Compensation policy of the Chief Executive Officer for the 2024 financial year

The Board of Directors held on March 27, 2024 set, on the recommendation of the Compensation Committee, the compensation policy of the Chief Executive Officer in respect of the 2024 financial year (the "**2024 Chief Executive Officer Compensation Policy**"), which remains unchanged compared to the 2023 compensation policy of the Chief Executive Officer, approved at a rate of 96.02% by the Shareholders' Meeting of May 24, 2023 (the "**2023 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 23, 2024 will be called upon to approve the 2024 Chief Executive Officer Compensation Policy.

1. Annual fixed compensation

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

This compensation remains unchanged from the 2023 Chief Executive Officer Compensation Policy.

2. Annual variable compensation

The maximum amount of the Chief Executive Officer's variable portion is 120% of his (gross) annual fixed compensation, which remains unchanged compared to the one set in the 2023 Chief Executive Officer Compensation Policy.

In assessing the 2024 Chief Executive Officer Compensation Policy, the Board of Directors held on February 29, 2024, on the recommendation of the Compensation Committee, decided to make adjustments to (i) one of the quantifiable criteria, the Group order intake, replaced by the net debt/EBITDA criterion, which is considered to be more relevant given the high interest rate environment and the Group's debt reduction commitments (the other quantifiable criteria remaining unchanged), and (ii) some of the qualitative sub-criteria previously used (the qualitative criteria remaining unchanged), in order to better reflect the Group's current operational and extra-financial performance objectives in connection with the Group's CSR strategy (including climate change).

The table below summarises, in a synthetic way, the quantifiable and qualitative criteria, the percentage of the (gross) annual fixed compensation related to each of the criteria as well as the maximum amount of the variable portion for 2024:

Quantifiable criteria[1]	
Nature of quantifiable criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed**
EBIT	18%
Free cash flow[2]	18%
Net income	16%
Net debt/EBITDA	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.*	14%
Risk management *This criterion is assessed in particular against the following elements:* • *compliance: (i) deployment of the new antitrust program and (ii) implementation of the new risks map in relation to the fight against corruption,* • *management of operational risks and management of production volumes,* • *management of inflation-related impacts and reduction of the Group's fixed costs (in line with the budget).*	12%
Corporate Social Responsibility *CSR assessed in particular against the following elements:* • *safety performance, with the objective of stabilising the frequency rate at the level of the automotive benchmark (FR1≤1.0)[3],* • *progression of the Gender Equity Index (reaching level 89 of the index)[4],* • *implementation of a CSRD reporting organisation of the Group.*	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 45.85 Mt in 2024.[5]*	12%
TOTAL QUALITATIVE CRITERIA	**50%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**

(1) *Excluding regulatory and tax impacts.*

(2) *After restructuring costs.*

(3) *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.*

(4) *The target set is 89 out of a theoretical maximum score of 100, but in practice close to 90, since out of the five indicators taken into account to calculate the index (gender pay gap, gender pay gap in individual pay rises, gender pay gap in promotions, percentage of female employees receiving a pay rise on return from maternity leave, and percentage of women in the 10 highest-paid jobs), improving the result to be achieved for the fifth indicator, which accounts for 10 points, is complex to achieve in the short term, it being specified that structural measures are being implemented to this end.*

(5) *The objective has been set taking as a basis of calculation a carbon neutrality objective by 2050 and, by December 31, 2030, an ambitious plan to reduce emissions related to its operating activities by 75% (Scopes 1 and 2) and emissions related to its supply chain and the end use of its products by 15% (Scope 3) compared to January 1, 2020, as presented in Chapter 4, section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050 (CAP 50 Plan)" of Valeo's 2023 Universal Registration Document. This 2030 target implies an annual reduction of -0.75 $MtCO_2$ from a 49.6 $MtCO_2$ emission at January 1, 2020, to 41.4 $MtCO_2$ at December 31, 2030. Accordingly, based on a linear annual progression until 2030, the rate of achievement of this target is set at a maximum emission of 45.85 $MtCO_2$ in 2024. It is emphasized that (i) although the results obtained for the 2022 and 2023 financial years make the linear targets appear, at first sight, to be easily achievable over the next few years, in practice the situation is much more nuanced and complex, as the level of emissions reduction, as validated by SBTi, is set at a fixed date (i.e. 2019 for the CAP 50 plan) and therefore does not take into account any changes in the Group's business and growth in relation to the assumptions made at that date, (ii) growth has a direct impact on emissions (the more the activity increases, the more the level of emissions increases)*

and, consequently, on the efforts required over the period to reduce emissions and to achieve them and (iii) the carbon footprint of Valeo's customers and suppliers has an impact on the result.

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

The maximum amount of the Chief Executive Officer's long-term compensation is 200% of the (gross) annual fixed compensation (*i.e.* 91% of the sum of the maximum annual combined fixed and variable compensations). This maximum amount remains unchanged compared to the one set out in the 2023 Chief Executive Officer Compensation Policy.

In assessing the 2024 Chief Executive Officer Compensation Policy, the Board of Directors held on February 29, 2024, on the recommendation of the Compensation Committee, reviewed the Europe Automotive Equipment Suppliers Panel[1] and decided to adjust it to take into account the takeover of Vitesco by Schaeffler Automotive, announced on October 9, 2023, which, according to the press release relating to this transaction, should lead to the merger (*fusion par absorption*) of Vitesco with and into Schaeffler Automotive during the fourth quarter of 2024. Given the nature of the panel, consisting solely of European automotive suppliers, the absence of relevant identified European peers and the presence of the acquiring company on the panel, Vitesco has been removed from the panel without being replaced. The other companies on the panel remain unchanged.[2]

Performance shares are subject to the achievement of a performance measured in relation with the criteria described in a synthetic way in the table below, identical to the 2023 Chief Executive Officer Compensation Policy (subject to the above-mentioned panel adjustment):

[1] The Europe Automotive Equipment Suppliers Panel includes the following companies: Autoliv, Continental, Faurecia (Forvia), Gestamp Automotive, Leoni, Michelin, Plastic Omnium, Schaeffler Automotive and Vitesco.

[2] The Europe Automotive Equipment Suppliers Panel, as adjusted, includes the following companies: Autoliv, Continental, Faurecia (Forvia), Gestamp Automotive, Leoni, Michelin, Plastic Omnium and Schaeffler Automotive. 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 may potentially be replaced by another company in order to maintain the best possible level of comparability between Valeo and its peers. For information purposes, it should be noted that this adjustment is also intended to apply to the 2023 allocation using the Europe Automotive Equipment Supplier Panel as reference panel.

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 (as adjusted) 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 various management committees[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 last year of 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 within the Group's various management committees recorded on December 31 of the last year of the reference period is greater than or equal to the target rate set for the reference period: 100% (0% if lower).

(1) *For 2024, the guidance is 14.1% for the ROCE rate and as of 4% for the EBIT rate.*

(2) *For the 2024 plan, the achievement of this target will be assessed on December 31, 2026, taking as a basis for calculation a carbon neutrality objective by 2050 and, by December 31, 2030, an ambitious plan to reduce emissions related to its operating activities by 75% (Scopes 1 and 2) and 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 Contribution Plan for 2050 (CAP 50 Plan)"of Valeo's 2023 Universal Registration Document. This 2030 target implies an annual reduction of -0.75 $MtCO_2$ from a 49.6 $MtCO_2$ emission at January 1, 2020, to 41.4 $MtCO_2$ at December 31, 2030. Accordingly, based on a linear annual progression until 2030, the rate of achievement of this target is set at a maximum emission of 44.35 $MtCO_2$ in 2026. It is emphasized that (i) although the results obtained for the 2022 and 2023 financial years make the linear targets appear, at first sight, to be easily achievable over the next few years, in practice the situation is much more nuanced and complex, as the level of emissions reduction, as validated by SBTi, is set at a fixed date (i.e. 2019 for the CAP 50 plan) and therefore does not take into account any changes in the Group's business and growth in relation to the assumptions made at that date, (ii) growth has a direct impact on emissions (the more the activity increases, the more the level of emissions increases) and, consequently, on the efforts to be made each year to reduce emissions and to achieve such targets and (iii) the carbon footprint of Valeo's customers and suppliers has an impact on the result.*

(3) *For the 2024 plan, the achievement of this target will be assessed on December 31, 2026, taking as a basis for calculation of the target, the doubling of the number of women within the Group's various management committees from 16% of women on January 1, 2020, to 32% of women as at December 31, 2030 (with intermediate targets of 23% of women as at December 31, 2024 and 27% of women on December 31, 2027, see Chapter 3, section 3.2.1 "Composition of the Board of Directors", sub-section "Diversity policy within the governing bodies" of Valeo's 2023 Universal Registration Document. Accordingly, based on progression in line with the set trajectory, the rate of achievement of this target is set at a minimum of 25.5% of women within the Group's various management committees by December 31, 2026.*

4. Supplementary pension

As of Christophe Périllat's appointment as Chief Executive Officer, his employment contract was terminated. The termination of Christophe Périllat's employment contract entailed the loss of the benefit of the supplementary pension plan attached to his status as employee for the defined benefit pension plan to which he would have been entitled if he had remained an employee within Valeo until his retirement, except for the rights acquired under the new plan put in place as of January 1, 2020 until the term of this employment contract (*i.e.* as of the date of his appointment as Chief Executive Officer on January 26, 2022).

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

The principles and criteria relating to this compensation component as set out in the 2023 Chief Executive Officer Compensation Policy remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

5. Benefits in kind

The principles and criteria of this compensation component as set out in the 2023 Chief Executive Officer Compensation Policy remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

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

The principles and criteria of these compensation components as set out in the 2023 Chief Executive Officer Compensation Policy remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

7. No other compensation components

The Chief Executive Officer does not receive any other compensation. This principle, which was set out in the 2023 Chief Executive Officer Compensation Policy, remains unchanged in the 2024 Chief Executive Officer Compensation Policy.

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

Lastly, after consulting the Compensation Committee and, if applicable, the other specialized Committees, the Board of Directors will have the discretionary power, in the event of exceptional circumstances and on a temporary basis, to adjust the internal quantifiable objectives relating to the annual variable and long-term compensation components of the 2024 Chief Executive Officer Compensation Policy. The events that could give rise to the use of this possibility are in particular any event beyond Valeo's control that cannot be reasonably foreseen or quantified at the time of the determination of the compensation components and that has an impact on the automotive industry during the 2024 financial year, such as the price increase of raw materials and energy, as well as geopolitical tensions and their consequences.