



SUSTAINABILITY
LINKED BOND
PROGRESS
REPORT



SMART TECHNOLOGY FOR SMARTER MOBILITY

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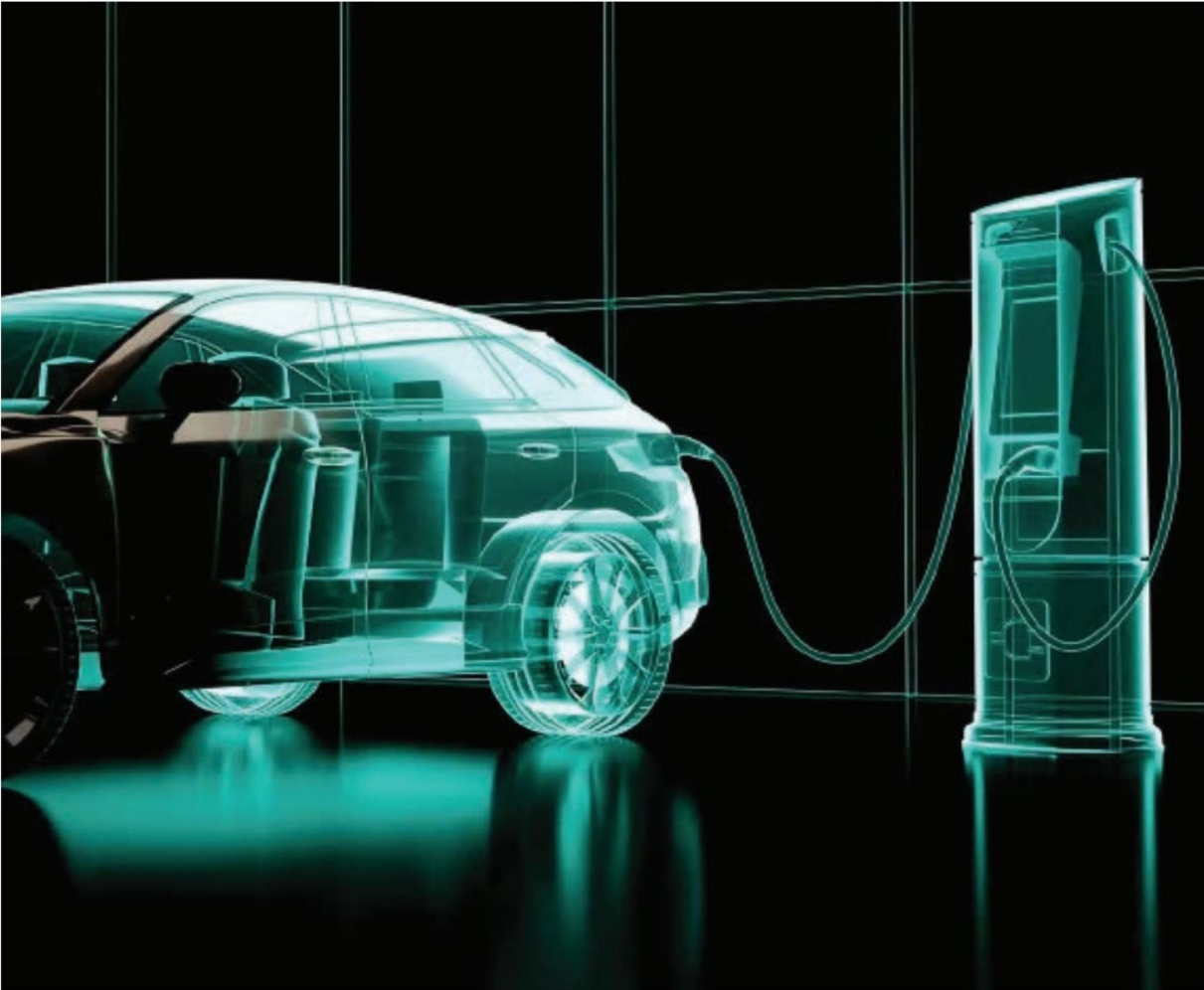
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This Sustainability Linked Bond Progress Report is prepared in accordance with the GREEN AND SUSTAINABILITY-LINKED FINANCING FRAMEWORK of September 2023 and terms and Conditions of the outstanding EUR750 million 5.375% Sustainability Linked Notes due 2027 (“the 2027 Notes”) and EUR700 million 1.000% Sustainability Linked Notes due 2028 (“the 2028 Notes”).

To provide further support for Valeo’s climate transition strategy and reinforce its commitment to a low-carbon future, Valeo has issued Sustainability-Linked Instruments. As forward-looking performance-based instruments, Sustainability Linked Instruments help demonstrate Valeo’s integrity to its sustainability ambitions by aligning its corporate financing with its sustainability strategies, while providing transparency and disclosure to investors and stakeholders. Sustainability Linked Instruments capture on a forward looking basis, all the transition levers Valeo is undertaking to achieve its transition strategy. The Key Performance Indicators (“KPIs”) and their associated Sustainability Performance Targets (“SPTs”) have been developed in alignment with the five core components of the Sustainability Linked Bond Principles 2023 (“SLBP”) as published by International Capital Market Association (“ICMA”) and Sustainability Linked Loan Principles 2023 (“SLLP”) as published by Loan Market Association (“LMA”).



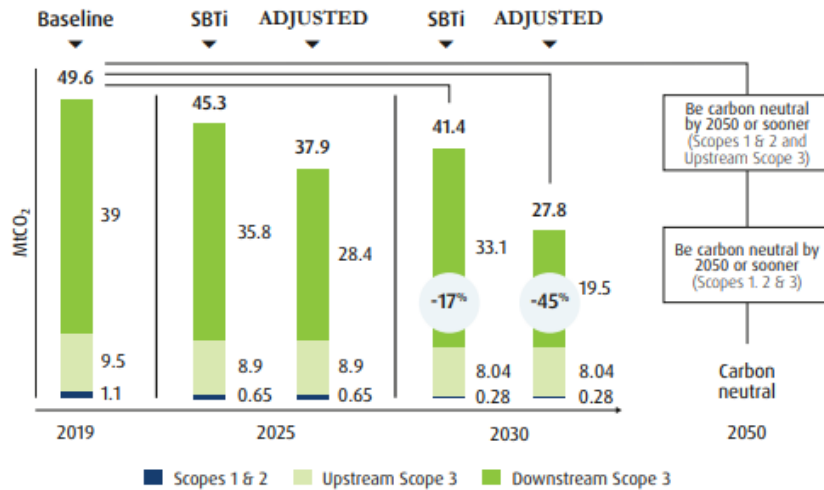
1. VALEO'S CARBON NEUTRALITY CONTRIBUTION PLAN FOR 2050

A commitment to contribute to carbon neutrality by 2050 and an intermediate target for 2030

On February 4, 2021, to reaffirm its strategic positioning in terms of products that contribute to the reduction of greenhouse gas emissions, Valeo presented a Net Zero Plan for 2050, known as the CAP 50 Plan, covering its entire value chain. The CAP 50 Plan covers suppliers, operating activities and the end use of products sold by the Group (direct and indirect emissions, known as Scope 1, 2 and 3 emissions). Valeo uses 2019 as the baseline year, as 2020 was shaped by Covid-19.

Valeo's commitments are as follows:

- contribute to carbon neutrality by 2050 across all of its operating activities and its supply chain worldwide (Scopes 1 and 2 and upstream Scope 3), and across its entire value chain in Europe (Scopes 1, 2 and 3, including the end use of its products);
- reduce emissions from its operating activities (Scopes 1 and 2) by 75%, and its upstream (supply chain) and downstream (product use) emissions (Scope 3) by 15%, in absolute terms, by 2030 compared with a 2019 baseline. This represents a reduction of 17% across all SBTi scopes. These targets have been validated by the Science Based Targets initiative in 2021.
- Emissions avoided: As a developer of electrification technologies, Valeo generates a reduction impact through the emissions avoided by third parties thanks to the benefits linked to the use of its technologies. Valeo estimates that this impact will represent 13.6 MtCO₂ in 2030 i.e., 27% of the Group's emissions (2019 baseline).
- 2050: the year by which Valeo aims to achieve Net Zero. This new long-term commitment was submitted to the Science Based Targets initiative in January 2024 and is currently being reviewed.
- Dedicated governance: a Strategy Committee defines the plan's main orientations and objectives, and meets quarterly under the aegis of the Chief Technology Officer & Vice-President, Strategy. Valeo's Board of Directors also plays a major role through its Governance, Appointments & Corporate Social Responsibility Committee.



(Source: 2022 URD)

The adjusted emissions are defined as below:

The gross carbon footprint objectives are in line with the reduction needed to cap global warming at 1.5°C, the highest level of ambition of the Science Based Targets initiative (SBTi), in keeping with the Paris climate agreement (COP 21). Due to the complexity of inter-sectoral harmonization, the methodology developed by the Science Based Targets initiative (SBTi) does not currently allow for emissions avoided by the products sold by companies to be taken into account. However, this does not call into question their positive contribution. Accordingly, the GHG emissions reduction commitment submitted by Valeo to the SBTi does not include the carbon benefits of the use of its technologies in downstream Scope 3. As a world leader in critical electrification technologies for the decarbonization of mobility (48V and high-voltage electric motors, thermal management of vehicles, etc.), Valeo’s aim is to incorporate the impact of the benefits of electrification provided by Valeo’s solutions in terms of reducing GHG emissions (downstream Scope 3) in its adjusted carbon footprint target.

Absolute reduction objectives validated by the Science Based Targets initiative (SBTi)

Valeo has chosen to make its commitments in absolute terms, which means that its emissions targets will remain valid regardless of growth in its sales and its future business development, especially with the increasing shift towards electrification and vehicle connectivity.

To reflect the effort required to achieve these targets, Valeo has also chosen to express them in terms of intensity (tCO₂eq./€m) compared with the ambition of its Move Up plan¹.

¹ The Move Up plan, based on the 2022-2025 strategic and financial outlook, is targeting sales of 25 billion euros (midpoint as updated in February 2024) in 2025 and approximately 40 billion euros in 2030 (as presented in February 2022).

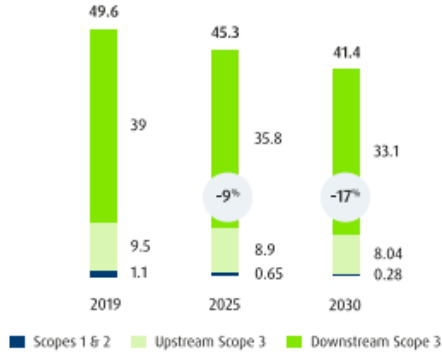
In 2030, in a 40 billion euro sales scenario, the pathways would be as follows:

- a 59% reduction in greenhouse gas emissions of Valeo’s activities per euro of sales compared with 2019, across the entire value chain;
- at the level of its operations (Scopes 1 and 2), an 88% reduction in greenhouse gas emissions from Valeo’s activities per euro of sales compared with 2019;
- for its upstream and downstream scopes (Scope 3), a 59% reduction in greenhouse gas emissions per euro of sales compared with 2019.

For 2025, the calculation was based on the midpoint of the Move Up plan target range, i.e., 25 billion euros.

SBTi TARGETS IN ABSOLUTE TERMS AND CHANGE VS 2019 BASELINE YEAR

(MtCO₂) - (Source: 2023 URD)

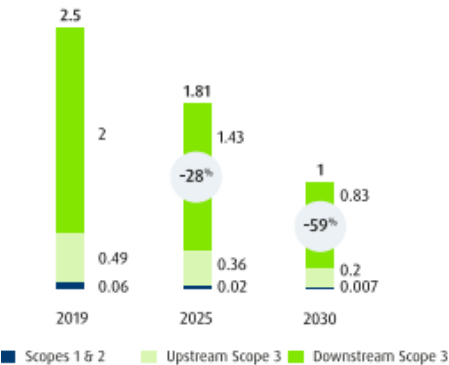


Reduction targets expressed in intensity, relative value

The chart below shows the targets described above in absolute terms as a percentage of the sales projected in Valeo’s Move Up plan.

SBTi PATHWAY IN INTENSITY AS A PERCENTAGE OF SALES (MOVE UP PLAN TARGET) AND CHANGE VS 2019 BASELINE YEAR

(ktCO₂/€m) - (Source: 2023 URD)



Emissions avoided by third parties thanks to Valeo technologies

Valeo has set itself two targets for 2030:

- a reduction in emissions aligned with the SBTi;
- a target related to the impact of the benefits of Valeo’s electrification solutions on the reduction of greenhouse gas emissions (emissions avoided by third parties).

Valeo wanted to align its 2030 greenhouse gas emissions reduction target with the international target-setting framework of the SBTi. The objectives set are in line with the reduction needed to cap global warming at 1.5°C, the highest level of ambition of the SBTi, in keeping with the Paris climate agreement (COP 21).

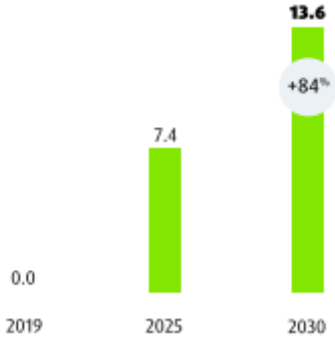
Due to the complexity of inter-sectoral harmonization, the methodology developed by the Science Based Targets initiative (SBTi) does not currently allow for emissions avoided by third parties thanks to products sold by a company to be taken into account. However, this does not call into question their positive contribution. Accordingly, the greenhouse gas reduction commitment submitted by Valeo to the SBTi does not include the carbon benefits of the use of its technologies by other parties.

As a developer of electrification technologies that are key for the decarbonization of mobility (48V and high-voltage electric motors, battery thermal management, etc.), Valeo’s objective was to highlight the benefits of these solutions in terms of greenhouse gas emissions reductions (downstream Scope 3). Valeo refers to these benefits as “emissions avoided by third parties”, or “avoided emissions”.

The chart below shows the pathway for avoided emissions in 2025 and 2030:

EMISSIONS AVOIDED THANKS TO VALEO TECHNOLOGIES

(MtCO₂) - (Source: 2023 URD)



In the interests of transparency, Valeo plans to publish its progress with regard to its Carbon Neutrality Contribution Plan each year, specifying the results obtained in terms of emissions reductions according to the SBTi approach and separately for the benefits of the use of its products by third parties.

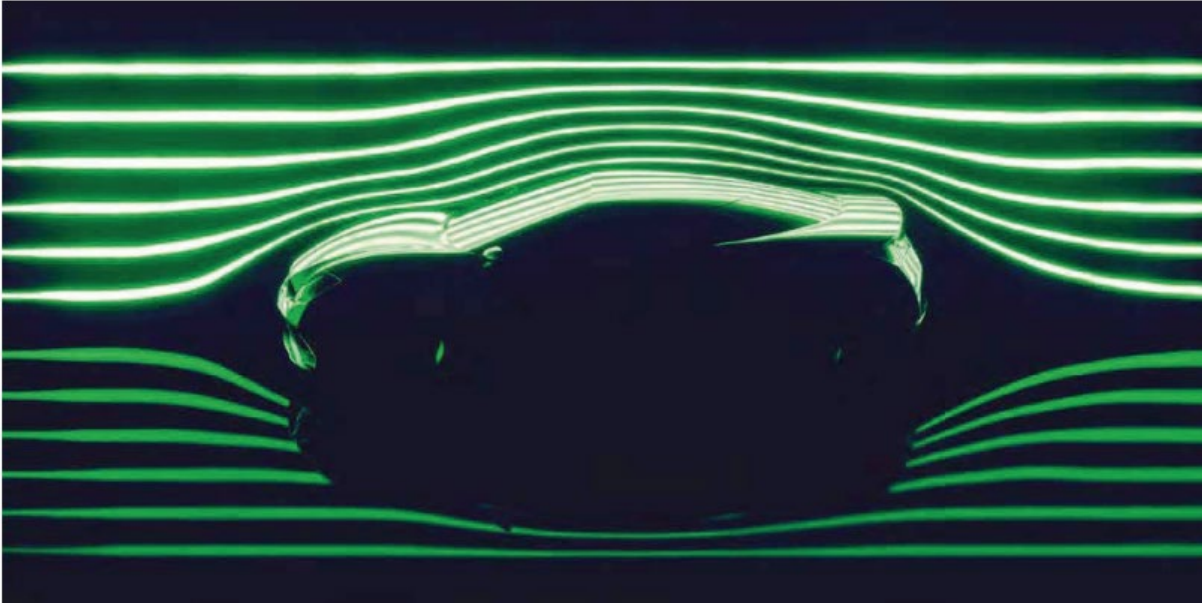
2050 targets

In its plan announced in 2021, Valeo committed to contribute to carbon neutrality by 2050 across all SBTi Scopes 1, 2 and 3 in Europe, and Scopes 1, 2 and 3 (upstream) worldwide.

In keeping with its commitment to the SBTi, which has validated its 2030 targets, Valeo has made an additional commitment by setting a Net Zero target for 2050. This new long-term commitment was submitted to the SBTi in January 2024 and is currently being reviewed (Source: 2023 URD).

The SBTi requires a 90% reduction in emissions by 2050 compared with the baseline year (2019 for Valeo). Residual greenhouse gas emissions, within the limit of 10% of the baseline, will be offset through capture and sequestration initiatives.

This Net Zero commitment is in line with the targets set as part of Valeo’s Carbon Neutrality Contribution Plan.



2. NOTES KPI SELECTION AND CALIBRATION

"Carbon Reduction KPI" means the key performance indicator directly based on the Issuer's commitments to carbon neutrality by 2050 and its 2030 decarbonation trajectory measuring the Issuer's carbon footprint across all of its operational activities and emissions related to its supply chain and use of products (scope 1, scope 2 and scope 3) measured on the Issuer's perimeter at the Target Observation Date, to be approved by the SBTi and defined in the Framework and includes:

- direct green house gas emissions ("GHG"): combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as volatile organic compounds incinerators and direct fugitive emissions relating to refrigerant leaks;
- indirect GHG emissions: associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources;
- indirect GHG emissions linked to the purchase of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- indirect GHG emissions related to the use of products; and
- other indirect GHG emissions regarded as not material (including emissions related to waste management, emissions from the Issuer's assets used with third parties, emission from energy production, emissions from the installation of the Issuer's products in vehicles by automakers, emission related to the processing of end-of-life products and emission from downstream product transportation).

The methodology is based on a set of two calculations:

(i) Fulfilling the requirements of SBTi by 2030 of the baseline of scopes in 2019 for the entire portfolio of solutions of Valeo:

- -75% scope 1+ scope 2;
- -15% scope 3 upstream;
- -15% scope 3 downstream, and

(ii) The net avoided emissions¹ for the vehicles in which Valeo contributes directly through the use of its sold technologies in place in the vehicles: the targeted avoided emissions correspond to -50% by 2030.

The SPTs related to Carbon Reduction KPI for any specific Sustainability Linked Notes will vary based on the maturity of the instrument but will be calibrated off the 2025 and 2030 emissions reduction targets:

(i) Intermediary reduction target: 37.95 million CO₂eq tons in 2025

For information purposes only, Valeo intends to pursue the following objectives, on a best efforts basis, to achieve this intermediary reduction target:

- reducing CO₂eq emissions (scope 1 & 2) from 1.1 million tons emitted in 2019 to 0.65 million tons in 2025
- reducing CO₂eq emissions (scope 3 upstream) from 9.5 million tons emitted in 2019 to 8.9 million tons in 2025
- reducing CO₂eq emissions (scope 3 downstream) from 39 million tons emitted in 2019 to 28.4 million tons in 2025 (including electrification portfolio)

(ii) 2030 reduction target: 27.88 million CO₂eq tons in 2030

For information purposes only, Valeo intends to pursue the following objectives, on a best efforts basis, to achieve this 2030 reduction target:

- reducing CO₂eq emissions (scope 1 & 2) from 1.1 million tons emitted in 2019 to 0.28 million tons in 2030
- reducing CO₂eq emissions (scope 3 upstream) from 9.5 million tons emitted in 2019 to 8.1 million tons in 2030
- reducing CO₂eq emissions (scope 3 downstream) from 39 million tons emitted in 2019 to 19.5 million tons in 2030 (including electrification portfolio)

¹ For further details, please refer to Section 4.3.3, item CO₂ emissions related to the use of Valeo products (Scope 3) of the 2021 URD.

Sustainability Linked Bond Step Up Option Applicable

In case the Step Up Target of 37.95 million CO₂eq tons reduction was not achieved by 31 Dec 2025, the Sustainability Linked Notes Coupons due in 2027 and in 2028 would then be subject to a step up of 75 bps each.

- Step Up Event: Carbon Reduction KPI Event
- SPT: 37.95 million CO₂eq tons in 2025 (Intermediary reduction target)
- Target Observation Date: 31 December 2025



3. KPI PERFORMANCE AND STRATEGY TO ACHIEVE SUSTAINABILITY PERFORMANCE TARGETS ("SPT")

2023 results and performance

The table below sets out the objectives set for each of the approaches adopted by Valeo and the outcomes obtained in 2023.

<i>MtCO2</i>	2019	2020	2021	2022	2023	KPI Target
						2025
Scope 1&2	1.16	0.63	0.78	0.71	0.65	0.65
Scope 3	48.48	39.32	45.46	44.51	44.52	44.70
Gross carbon footprint (SBTI perimeter)	49.64	39.95	46.24	45.22	45.17	45.35
Avoided emissions linked to gains in Valeo Technologies		-0.5	1.2	3.5	6.5	7.4
Adjusted Carbon footprint	49.6	40.5	45.0	41.7	38.7	37.95

The figures are the result of the following noteworthy action plans:

- the results of energy performance projects at certain key Group sites;
- efforts to secure renewable energy capacities;
- measures relating to upstream Scope 3, both with suppliers and internally at Valeo;
- continued progress regarding Valeo’s electrification roadmap.

Between 2021 and 2030, Valeo will devote more than 400 million euros to reducing greenhouse gas emissions related to its operations (Scopes 1 and 2). These investments will be used to upgrade the Group’s sites to enable the current 100 most carbon-intensive facilities to obtain ISO 50001 (energy management) certification and become high-energy efficiency sites by 2030. Upgrades will include the development of eco-friendly buildings, the widespread use of LED lighting and the integration of heat recovery systems. This program has been implemented and the 2025 objective has even been exceeded: 52% of Valeo plants already had ISO 50001 certification in 2023.

In conjunction with these energy performance projects, the proportion of low-carbon energy in the Group’s overall energy consumption will increase from 5.5% in 2019 to 80% by 2030, with a threshold of 50% by 2025. Plants’ initiatives to achieve this objective are described in section 4.2.2 “Valeo’s non-financial risks”, paragraph “Risk of non-achievement of Valeo’s Carbon Neutrality Contribution Plan commitments” of the 2023 Valeo Universal Registration Document available on (www.valeo.com).

To date, Valeo has secured low-carbon energy supply covering 50% of its requirements until 2030. 2024 will be devoted to further work to secure the Group's low-carbon energy supply and rolling out self-generated renewable energy wherever possible.

Valeo has also set the same greenhouse gas emissions objectives for its suppliers. To help reduce upstream Scope 3 emissions, in 2022 Valeo deployed a vast plan aimed at measuring the emissions of all its product platforms through life cycle assessments. This work has permitted the implementation of emissions reductions measures, such as the use of low-emission materials, weight reduction and supporting suppliers in improving their carbon performance. In 2023, 80% of the Group's product platforms will be subject to a product carbon footprint measurement based on life cycle assessments (using the Global Warming Potential indicator). In 2024, Valeo will continue to conduct life cycle assessments for all of its products.

To reduce greenhouse gas emissions related to the end use of products, Valeo will continue to expand its range of technologies that contribute to low-carbon mobility, in particular solutions for vehicle electrification, a field in which the Group is currently world leader. The Group is also continuing its efforts to use lighter materials and alternative technologies to reduce product weight and improve energy performance. In 2023, Valeo validated 60 biosourced and recycled resins, plus seven recycled aluminum materials, which will contribute to reducing the carbon footprint of its materials and products. Lastly, Valeo has calculated the benefit for the planet from its electrification technologies. By 2030, they will help to avoid 13.6 million metric tons of greenhouse gas emissions annually (see section 4.2.2 "Risk of non-achievement of Valeo's Carbon Neutrality Contribution Plan", page 200 of the 2023 Valeo Universal Registration Document available on (www.valeo.com)).

To monitor the plan, Valeo has set annualized greenhouse gas emissions reduction objectives (for each department concerned), backed by action plans for the internal networks contributing to them (Industrial, HSE, Purchasing, Transport and Logistics, R&D, Marketing and Sales). The achievement of these objectives is presented to the General Management at quarterly reviews, and since 2021 has been one of the criteria for the variable compensation of the Chief Executive Officer and more than 1,700 senior executives.

Data on the plan's progress will continue to be reported each year in the Universal Registration Document and in Valeo's responses to the Carbon Disclosure Project (CDP) non-financial questionnaire. Since 2021, greenhouse gas emissions data on all the items covered by the Carbon Neutrality Contribution Plan have been included in the annual review of non-financial data carried out by the independent third-party (ITP), in accordance with the French law on the disclosure of non-financial information by corporations (see section 4.9 "Independent third

party's report on the consolidated non-financial information statement", page 292 of the 2023 Valeo Universal Registration Document available on (www.valeo.com)).

Reduction of greenhouse gas emissions within the framework of the Carbon Neutrality Contribution Plan for 2050

By 2023, Valeo had reduced its greenhouse gas emissions by 9%, from 49.6 Mt CO₂ equivalent in the 2019 baseline year to 45.2 MtCO₂eq. The 2023 outcome confirms the robustness of Valeo's action plan and the Group's ability to achieve substantial emissions reductions year after year across its entire scope.

Greenhouse gas emissions by scope: Scope 1, Scope 2 and Scope 3

Since 2009, Valeo has made progress in the analysis of its carbon footprint by evaluating the direct and indirect greenhouse gas emissions resulting from its activities. In 2023, indirect and direct gas emissions as defined under above section 2. were included in the review:

In 2023, Scope 1 and 2 greenhouse gas emissions as a proportion of sales totaled 31.7 tCO₂eq./€m, of which 9.1 tCO₂eq./€m for direct emissions and 22.6 tCO₂eq./€m for indirect emissions. This corresponds to a decrease of 44.9% compared with 57.5 tCO₂eq./€m in 2019.

The Group reduced its greenhouse gas emissions (Scope 1, Scope 2) to 464 ktCO₂eq. in absolute terms, against a target of 790 ktCO₂eq. at the end of 2023, i.e., a reduction of 49% compared with the baseline volume of 966 ktCO₂eq. in 2019.

This reduction is achieved through several means:

- purchase of electricity of guaranteed carbon-free origin in Asia (China and India), in North America (Mexico), in Central Europe (Poland, Czech Republic and Hungary);
- installation of new photovoltaic panels at the Penang (Malaysia) and Chonburi (Thailand) sites of the Comfort & Driving Assistance Systems Business Group, the Shenyang and Wuhan (China) sites of the Visibility Systems Business Group, and the Nanjing (China) site of the Thermal Systems Business Group;
- replacement of gas heating with heat pumps at the Fujioka (Japan) site of the Visibility Systems Business Group and biomass boilers at the Ebern (Germany) site of the Powertrain Systems Business Group;

- implementation of an energy saving approach, including the reduction of building temperature settings by at least 2°C throughout the Group;
- improvement of the energy efficiency of the Group's sites through the sharing of best practices across the industrial network:

Scope 1:

- elimination of gas-powered dryers in the Powertrain Systems Business Group;
- reduction of gas furnace heating temperatures in the Thermal Systems and Propulsion Systems Business Groups;

Direct greenhouse gas emissions (ktCO₂eq.) – Emission sources	2020	2021	2022	2023
Emissions generated by fuel oil and gas combustion at sites (ktCO ₂ eq.)	135.8	164.2	164.2	157.1
Direct emissions from non-energy processes (ktCO ₂ eq.)	5.6	4.5	2.7	1.7
Emissions caused by Valeo's vehicle fleet (ktCO ₂ eq.)	16.2	16.0	14.5	15.2
Fugitive emissions (refrigerant leakage) (ktCO ₂ eq.)	13.0	8.8	9.8	12.1
TOTAL DIRECT EMISSIONS (ktCO₂eq.)	170.6	193.5	191.1	186.1
TOTAL DIRECT EMISSIONS/SALES (tCO₂eq./€m)	11.4	11.3	10.7	9.1

Direct greenhouse gas emissions related to the consumption of gas and fuel oil decreased by 4% in absolute terms and by 15% as a percentage of sales between 2022 and 2023. The main reasons for the reduction in these emissions are the decline in domestic gas consumption and the energy savings plan launched by Valeo in October 2022, including a 2°C reduction in building temperatures. With the Carbon Neutrality Contribution Plan, the Group's business groups are accelerating the conversion of gas-fired processes to electric processes in order to reduce direct greenhouse gas emissions.

The reduction in direct greenhouse gas emissions is also the result of the reduction of other non-energy processes, which began in 2021 with the gradual replacement of VOC burners with equipment powered by biomass.

Gas-powered forklifts

To reduce direct emissions from the vehicle fleet, Valeo has started to replace gas-powered forklifts with electric forklifts, thereby reducing direct emissions. In 2023, the number of gas-powered forklifts was 59, a reduction of 66% since 2019. Valeo's vehicle fleet is also gradually being switched to hybrid and electric models.

Scope 2:

- optimization of heat loss on presses by insulating the barrel, extended this year to the Rayong (Thailand) site of the Visibility Systems Business Group and the Chonburi (Thailand) site of the Comfort & Driving Assistance Systems Business Group;
- installation of systems to recover heat from compressors or cooling units for reuse in other plant areas, as was done at the Shenzhen (China) and Ben Arous (Tunisia) sites of the Comfort & Driving Assistance Systems Business Group in 2023;
- replacement of fixed compressors with latest-generation variable displacement compressors in 2023 at the Nanjing (China), Chennai (India), Bursa (Turkey) and Kyongju (Korea) sites of the Powertrain Systems Business Group, and the Guangzhou (China) site of the Comfort & Driving Assistance Systems Business Group;
- reduction of air pressure in the global network through the installation of accumulators and overpressure units on machines locally. These initiatives are often carried out together with the optimization of air network pipes to reduce leakage;
- replacement of lighting systems using conventional fluorescent or metal-halide lights with more energy-efficient LEDs. Although the sites previously replaced lighting in successive stages spanning several years, in 2019, the Valeo Group decided to roll out an LED plan on all continents. The already very high implementation rate has been further improved with the addition of the Wenling (China) and Czechowice (Poland) sites;
- installation of automatic on-off lighting systems, optimization of compressed air systems by such means as the reduction of the use of pressure in air networks, implementing an organizational procedure for switching on and off compressors supplying the compressed air network and the detection of leaks using an ultrasonic sensor.
- most sites also set up awareness campaigns on the responsible use of energy, especially during the Sustainable Development Week.

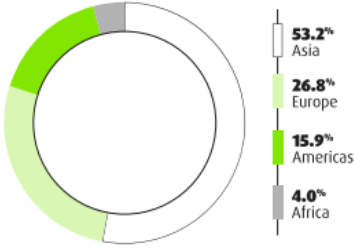
Indirect emissions related to electricity consumption⁽¹⁾⁽²⁾ and other energy such as steam, compressed air, etc.	2019	2021	2022	2023
TOTAL INDIRECT EMISSIONS (ktCO₂eq.)	892.0	581.5	517.4	464.3
TOTAL INDIRECT EMISSIONS/SALES (tCO₂eq./€m)	47.6	33.9	29.1	22.6

(1) The calculation takes into account the primary energy sources used to generate electricity in each country.

(2) The calculation also takes into account purchases of low-carbon energy with guarantee of origin.

Since 2020, the Group has reported its indirect Scope 2 emissions values using the market-based method, defined by the Greenhouse Gas Protocol³. Between 2022 and 2023, Valeo's indirect greenhouse gas emissions fell by 10% in absolute terms and by 22% as a proportion of sales.

GEOGRAPHIC BREAKDOWN OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 2) ASSOCIATED WITH THE GROUP'S ENERGY CONSUMPTION IN 2023



The chart above shows the geographic breakdown of direct emissions related to gas and fuel oil combustion by sites and indirect emissions related to electricity consumption.

Without taking into account guarantees of origin on electricity purchases, sites in Asia emit nearly 53.2% of the Group's total greenhouse gas emissions. As power stations in Asia run predominantly on coal, Valeo has decided to offset its growth in Asia by purchasing low-carbon electricity with guarantee of origin so as to reduce its indirect emissions of greenhouse gas in absolute terms.

³ See sustainable development glossary, page 291.

Scope 3:

For 2022, Valeo had set itself the objective of carrying out LCAs for nine of its main platforms, which together account for nearly 36% of sales. More than 20 platforms were analyzed in 2022. Analysis work continued in 2023, covering 54 platforms (i.e., 65% coverage of Valeo products). The first step, which is the longest, namely data collection, has already been completed for 65% of product platforms.

In 2023, Valeo also continued its efforts to identify and qualify greener and lighter materials, so as to integrate them into its products.

The following indirect greenhouse gas emissions (Scope 3) related to Valeo's operations are considered material:

- emissions linked to purchases of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals);
- emissions from product use.

For transparency, Valeo estimated all other indirect emissions sources (Scope 3) linked to its activity in 2019. Other indirect greenhouse gas emissions (Scope 3) not considered material are:

- emissions related to waste management in the relevant channels;
- emissions from Valeo's assets used by third parties (e.g., loans of molds to suppliers);
- emissions from energy production (e.g., extraction of gas or fuel oil);
- emissions from the installation of our products in vehicles by automakers;
- emissions related to the processing of end-of-life products;
- emissions from downstream product transportation. Transportation of this nature is mainly handled by Valeo customers.
- Although they are not considered material, Valeo has chosen to publish the following emissions data related to its activity:
 - emissions related to the upstream transportation of goods and raw materials;
 - emissions from employee travel (commuting and business trips).

In 2023, total indirect emissions (Scope 3) amounted to 44.8 MtCO₂eq., up 0.1% in absolute terms between 2022 and 2023. Indirect emissions fell by 13% as a proportion of sales between 2022 and 2023.

Relevant indirect greenhouse gas emissions (ktCO₂eq.) – Emissions sources	2019	2021	2022	2023
Emissions generated by the production of the main materials used in industrial processes, of which:	9,179	8,053	8,243	8,000
Materials (metals)	5,807	3,884	3,624	4,300
Materials (other)	3,372	4,169	4,619	3,700
Emissions generated by upstream logistics:	283	253	451	317
Transportation operated by Valeo:	283	253	266	212
Road/rail/maritime transportation	184	139	181	153
Air/express transportation	99	114	85	59
Transportation operated by third parties:			185	105
Road/rail/maritime transportation			137	76
Air/express transportation			48	29
Emissions generated by employee travel of which:	236	298	222	235
Commuting	209	290	179	188
Business trips	27	9	42	47
Emissions from product use:	39,000	36,845	35,814	36,200
TOTAL RELEVANT INDIRECT EMISSIONS	48,698	45,449	44,730	44,752

4. METHODOLOGY

Greenhouse gas emissions related to the use of Valeo products (Scope 3)

Absence of sector-specific methodology for equipment manufacturers:

In accordance with the recommendations on identifying and reporting the volumes of indirect CO₂ emissions related to Valeo's operations¹, the Group undertook extensive work in 2017 to lay down a methodology for calculating emissions relating to the use of its products, in the absence of existing methodology in the industry:

- in view of the wide range of uses² offered by Valeo products, which vary depending on the choices made by automakers on which Valeo only has a certain amount of information, this work drew on the modeling of its products' carbon impacts and was based on the parameters set out below;
- the work benefited from scientific and technical advice from EMISIA SA³, a branch of the Applied Thermodynamics Laboratory of the University of Thessaloniki (Greece) and an expert in modeling transportation-related CO₂ impacts recognized by the European Commission.

Valeo's approach was to evaluate the level of emissions of products representative of the diversity of its product portfolio throughout their use phase, which most often corresponds to the lifespan of a vehicle, factoring in the following parameters:

- the products' weight and power consumption characteristics;
- the technical characteristics of the vehicles fitted with Valeo products through a segment-specific approach, taking into account the vehicles' specific uses (rolling, product life);
- the penetration of Valeo technologies in the market and within the specific segments reviewed;
- the characteristics of the global market; and
- Valeo's annual sales of the technologies taken into account for this calculation.

¹ Article 173 of Law No. 2015-992 of August 17, 2015 relating to the energy transition for green growth

² The absence of a relevant calculation methodology for an automotive supplier is confirmed by the work of the SBTi: the methodology developed for automakers indicates that a calculation methodology for equipment manufacturers is yet to be developed (see "Transport Science-Based Target setting Guidance", section 3.4, page 19).

³ EMISIA is notably in charge of managing the European TRACCS database, resulting from a European project financed by the Directorate-General for Climate Action of the European Commission, DG-CLIMA (TRACCS, for "Transport data collection supporting the quantitative analysis of measures relating to transport and climate change").

This work was continued and further established in 2020 as part of the development of Valeo's Carbon Neutrality Contribution Plan, as CO₂ emissions relating to the use of Valeo products represent the most significant source of so-called Scope 3 emissions⁴. This work involved the following actions in 2020:

- review of the accounting of products' nominal carbon impact;
- review of the relevant emissions calculation cycle, with all emissions from Valeo products being calculated in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) so as to reflect real-life conditions of use as closely as possible;
- integration of the carbon impact of the energy (fossil fuel or electric) consumed by the various types of vehicles in which Valeo products are installed, allowing well-to-wheel⁵ emissions to be calculated on a regional basis;
- integration of all Valeo product families so as to cover the Group's entire annual sales.

This methodological review received scientific and technical support from EMISIA SA in 2020.

It resulted in a revision of emissions for 2019 to 39 MtCO₂eq. and those for 2022, i.e., 36 Mt CO₂eq. Under this methodology, emissions for 2023 totaled 36.2 MtCO₂eq., a reduction of 7% compared with 2019. This significant decline is the result of the acceleration in electrification in 2023, with new vehicle launches in Europe, and changes in Valeo's product mix.

As part of the Carbon Neutrality Contribution Plan for 2030, Valeo has set the objective of reducing emissions linked to the use of its products by 15% in absolute terms compared with 2019. This objective was constructed on the basis of individual vehicle penetration scenarios and new forms of mobility by global region, integrating projections from several sources and taking into account the Group's growth outlook. It is consistent with the reference framework set by the SBTi and follows its cross-sector methodological recommendations for calculating Scope 3 emissions.

⁴ To be endorsed by the SBTi, a CO₂ emissions reduction target must include at least 60% of so-called Scope 3 emissions (see SBTi Criteria and Recommendations, Version 4.1, April 2020).

⁵ The data on the carbon impact of the energy consumed by the vehicles under consideration come from the fifth updated edition of the work of the JEC published in September 2020, the result of a consortium of joint work between the European Commission's JRC, the European Council for Automotive R&D (EUCAR) and the European Energy Industry Association (Concawe).

Avoided emissions at third parties thanks to Valeo portfolio

In addition, to assess the carbon impact of Valeo's products resulting from its investments in electrification, Valeo has measured the greenhouse gas emissions avoided by third parties thanks to the use of its products (difference between the average greenhouse gas emissions of products sold by Valeo in the annual production of motor vehicles for the 2019 baseline year and that of the year under review). In 2023, the technologies sold by Valeo made it possible to avoid 6.5 MtCO₂eq. more emissions than in 2019 which is CAP 50 Baseline.

Up to 2023, Valeo has reported avoided emissions associated with the electrification portfolio, although research is underway to extend this to other products where appropriate.

To assess avoided emissions at third parties to Valeo products, the energy consumption of an average car worldwide is taken into account. Energy is assessed from well to wheel (WtW), using WLTC data corrected to be in line with real driving emissions (RDE).

The total energy and associated emissions are then compared with those of a reference vehicle equipped with an internal combustion engine (ICE) of the current year.

To attribute part of these avoided emissions to Valeo products, we take into account the share of the value of the Valeo product compared to that of the system as a whole.

CO₂ emissions for electric vehicles take into account world average electricity CO₂ content.

The lifetime of electric vehicles is supposed to be the same as internal combustion engine vehicles.

Emission factor used to estimate the CO₂ benefits:

- CO₂ Emission, WtW, ICE : 184 g CO₂/km
- CO₂ Emission, WtW, BEV : 94 g CO₂/km



61, rue Henri Regnault
92400 Courbevoie
France

Tél : +33 (0)1 49 97 60 00 - Fax : +33 (0)1 49 97 60 01
www.mazars.fr

Valeo

Limited assurance report from the independent third-party organization on a selection of KPI Performance and Strategy included in the Sustainability Linked Bond Progress Report

Financial year ending 31 December 2023

Limited assurance report from the independent third-party organization on a selection of KPI Performance and Strategy included in the Sustainability Linked Bond Progress Report

Financial year ending 31 December 2023

To the Board of Directors of Valeo,

In our capacity as independent third-party organization of **Valeo** (hereinafter the “Company”), and in accordance with your request, we have undertaken a limited assurance engagement on a selection of KPI Performance and Strategy presented below (hereinafter the “Information”), prepared in accordance with the Green and Sustainability-Linked Financing Framework of September 2023 (hereinafter the “Framework”), for the year ended December 31, 2023, presented in the Sustainability Linked Bond Progress Report (hereinafter the “Report”):

- gross carbon footprint (SBTI perimeter), scope 1, 2 and 3;
- avoided emissions linked to gains in Valeo Technologies.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

Limited assurance conclusion

Based on the procedures we have performed, as described in the section “Nature and scope of our work” and the evidence we have collected, nothing has come to our attention that causes us to believe that the Information is not prepared, in all material respects, in accordance with the Framework.

Understanding how Company has prepared the Information

The absence of a commonly used generally accepted framework or a significant body of established practice on which to draw to evaluate and measure Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood in conjunction with the Framework, which the Company has used to prepare the Information.

Inherent limitations in preparing the Information

The Information may be subject to inherent uncertainty to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions and/or estimates used for its preparation and presented in the Framework.

Company's responsibilities

Management of the Company are responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- the preparation of the Information in accordance with the Framework;
- designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

Responsibility of the independent third-party organization

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our limited conclusion to the Directors of the Company.

However, we have no responsibility to challenge the assumptions of the Company's management to produce the Information, and, in particular, we give no interpretation on the Framework.

Moreover, we also have no responsibility to comment on whether the Information respects the targets as set out in the Report, as well as the consequences in the event of non-respect.

As it is our responsibility to express an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as this could compromise our independence.

Applicable professional standards

We have performed a limited assurance engagement in accordance with the professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to such engagement and the International Standard on Assurance Engagements 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB).

Independence and quality control

Our independence and other ethical requirements are defined by the provisions of article L. 822-11 of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). We have also complied with the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

In addition, we apply International Standard on Quality Management 1 (ISQM1) and, accordingly, implement a system of quality management including documented policies and procedures regarding compliance with the applicable legal and regulatory requirements, ethical requirements and professional standards.

Our work was carried out by an independent and multidisciplinary team with experience in sustainability reporting and assurance.

Nature and scope of our work

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Information is likely to arise. The procedures we performed were based on our professional judgment.

In carrying out our limited assurance engagement on the Information we:


- understood the procedures implemented by the Company for producing the Information by inquiries of management;
- evaluated the suitability in the circumstances of the Framework, as the basis for preparing the Information;
- through inquiries, obtained an understanding of Company's control environment, processes and information systems relevant to the preparation of the Information, being specified that we did not i) evaluate the design of particular control activities, ii) obtain evidence about their implementation or iii) test their operating effectiveness;
- For each Information:
 - verifying the compliance of the calculation method of Information with the one set out in the Framework;
 - performing analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
 - performing substantive tests, on a sample basis and using other selection methods, to verify its consistency with supporting documents, as appropriate; and
 - verifying the arithmetical accuracy of the Information set out in the Report, after giving effect to rounding, if applicable.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The Independent third party,

Mazars SAS

Paris La Défense, le 26 April 2024

DocuSigned by:

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Tristan MOURRE
Sustainability Partner