safety, and Environment (HSE) Department carried out investigations to validate the measures needed to prevent a recurrence of accidents. The analyses were reviewed by the Human Resources Department and the Group's Chief Executive Officer to validate the measures to be adopted throughout the Group and to eradicate accidents.
  - b. Promoting diversity: Valeo is committed to gender equality (the Group has prepared a "Gender Diversity by Design" program with the ambitious goal of having 32% women on management committees by 2030), disability, inclusion, and promotion of local culture.
  - c. Skills: 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.

- d. Quality of life at work: in 2021, Valeo launched a new global engagement and satisfaction survey of its technician, manager, and professional employee categories. In 2022, overall employee satisfaction was 66%, an increase of 6 percentage points compared with 2021.
4. Commitment to corporate citizenship
- a. Purchasing and sustainable development: 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.
  - b. Local integration: 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.
  - c. Local communities: in 2022, more than 52% of employees at Valeo Group sites worldwide volunteered on operations to help local communities. Initiatives like this are part of local community involvement programs at many Valeo sites.

All the risks related to these aspects are managed by the relevant management risk team and overall supervised by the Governance, Appointments & Corporate Social Responsibility Committee.

The company followed the TCFD for its 2021 Climate Report and has issued a number of bonds, from 2016 until 2022.

### *Rationale for issuance*

Valeo views green instruments as a tool to channel investments to projects that have environmental benefits, especially given the fact that Valeo is in the industry offering solutions for vehicle electrification.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.*

## B. VALEO'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Auto Components industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Social challenges in the supply chain
Product safety
Resource- conserving production
Environmental impact of products


### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.





### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>24</sup>	DIRECTION OF IMPACT	UN SDGS
<b>Vehicle safety solutions</b>	21%	CONTRIBUTION	

<sup>24</sup> Percentages presented in this table are not cumulative.



<b>LED products, key components for electric vehicles</b>	41%	CONTRIBUTION	 
<b>Key components for conventional combustion engine vehicles</b>	6%	OBSTRUCTION	 

*Breaches of international norms and ESG controversies*

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Auto Components industry are as follows: Failure to prevent air pollution, Strike action, and Layoffs.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

## DISCLAIMER

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## ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

## ANNEX 2: Methodology

### Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

The Green and Sustainability-Linked Financing Framework of Valeo, as well as the concept and processes for issuance have been reviewed against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

The alignment of the concept of the Valeo’s issuance has been reviewed against the mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and against the encouraged practices as suggested by the core content of the Principles.

### Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles / Sustainability-Linked Loan Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer's business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and using a proprietary methodology, the KPI selection assessment is classified on a 3-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirement from the SLBP selection of KPIs section is not satisfied.	The KPI is aligned if all the core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all the core requirements from the SLLP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability.

The ambition of the SPT has been analyzed against the Issuer’s own past performance (according to Issuer’s reported data), against the Issuer’s industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and using a proprietary methodology, the SPT selection assessment is classified on a 4-level scale:

No Evidence	Limited	Good	Robust
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<p>If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.</p>	<p>If the SPT is ambitious against only one of the three dimensions.</p>	<p>If the SPT is ambitious against two of the three dimensions.</p>	<p>If the SPT is ambitious against all the dimensions.</p>
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## ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality Management Processes

### SCOPE

Valeo commissioned ICS to compile a Green and Sustainability-Linked Financing SPO. The Second Party Opinion process includes verifying whether the Green and Sustainability-Linked Financing Framework aligns with the Green Bond Principles, Green Loan Principles, Sustainability-Linked Bond Principles, and Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Green Bonds, Green Loans, Sustainability-Linked Bonds, and Sustainability-Linked Loans, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA Green Bond Principles
- LMA Green Loan Principles
- ICMA Sustainability-Linked Bond Principles
- LMA Sustainability-Linked Loan Principles
- EU Taxonomy Climate Delegated Act

### ISSUER'S RESPONSIBILITY

Valeo's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Framework level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bonds, Green Loans, Sustainability-Linked Bonds, and Sustainability-Linked Loans to be issued by Valeo has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, LMA Green Loan Principles, ICMA Sustainability-Linked Bond Principles, and LMA Sustainability-Linked Loan Principles.

The engagement with Valeo took place from June to September 2023.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.



## About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

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